



# ANNUAL REPORT 2024 2025



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## 2024/25 HIGHLIGHTS

AWARDS WON		
Global Award (Bronze)	IWA Project Innovation Bronze Awards. A recognition for groundbreaking water and sanitation projects across the world.	2024
Douglas Weir	World Heritage Irrigation Structure Award (Nomination was initiated and led by the WRC on behalf of South Africa). The International Commission on Irrigation and Drainage (ICID) designated the Douglas Weir as a World Heritage Irrigation Structure (WHIS) in recognition of its historical and agricultural significance. This recognition places South Africa among only three African nations, alongside Egypt and Morocco, to receive this high-level WHIS honour.	2024
CAPACITY BUILDING INITIATIVES		
The Emerging Researchers Accelerated Programme	The WRC supported twelve (12) promising emerging researchers by awarding them post-doctoral support bursaries. This is in addition to the more than 250 Master's and Doctoral students supported through research and innovation projects.	
Young Engineers Changemakers Programme (YECP)	The WRC supported eight (8) municipal engineers who participated in the YECP cohort and international study tour. The YECP contributed to the development of young engineers based in various municipalities in the country.	
Targeted training for municipal stakeholders	The training focus was to enhance water quality and wastewater management for process controllers.	
INTERNATIONAL CONFERENCE		
The 14 <sup>th</sup> IWA Water Reclamation & Reuse Conference in Cape Town had participants from 42 countries. The conference provided a platform to showcase advanced innovations and knowledge solutions to initiate or advance water reuse and the water circular economy.		
RESILIENCE IN COMMUNITIES		
The Giyani Local Scale Climate Resilience Programme was concluded.		
Climate-resilient sanitation technologies were demonstrated.		
The Arid Region Water Research Centre (ARWRC) was established by the WRC and Sol Plaatje University (SPU) in the Northern Cape, one of the country's most water-scarce regions.		
INCREASING CLIMATE CHANGE ADAPTATION		
The bag system – a hydroponic system for vertically growing vegetables in bags filled with sawdust or soil – was rolled out.		
A WRC study developed a comprehensive diagnostic framework for assessing schistosomiasis prevalence in low-transmission settings.		
ADVERTISING VALUE EQUIVALENCE		
The WRC generated 1 789 mentions, with a total Advertising Value Equivalent (AVE) of R52 121 490,31		
The WRC achieved a combined reach of 41 904 609 419		
SOCIAL MEDIA REACH		
The overall reach of social media users is 1 105 494		

## Part A: General information

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Board secretary:	Keitumetse Zulu
Board Secretary professional/designation	Governance Practitioner

**RP340/2025**

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# List of abbreviations

AC	Audit Committee
AGSA	Auditor-General of South Africa
AI	Artificial intelligence
APP	Annual Performance Plan
ARWRC	Arid Region Water Research Centre
AVE	Advertising Value Equivalence
BMS	Business Management System
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIO	Chief Information Officer
CSI	Corporate social investment
CSR	Corporate social responsibility
DSTI	Department of Science, Technology and Innovation
DWS	Department of Water and Sanitation
EWSETA	Energy & Water Sector Education Training Authority
FMS	Financial Management System
GLSCRIP	Giyani Local Scale Climate Research Programme
GEP	Graduate Employment Programme
HCD	Human capital development
HDI	Historically disadvantaged institution
HRC	Human Resource Committee
ICT	Information and communication technology
IMESA	Institution of Municipal Engineering of Southern Africa
IoT	Internet of Things
IWA	International Water Association
KPA	Key performance area
NatSilt	National Dam Siltation Strategy Programme
NDP	National Development Plan

NGO	Non-governmental organisation
NRW	Non-revenue water
NWA	National Water Act
NWRS-2	National Water Resource Strategy 2
NWSMP	National Water & Sanitation Master Plan
PAIA	Promotion of Access to Information Act
PFMA	Public Finance Management Act
POPIA	Protection of Personal Information Act
R&D	Research and development
RDI	Research, development and innovation
RIC	Research and Innovation Committee
RW	Rand Water
SADC	Southern African Development Community
SASTEP	South African Sanitation Technology Enterprise Programme
SCM	Supply chain management
SDG	Sustainable Development Goal
SMME	Small, medium and micro enterprises
SPU	Sol Plaatje University
SWSA	Strategic water source area
SWO	Smart Water Operations [Platform]
TIA	Technology Innovation Agency
WEF	Water–energy–food Nexus
WISA	Water Institute of Southern Africa
WRA	Water Research Act
WRC	Water Research Commission
WRL	Water Research Levy
YECP	Young Engineers 'Changemakers' Programme



## Pemmy Majodina

Minister of Water and Sanitation

Water is life. Yet, in South Africa, a country marked by climate variability, population growth, urbanisation, and economic inequalities, the availability, quality, and equitable distribution of water remain critical and persistent challenges.

# Minister's Foreword

Millions of South Africans still live without reliable access to clean water and dignified sanitation. From rural villages to urban townships, water security is undermined by drought, pollution, ageing infrastructure and lack of investment. In this context, water research, development and innovation (RDI) are not luxuries; they are essential instruments for survival, sustainability and transformative change.

South Africa has one of the most advanced water RDI sectors on the African continent, driven by institutions such as the Water Research Commission (WRC) leading universities, science councils and a growing ecosystem of innovators and entrepreneurs. Together with government entities, universities, science councils and communities, the WRC drives the development of scientific knowledge, practical solutions and innovative technologies to address every facet of the water value chain – from source to tap, and from waste to reuse. The Commission's work is the foundation on which effective water governance, service delivery and climate resilience must be built.

Water research helps us understand South Africa's unique hydrological systems, the impact of land use and climate change on our water resources, and how human behaviour influences water quality and consumption. It provides the foundation for evidence-based policies that guide decision-makers at all levels, from municipalities managing local supply to national departments shaping long-term strategies. Without research, we cannot measure effectiveness, track progress, or adapt our approaches to ensure water resilience for future generations.

Development in this sector includes the design and improvement of infrastructure, from rural boreholes to large-scale treatment plants. It also encompasses community-centred projects that harness traditional knowledge, appropriate technologies and capacity-building to empower people to take charge of their water futures. These development efforts bridge the gap between high-level research and the lived realities of

communities across South Africa.

Innovation, perhaps the most transformative of the three pillars, introduces new ways of thinking, planning and acting. It enables the creation of smart water management tools, mobile apps for leak detection and water quality testing, nature-based solutions, and low-cost sanitation alternatives suited to informal settlements. Innovation is also about finding new partnerships between public, private and civil society sectors to co-create solutions that are scalable, inclusive and sustainable.

The real value of water RDI lies in its ability to place people at the centre. Solutions must work not only in laboratories or boardrooms, but in households, schools, clinics, and farms. They must support municipalities to operate efficiently, empower local entrepreneurs, and enable communities to participate in their own development. This people-centred approach ensures that the benefits of water RDI reach those who need it most, especially the historically marginalised. It is for this reason that we appreciate the stakeholder-centric strategy that the WRC has chosen.

Investing in water RDI is an investment in the future of South Africa. It is key to achieving universal access to water

and sanitation services as envisioned in the Constitution, the National Water and Sanitation Master Plan, and the Sustainable Development Goals. It is critical for building climate resilience, promoting public health, driving economic development, and ensuring social justice.

As we look to the future, we must continue to strengthen and fund water RDI, foster collaboration across disciplines and sectors, and ensure that young scientists, engineers and community innovators are supported and included. We must not only generate knowledge, but apply it, scale it, and monitor its impact. Only then can we build a water-secure South Africa, where every person – regardless of where they live – has access to safe water and dignified sanitation.



**Miss Pemmy C P Majodina, MP**  
Minister of Water and Sanitation



**Dr Rethabile Bonang Melamu**  
WRC Chairperson

In South Africa, a country characterised by climate variability, semi-arid landscapes, and increasing demand, water security has become one of the most pressing challenges of our time. As we confront the impacts of climate change, rapid urbanisation, and population growth, it is increasingly clear that traditional approaches to water management are no longer sufficient. We must embrace research, development, and innovation (RDI) as critical drivers of sustainable and equitable water solutions.

## Chairperson's Foreword

Not only has the WRC set out to ensure that innovative and technologically advanced solutions are developed for South Africa's water challenges, but it has also crafted its strategy to be stakeholder-centric, which ensures that the agenda is informed by real-world problems and priorities. This fosters co-creation and co-ownership, which enhances the relevance, adoption, and longevity of innovations. It also builds trust and accountability, especially in communities that have historically been marginalised or excluded from decision-making. Moreover, it enables a pooling of knowledge – combining indigenous wisdom with cutting-edge science – and strengthens partnerships that are essential for scaling impact.

In the South African context, where socio-economic disparities are stark and institutional capacity is uneven, a stakeholder-driven approach is not just beneficial, it is essential. It helps bridge the gap between policy and practice, between innovation and implementation. It drives more equitable outcomes and supports a just transition to a sustainable and climate-resilient future.

### **RDI activities and partnerships**

The WRC's Research, Development and Innovation (RDI) activities are executed through five thematic areas, which allow for the organisation to organise its impact on two fronts: firstly, it allows for a more efficient administrative process, and secondly, it allows the WRC to highlight key identified priority areas:

- **Water availability** – This thematic area seeks to ensure sustainable water availability across all scales and contexts, and to produce innovations that resolve water challenges and improve water management practices.
- **Water use** – This thematic area seeks to provide knowledge and innovation that ensures reliable, affordable, and efficient water use services in the domestic, industrial, agricultural, and mining areas to enhance the quality of life and contribute to economic growth and improved public and environmental health.
- **Water quality and health** – This thematic area drives

integrated research and innovation to generate new knowledge, insights, and data to inform the establishment of appropriate health-based targets and thresholds for different water uses, as well as for the development and deployment of appropriate and innovative water treatment and ecological infrastructure rehabilitation methods.

- **Water advisory support** – This thematic area seeks to support extension services and strengthen capacity-building instruments through support for centres of excellence, communities of practice, research chairs, and advisory panels, in areas of importance at the local, district, provincial, and national levels. It is expected that the WRC, through this theme, will accelerate development support for technologies ready for demonstration and transfer, and provide support to grassroots innovators, startups, and entrepreneurs.
- **Knowledge services** – Water RDI products must reach target audiences with different levels of expertise. Among its main stakeholders, the WRC counts academia, students, regulators and policy developers, water services and resource entities, the Department of Water and Sanitation, and other associated government departments. An unremitting goal for the WRC is to improve the accessibility of knowledge generated through WRC-supported research to the stakeholders it is intended to reach, in a format that is acceptable and understandable for each stakeholder type.

Over the past financial year, WRC RDI activities have, among others, looked to advancing water reuse technologies in high water demand areas to improve catchment management while ensuring that the benefits of innovation are accessible to all segments of society, for example, the rollout of advanced non-sewered sanitation to rural schools through the SASTEP programme. The WRC has also participated in fora such as the Association of Water and Sanitation Institutions in South Africa, the International Water Association, and the Africa Water and Sanitation Association, to name a few. The latter saw the establishment of a hub for the testing of innovations in the field of water and sanitation in Africa.

### Medium to long-term strategic focus

In the medium to long term, the WRC has geared itself to pursue initiatives that will contribute to the achievement of its five strategic outcomes, namely to:

- enhance communities' adaptation and resilience to climate change
- empower and influence stakeholders
- build an innovative water sector
- build an efficient and engaged organisation
- ensure the WRC is financially sustainable

### Appreciation

I wish to thank the Minister of Water and Sanitation, the Deputy Ministers, and officials of the Department of Water and Sanitation for their support. I further wish to express my sincere gratitude to the members of the Board, WRC executive management, staff, stakeholders, and international and national partners for their unwavering commitment and support, which has allowed the WRC to be a credible knowledge hub for the sector.

As we move forward, the value of water RDI to South African society will only grow. It will be key to achieving national development goals, meeting international obligations such as the Sustainable Development Goals, and realising the constitutional promise of dignity, equality, and a better life for all. But this value can only be fully realised if research strategies are inclusive, responsive, and anchored in the lived realities of those they aim to serve. The future of South Africa will be shaped not only by science, technology and innovation, but by our collective ability to listen, collaborate, and innovate together.



**Dr RB Melamu**

Chairperson of the WRC Board



## WRC BOARD



**Dr Rethabile Bonang Melamu**  
Chairperson

**Dr Harrison Pienaar**  
Deputy Chairperson

**Adv Reinette Mary Rosey**  
Board Member

**Prof Nnenesi Kgabi**  
Board Member



**Dr Tendai Sawunyama**  
Board Member

**Ms Zama Portia Dlamini**  
Board Member

**Prof Aldo Stroebel**  
Board Member

**Ms Megan Schalkwyk**  
Board Member



**Ms Nkuli Mxenge-Mayende**  
Board Member

**Mr Willem Bertram Baird**  
Board Member

**Mr Stanley Ngobeni**  
Audit Committee Chairperson

**Dr Jennifer Molwantwa**  
WRC CEO



## Dr Jennifer Molwantwa

Chief Executive Officer

Water is the cornerstone of life, livelihoods, and economic development. In South Africa, a country marked by both arid landscapes and pressing developmental challenges, the significance of water transcends basic survival. This scarce resource is intricately linked to health, food security, industry, energy, and environmental sustainability.

## CEO's Overview

The future prosperity of South Africa largely depends on how we manage, conserve, and innovate around this most vital resource. In this context, water research, development, and innovation (RDI) are not luxuries – they are imperatives.

Water and sanitation RDI offers a pathway not only to mitigate risks but also to unlock new opportunities. Scientific research enables us to gain a deeper understanding of hydrological systems, the impacts of climate change, and the interdependencies between water and other sectors. Technological innovation enables more efficient water use, smarter infrastructure, advanced treatment and reuse, and real-time monitoring of water quality and flows. Development interventions translate these insights into practical solutions that can be deployed at scale, particularly in underserved and rural communities.

For water RDI to be meaningful and transformative, it must be grounded in a robust and inclusive research strategy, one that is stakeholder-centric by design. The WRC is accountable to stakeholders who have legitimate and reasonable expectations for the research that the WRC enables. An informed society relies heavily on impactful stakeholder engagement that integrates the perspectives of various stakeholders. Such processes not only build trust but also enhance the relevance and acceptance of interventions by aligning them with local needs and contexts. Impactful stakeholder engagements are a means for the WRC to close the gap between knowledge production, the use of research and innovation products, and influencing policy and broader water sector decision-making.



During 2024/25, the WRC continued to move towards stakeholder engagement organised to promote science, technology, and innovation for socio-economic impact, striking an appropriate balance between academic, instrumental, and conceptual impact. In the year under review, the WRC achieved twelve (12) out of thirteen (13) targets outlined in its Annual Performance Plan (APP), marking a significant milestone in advancing its strategic objectives. These accomplishments were aligned with five key strategic outcomes, which were implemented across the WRC's programmes. This success underscores the organisation's commitment to delivering impactful results and driving progress toward its long-term goals.

#### **General financial review and spending trends**

The water research levy remains the main income stream for the WRC, and it is augmented by leverage income from research partners and donors. This enabled the increase in the impact of the commission on stakeholders. During the year under review, RDI accounted for 51.4% and HR for 25% of the WRC total spend. The WRC research projects were finalised with a focus on water security, resilience, and adaptation.

#### **Capacity constraints and challenges**

During 2024/25, the WRC prioritised addressing critical human resource capacitation aligned to the revised and approved organisational structure, reflecting the WRC's commitment to fostering a productive and aligned work environment that supports institutional objectives. However, 28% of vacancies remain, resulting in more having to be done with less available capacity.

#### **Supply chain management**

The recognition of the strategic value of Supply Chain

Management (SCM) in service delivery has enabled the WRC to support government policies through its procurement spend. During the reporting period, the WRC successfully implemented planned procurement projects in line with the approved procurement plan. Through its non-RDI-related procurement activities, 67.8% of expenditure was directed toward Black-owned businesses and 69.3% toward women-owned businesses.

#### **Matters arising from the Audit report**

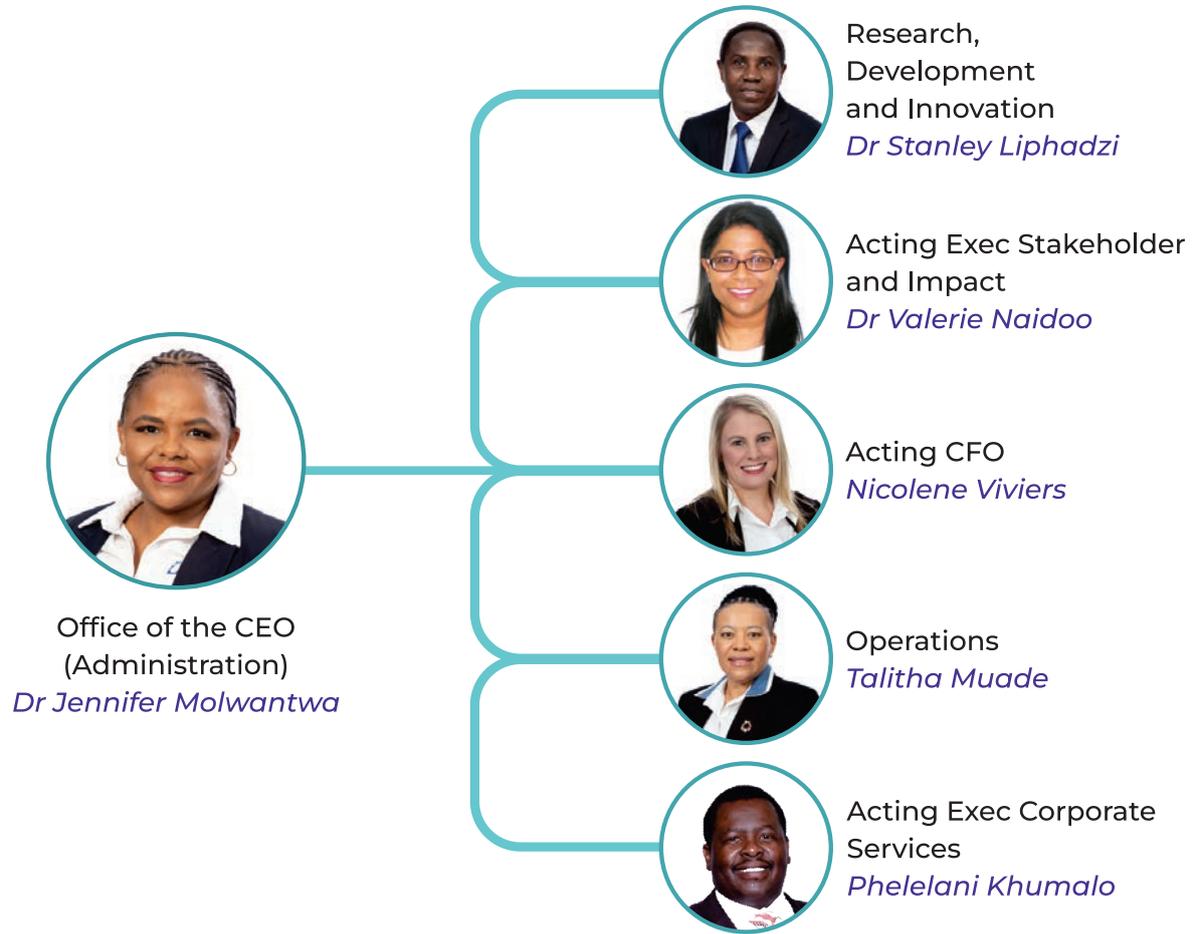
In the year under review, the WRC achieved an unqualified audit opinion by the Auditor-General. All audit findings raised by the auditors are attended to, and control measures will be implemented to mitigate against recurrence.

I want to thank the WRC Board, led by Chair, Dr Rethabile Bonang Melamu, for their strategic direction and guidance. I also wish to express my gratitude to Minister of Water and Sanitation, Ms Pemmy Majodina, and her Deputy Ministers, for their interest in and support of the WRC during the year.

**Dr Jennifer Molwantwa**

Chief Executive Officer

EXECUTIVE MANAGEMENT





# Statement of responsibility and confirmation of accuracy of the Annual Report

To the best of my knowledge and belief, I confirm the following:

- All information and amounts disclosed throughout the annual report are consistent.
- The annual report is complete, accurate, and free from any omissions.
- The annual report has been prepared in accordance with the guidelines on the annual report as issued by the National Treasury.
- The Annual Financial Statements (Part F) have been prepared in accordance with the Standards of General Recognised Accounting Practice (GRAP) and the relevant frameworks and guidelines issued by the National Treasury.
- The Accounting Officer is responsible for the preparation of the annual financial statements and the judgments made in this information.
- The Accounting Officer is responsible for establishing and implementing a system of internal control that has been 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 my opinion, the annual report fairly reflects the operations, the performance information, the human resources information, and the financial affairs of the public entity for the financial year ended 31 March 2025.

**Dr JB Molwantwa**  
Chief Executive Officer

**Dr RB Melamu**  
Chairperson of the Board

# Strategic Overview

Water, a critical strategic resource in South Africa, drives basic human needs and key economic sectors, impacting the nation's socio-economic well-being and prosperity. Sustainable management of this finite and scarce resource is essential for South Africa's development and prosperity. The water science community's mandate is to translate research, development, and innovation into real solutions to address poverty, inequality, and unemployment, while leveraging knowledge to advance opportunities and ensure prosperity.

The WRC vision, mission and values guide the WRC's conduct with its stakeholders.



## Vision

To have highly informed water decision-making through science and technology at all levels, in all stakeholder groups, and innovative water and sanitation solutions through research and development for South Africa, Africa and the world.



## Mission

To be a global water knowledge node and South Africa's premier water knowledge hub, active across the innovation value chain that:

- informs policy and decision-making.
- creates new products, innovation and services for socio-economic development.
- develops human capital in the water and sanitation science sector.
- empowers communities and reduces poverty.
- supports the national transformation and redress project.
- develops sustainable solutions and deepens water and sanitation research and development in South Africa, Africa and the developing world.



## Values

- A culture of learning and sharing
- Innovation and creativity
- Integrity and fairness
- A spirit of professionalism and service orientation
- Facilitating empowerment and social change
- Good governance



## Legislative framework

The WRC was established in 1971 and is a schedule 3A entity in terms of the Public Finance Management Act (PFMA). The WRC serves as the RDI partner of the sector leader, the Department of Water and Sanitation (DWS), and provides the sector with knowledge and capacity to ensure sustainable management of water resources and enhance water services. The legislation, policy and related regulation applicable to the WRC's mandate are indicated in Table 1.

*Table 1. Legislation, policy, and related regulations guiding the WRC.*

Legislation	Section	Description
Constitution of the Republic of South Africa Bill of Rights, 1996	Section 16	Freedom of expression and the right to academic freedom and freedom of scientific research
	Section 27.1b	The right to have sufficient access to water
	Part B of Schedule 4	Executive Authority has the responsibility to support and strengthen the capacity of municipalities to manage their own affairs, to exercise their powers and to perform their functions
Water Research Act (WRA; Act No. 34 of 1971)	Purpose and mandated objectives of the organisation	<ul style="list-style-type: none"> <li>a) Promote coordination, cooperation, and communication in water research and development</li> <li>b) Establish water research needs and priorities</li> <li>c) Stimulate and fund water research according to priority</li> <li>d) Promote the effective transfer of information and technology</li> <li>e) Enhance knowledge and capacity building within the water sector</li> </ul>
Water Services Act (Act No. 108 of 1997)	Section 156, read in conjunction with Part B of Schedule 4 of the Constitution	To respond to water supply and sanitation needs with research and development that helps to address those needs
National Water Act (Act No. 36 of 1998)	Water resource management	Ensure that South Africa's water resources are protected, used, developed, conserved, managed, and controlled in a sustainable and equitable manner, for the benefit of all persons
	Pricing strategy	Water use charges, the primary mechanism for the calculation of a charge, payable by some or all raw water users, which is also set for research purposes (water research levy)
	Section 156	Right of access to basic water supply and basic sanitation by setting national standards and norms
National Water Resource Strategy 2 (NWRS-2)	Chapter 14	<ul style="list-style-type: none"> <li>a) Empower the implementation of the Strategy and further development of water sciences in South Africa</li> <li>b) Coordinate the development of the National Water R&amp;D Plan</li> <li>c) Develop appropriate technologies and support the development of relevant centres of excellence in several fields of research</li> <li>d) Develop the Ten-year Water RDI Roadmap that provides a sector-defined, needs-driven research agenda that caters to the public sector (utilities, municipalities), agriculture, and environmental protection</li> </ul>

Legislation	Section	Description
National Development Plan (NDP)	Government Outcomes 6,7,9 and 10	<ul style="list-style-type: none"> <li>a) Contributing towards achieving Government Outcomes and NDP objectives</li> <li>b) Support water availability through examining and finding solutions for issues related to bulk water supply, and through supporting the development of appropriate regulations regarding water quantity, quality, and usage</li> <li>c) Conducting projects addressing water utilisation in agriculture as well as projects focusing on informal settlements and peri-urban communities</li> <li>d) Research focused on improving services, with special emphasis on the delivery of water and sanitation services</li> <li>e) Research in aquatic ecosystem connectivity processes, sustainable utilisation, restoration, global change, and biodiversity protection</li> </ul>
The National Water & Sanitation Master Plan (NWSMP)	RDI Chapter, Research Chapter	To provide strategic direction with respect to the Water RDI Roadmap



## Organisational structure

The structure was approved and budgeted for by the WRC Board. Figure 1 presents the organisational structure that operated in 2024/25.

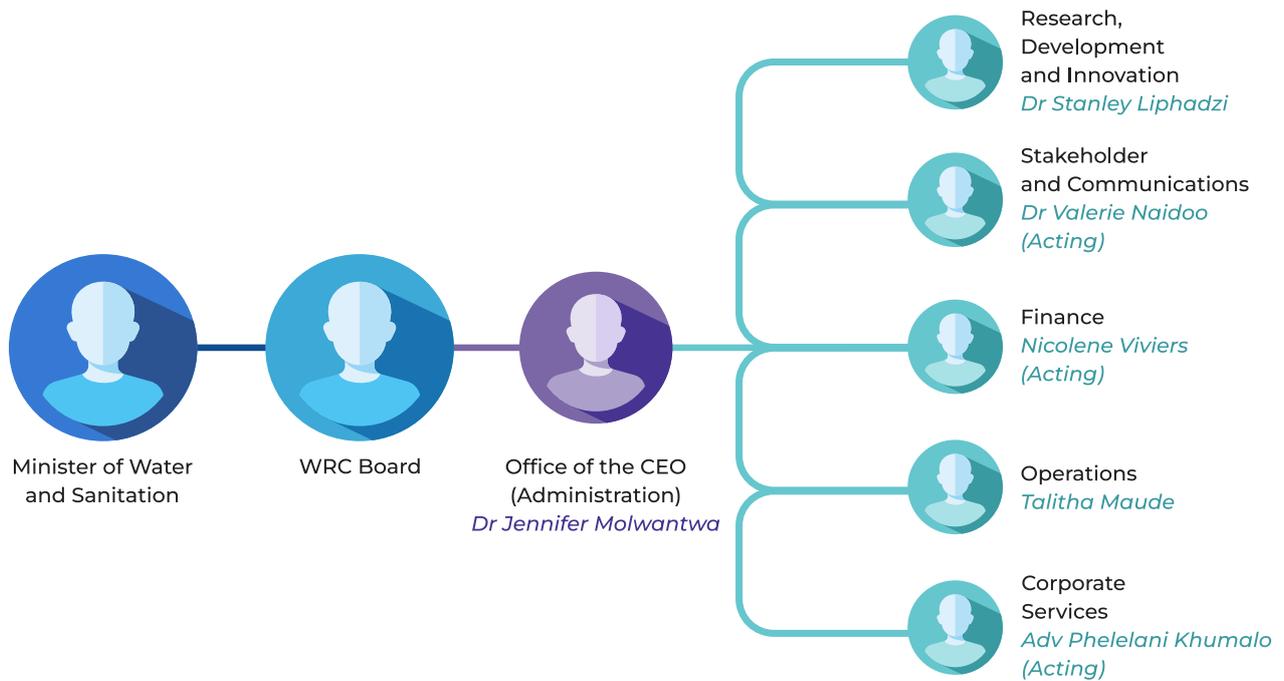


Figure 1. The WRC organisational structure

## Part B:

# Performance Overview

## 1. Auditor-General's report: Predetermined Objectives

The Auditor-General South Africa (AGSA) currently performs the necessary audit procedures in accordance to the AGSA findings engagement methodology. This engagement is not an assurance engagement. Accordingly, AGSA do not express an assurance opinion or conclusion. The AGSA has selected those material indicators that measure the public entity's performance on its primary mandated functions and that are of significant national, community or public interest. The material findings are included under the heading Report on the annual performance report in the auditor's report. We will not provide an assurance opinion or conclusion in the management report on the selected indicators.

Refer to page 66 for AGSA's Report, published under Part F: Financial Information.

## 2. Performance overview

### 2.1. Service delivery environment

The WRC actively fulfils its mandate as outlined in the Constitution, the Water Research Act of 1971, and other legislative frameworks. Recognising that South Africa's primary water and sanitation challenge stems from a capacity and capability issue, the WRC focuses on evidence-based and scientific decision-making. Its approach centres around three key areas: generating new knowledge, developing human capital, and leveraging technology solutions, through funding and facilitating water research, development, and innovation (RDI), alongside knowledge dissemination and the practical application of research findings to advance national water security.

Despite the WRC's valuable role in generating knowledge for science-based water management, South Africa faces a global crisis of declining water availability, quality, and climate change impacts. While the WRC's increased efficiencies and partnerships are critical for knowledge production, it struggles to address some of the basic challenges within the South African water value chain, namely:

- Challenges relating to non-revenue water, water quality and quantity, food security and the burden of disease, which are inter-linked, and water related.
- The transformation of the South African RDI community through the development of researchers from designated groups and to create further avenues for job creation and entrepreneurship development, which are all restricted by the limited availability of funds.

The South African water RDI community's ability to contribute to global knowledge and practice has been enhanced by technological innovation, improved communication, increased collaboration, and international partnerships.



The following internal and external environmental factors have a direct bearing on the successful execution of the WRC strategy:

- Climate change poses a significant threat to African economies due to Africa's heavy reliance on agriculture, making them particularly vulnerable to the negative impacts of changing weather patterns, including more frequent droughts, floods, and extreme temperature fluctuations, which can lead to reduced crop yields, food insecurity, and economic instability.
- The increasing need for more resources to fund all the aspects of water research in the three main crucibles, i.e., access to water and sanitation, water and sanitation services, and preservation of ecological water resources.
- The South African water sector faces mounting pressure from increasing water demands and frequent droughts, exacerbating complex challenges in water management and service delivery, particularly in the water service sector.
- The slow economic growth also has an impact on the WRC operating environment.

## 2.2. Organisational environment

The implementation of the strategy within the WRC is influenced by several internal factors:

1. **ICT environment:** The WRC's ICT infrastructure needs improvement to facilitate digital transformation and ensure governance that supports the implementation of water RDI. During the period under review, several interventions were implemented.
2. **Organisational structure:** In the period under review, there was a need for a structural review for effective functioning, alignment with strategic goals, facilitating change and innovation, promoting a unified culture and cost sensitivity.
3. **Organisational culture:** Building a culture based on shared values and practices is essential. This culture should promote a people-centred approach that embraces diversity, supports execution, and fosters integrity, ethics, and a results-oriented work environment.

## 2.3. Key policy developments and legislative changes

There were no significant policy changes that affected the operations of the WRC.

### 3. Progress towards achievement of outcomes

Table 2 provides a high-level progress towards the attainment of outcomes in the WRC's five-year strategy.

*Table 2: High-level progress towards the attainment of outcomes in the WRC's five-year strategy.*

Outcome	Programme	Outcome indicator	5-year target	Progress made towards achievement and planned improvements
Efficient and engaged organisation	Corporate Services	Enhanced human capital capabilities	85% of development programmes implemented	In the first year of the strategy, the implementation of 35% of development plans were achieved with an achievement of 61% in the second year. This indicates the commitment of the WRC to achieve the five-year target.
		Digitally transformed and technologically integrated organisation	100% implemented ICT strategy	The ICT strategy was developed and approved in Year 1, with 70% implementation in the year under review.
		Broad-based Black Economic Empowerment score	50 points of the BBBEE scorecard	The WRC has not achieved a compliance score status in year 1 of the strategy implementation. Training for employees is planned in the new financial year, and a transformation strategy will be developed and implemented.
A financially sustainable organisation	Finance	Percent of total revenue on human resources costs	35%	The WRC has achieved 25% HR costs to total revenue during this reporting period, which is an indication of its commitment to ensuring HR costs do not exceed 35%.
		Percent of total revenue spent on research and innovation costs	60%	The WRC has achieved 51.4% RDI costs to total revenue during this reporting period. This indicator has been revised in the WRC's strategy (2025/26 to 2029/30) to percentage of RDI cost to total expenditure due to the unpredictability of income and the dynamic nature of research. The RDI spend during the year accounted for 61.5% of the WRC's overall expenditure.
		Current ratio	2:1	The current ratio as at 31 March 2025 was 3.9:1. This is mainly due to the high cash and cash equivalents balance. The WRC is confident that the entity will be able to meet its obligations as they fall due.



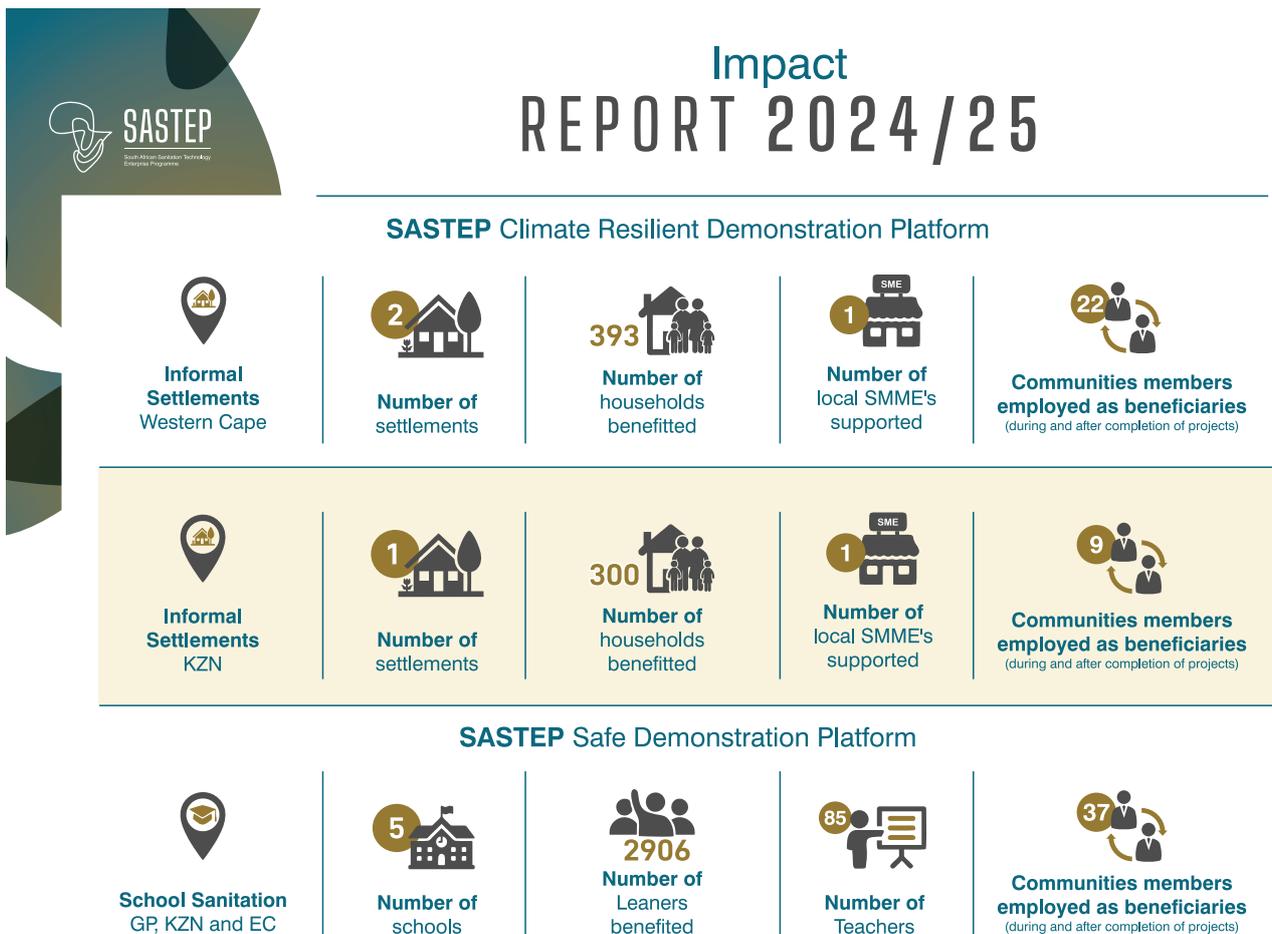
Outcome	Programme	Outcome indicator	5-year target	Progress made towards achievement and planned improvements
Innovation driven water sector	Research, Development and Innovation	Curated research and innovation data disseminated as knowledge	95% of knowledge dissemination plan implemented	Over the past two fiscal years (2023/24 and 2024/25), the WRC has maintained a steady 100% implementation of the knowledge dissemination plan, reflecting consistent engagement and shared knowledge with stakeholders, which resulted in uptake of some of the knowledge solutions produced by the WRC's research.
		Operational water research data observatory	80% water research data observatory fully operational	The WRO was developed by the WRC over the past two fiscal years and is operational and can be accessed at <a href="https://www.waterresearchobservatory.org/">https://www.waterresearchobservatory.org/</a> . The loading of data is a continuous process since new data is produced all the time, and the platform requires frequent maintenance to be able to accommodate new information and data.
		Implemented water and sanitation technologies demonstration	80% demonstration platform used by all stakeholders	The WRC continues to use its platforms, such as WADER, as innovation intermediaries to facilitate high-level, collaborative technology demonstrators from the public and private sectors to maximise the potential of the water innovation value chain. The current 31% performance is a sign that the five-year target will be achieved.
		Selected technologies transferred to the water sector	50% technology transfers made	Over the past two fiscal years (2023–24 and 2024–25), the WRC has achieved 23% and 31% of technology transfer, respectively. This reflects a strong commitment to meet the 5-year target.
Empowered and influenced stakeholder	Knowledge and Impact	Impactful stakeholder engagement	80% stakeholder satisfaction rating	Over the past two fiscal years (2023/24 and 2024/25), the WRC has kept a steady percentage stakeholder satisfaction rating of 74%, reflecting consistent engagement and trust by its stakeholders.
		Research communication and engaged stakeholder	80% communication plan implemented	The rollout of the five-year communication plan began in Year 2 (2024/25), achieving 66.67% execution against the set annual goals. This strong start indicates a commitment to meet the 5-year target.
		Capacitated and aware water sector stakeholders	80% capacity building plan implemented	The WRC remains committed to the implementation of its capacity building initiatives, resulting in 100% implementation of the capacity building plan. The achievement includes the Young Engineers 'Changemakers' Programme (YECP) and funding of students through the RDI Programme.
		Highly skilled water sector	30% of trained PhDs	Year 1: Out of the 262 trained students, 91 (35%), were PhDs. Year 2: Out of the 292 trained students, 95 (32%) were PhDs.

Outcome	Programme	Outcome indicator	5-year target	Progress made towards achievement and planned improvements
Adaptation and resilience	Research, Development and Innovation	Research development and innovation for enhanced livelihoods resilience	RDI programmes implemented (resilience)	The WRC remains committed to prioritising projects that contribute to climate change adaptation and resilience. In this reporting period, 59% of the RDI projects completed contribute to resilience, while 40% contributed to adaptation.
		Research development and innovation for climate change adaptation	RDI programmes implemented (adaptation)	

### 3.1 Supporting the national plans

The WRC, through the South African Technology Enterprise Programme (SASTEP) have provided sanitation to schools and informal settlements. This support the National Development Plan objectives and Table 3 demonstrates the impact of the interventions.

Table 3: Activities under SASTEP during 2024/25





### 3.2 Institutional programme performance information

In the reporting year, the WRC's performance environment was guided by the WRC Strategy 2028, which aims to enhance water security through research, development, and innovation, as mandated by its enabling Act.

The WRC has structured itself into five functional programmes to implement the strategy:

- Administration and Governance
- Corporate Services
- Finance
- Research Development and Innovation
- Stakeholder and Communications

## 4. Institutional performance overview

During the period under review, the WRC achieved twelve (12) of the thirteen (13) targets outlined in its Annual Performance Plan (APP), marking a significant milestone in advancing its strategic objectives. These accomplishments were aligned with five key strategic outcomes, which were implemented across the WRC's programmes. This success underscores the organisation's commitment to delivering impactful results and driving progress toward its long-term goals.

### 4.1. Administration and governance

This programme provides strategic support to the WRC by facilitating effective planning and reporting, risk management, information technology, assurance services and governance frameworks and corporate social investment initiatives. It further establishes key performance parameters to drive organisational success. Under the supervision of the Chief Executive Officer (CEO), the programme aims to enhance governance structures and ensure alignment with the WRC's overarching objectives.

#### *Information and communication technology (ICT)*

The ICT unit digitised the concept notes and proposal processes for the RDI programme, which enables researchers to apply and submit proposals digitally. This resulted in the old Fund Management System being decommissioned and replaced by the Business Management System. A new ICT strategy and implementation plan were developed and implemented. Furthermore, ICT governance processes and structures were established, which helped address the majority of audit findings during the period under review. Human capacity within the ICT sector was also strengthened through the appointment of the Chief Information Officer (CIO) to stabilise the ICT environment and provide strategic direction to the WRC. The first Digital Transformation Strategy was completed during the 2024/25 financial year. A comprehensive assessment of the current document management processes and systems was conducted to identify the gap and propose a solution to digitise the existing documents within the organisation. This solution is scheduled to be implemented in the 2025/26 financial year.

#### *Corporate social investment initiatives*

A Corporate Social Investment Policy and strategy were developed during the reporting period. The CSI is the WRC's ethical and responsible behaviour regarding its impact on society and the environment where it operates.

### 4.2 Corporate Services

Corporate Services plays a crucial role in supporting the workplace environment by providing essential services that help to create a stable and efficient operational environment, enabling the organisation to focus on its core strategic outcomes. Its scope encompasses Human capital development, organisational culture, legal and compliance matters, security

management, occupational health and safety and facilities management.

The programme is responsible for the following strategic outcome:  
Efficient and engaged organisation.

#### **4.2.1. Other programme priorities and highlights**

##### *Human capital management (HCM)*

During the 2024/25 financial year, the programme prioritised addressing critical human resource capacitation aligned to the revised and approved organisational structure, reflecting the WRC's commitment to fostering a productive and aligned work environment that supports institutional objectives. Employee wellness and development remained one of its priorities. Furthermore, new policies were developed to enhance HCM governance processes.

##### *Legal and auxiliary services*

##### Compliance

In compliance with the Promotion of Access to Information Act, 2000 (PAIA) and the Protection of Personal Information Act, 2013 (POPIA), the WRC reviewed its Promotion of Access to Information Manual and its Protection of Personal Information Manual during the period under review.

The WRC employees received POPIA training from the Information Regulator. Deputy Information Officers were also appointed in terms of PAIA.

The targets set for the year, and actual performance, are detailed in Table 4.

4.2.2. RDI performance overview

Table 4: Corporate Services performance overview.

PROGRAMME: CORPORATE SERVICES									
Outcome	Output	Output indicator	Actual audited performance 2023/24	Planned annual target 2024/25	Actual achievement 2024/25	Deviation from planned target to actual achievement 2024/25	Reasons for deviation	Reason for revision to output/indicator/annual target	
Efficient and engaged organisation	Employee development	Percentage of employee training and development budget spent	New indicator	50%	73%	+23%	This was driven by employee engagement in development programmes and an increased focus on upskilling the WRC workforce.	No revisions were made	
	ICT governance	Percentage implementation of the ICT strategy	New indicator	40%	70%	+30%	Initiative-taking, risk mitigation and agile project management allowed the resolution of bottlenecks ahead of schedule and the early completion of key infrastructure upgrades.	No revisions were made	
	WRC transformation	Percentage implementation of the WRC transformation plan	New indicator	40%	75%	+35%	Due to the initiative-taking prioritisation of the transformation targets and an increased focus for the WRC to comply with the broader transformation agenda.	No revisions were made	

### 4.3. Finance

The Finance Programme is the cornerstone of the WRC's financial governance, overseeing all financial management and supply chain processes. Although the organisation has successfully increased its research funding through strategic partnerships, the water research levy continues to be the primary revenue source for the WRC. Operating in a challenging sectoral context, where low municipal debt collection rates directly affect levy payments to the WRC, the programme highlights the critical importance of maintaining rigorous financial sustainability measures.

The Finance Programme provides comprehensive financial stewardship through two core service pillars:

- **Financial Operations and Administration**
  - Creditor management
  - Payroll administration
  - Financial recordkeeping
- **Accounting Services**
  - Financial accounting and reporting
  - Management accounting
  - Budget formulation and monitoring

These essential functions form the financial backbone that enables the Commission to deliver on its mandate and strategic objectives. The programme has implemented continuous improvements in supply chain management processes and financial planning capabilities, creating a more stable fiscal environment for research investment.

#### 4.3.1 Other programme priorities and highlights

The programme contributes to the following strategic outcome:

- A financially sustainable organisation

The Finance Programme is responsible for monitoring and measuring financial sustainability of the WRC, by:

- Ensuring that the WRC achieves an unqualified audit opinion by meeting the required accounting and auditing standards.
- Providing the appropriate financial analysis and guidance to support planning and decision-making.
- Monitoring the WRC's financial performance and reports against its budgets and strategic plans, and supports the implementation of corrective measures where appropriate.

The target set for the year, and actual performance are detailed in Table 5.



4.3.2 Finance performance overview

Table 5: Finance performance overview

PROGRAMME: FINANCE								
Outcome	Output	Output Indicator	Actual audited performance 2023/24	Planned annual target 2024/25	Actual achievement 2024/25	Deviation from planned target to actual achievement 2024/25	Reasons for deviation	Reason for revision to output/output indicator/annual target
A financially sustainable organisation	Cost containment	% HR cost to total income	24,6% HR cost to total income	35%	25%	-10%	During the 2024/25 financial year, vacancies were not filled as planned, bonuses were not paid, and lower increase percentages were implemented than originally planned, all resulting in a lower HR cost.	No revisions were made

#### 4.4. Stakeholder and Impact

The Stakeholder and Impact Programme focuses on heightening the WRC profile and extending its footprint through collaborative partnerships, stakeholder management, knowledge dissemination, and communication. The programme also supports and facilitates innovations and technologies, and enables uptake along the innovation value chain and ensures greater impact in the sector and society at large.

The programme is organised to execute its strategy through these four sub-programmes:

- Stakeholder Management
- Partnerships and Business Development
- Communications and Promotions
- Knowledge services

The programme is responsible for the following strategic outcomes:

- Innovation driven water sector
- Empowered and influenced stakeholders

##### 4.4.1 Other programme priorities and highlights

###### *Capacity building initiatives*

The Emerging Researchers Acceleration Programme was implemented in 2024/25 in partnership with the Energy & Water Sector Education Training Authority (EWSETA), and the Department of Science Technology and Innovation (DSTI). Through this partnership, 30 Master's and PhD students were provided with bursary support and linked to WRC research projects. These candidates also participated in a prestigious Water Fellowship programme, implemented by GreenMatter, that provided wrap-around professional development and mentorship support to all candidates. In addition, the WRC implemented the first-ever stand-alone post-doctoral support call, where 12 promising emerging researchers were awarded post-doctoral support bursaries.

Eight municipal engineers from the Young Engineers 'Changemakers' Programme (YECP) cohort participated in various initiatives, including an international study tour to Columbia University, New York, the Water Day at the United Nations General Assembly (UNGA) Science Summit, where water research and innovation were highlighted for the first time, and contributing to a Youth Parliament panel discussion, sharing insights on sustainable water management. These initiatives gave the engineers hands-on exposure to advanced water treatment technologies and provided a platform to contribute to high-level discussions in strategic platforms.

The WRC partnered with the Water Institute of Southern Africa (WISA), the Institute of Municipal Engineering of Southern Africa (IMESA), Sol Plaatje University (SPU), and North West University to deliver targeted training for municipal stakeholders across North West, Northern Cape, Free State, and KwaZulu-Natal. These collaborations arose from provincial stakeholder engagements, ensuring alignment with identified needs. The focus of the training was to enhance water quality and wastewater management for process controllers, supporting Blue and Green Drop Certification and to equip municipal engineers, councillors, and officials with skills in flood risk assessment and design flood estimation.

###### *Key international water sector events*

In partnership with the International Water Association (IWA), DWS, City of Cape Town, and the Development Bank of Southern Africa, the WRC hosted the 14<sup>th</sup> IWA Water Reclamation and Reuse Conference from 16 to 19 March 2025, the first of its kind in Africa. This marked the WRC's second IWA conference, following 2023's Non-Sewered Sanitation event. The event attracted over 700 delegates from 42 countries, including academia, policymakers, investors, and non-governmental

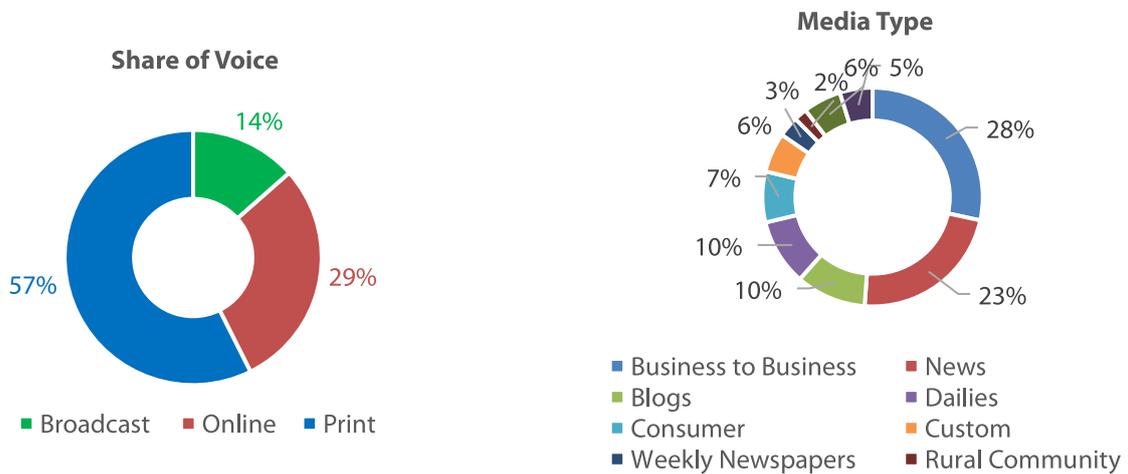


organisations (NGOs). Recognised by President Cyril Ramaphosa for advancing water innovation and research, this landmark event elevated the national discourse on water reuse as a key solution for water security, with coverage extending to World Water Week and the National Water & Sanitation Indaba.

**Media reach**

For the period 1 April 2024 – 31 April 2025, the WRC generated a total of 1 789 mentions, a total average of R52 121 490,31 and a combined reach of 41 904 609 419. The Commission received a balanced media footprint for the period under review in national media, with the Western Cape and Gauteng leading the regions. Business-to-Business (B2B) media led the coverage, followed by news websites.

The E-news channel was the most impactful TV station, with Voice of the Cape, MSN and Newzroom Afrika also featuring heavily.



With regards to social media, the overall reach of social media users for the WRC for the 2024/25 financial year is 1 105 494.

The targets set for the year, and actual performance, are detailed in Table 6.



#### 4.4.2 Stakeholder and Impact performance overview

Table 6 Stakeholder and Impact performance overview.

PROGRAMME: STAKEHOLDER AND IMPACT									
Outcome	Output	Output indicator	Actual audited performance 2023/24	Planned annual target 2024/25	Actual achievement 2024/25	Deviation from planned target to actual achievement 2024/25	Reasons for deviation	Reason for revision to output/output indicator/annual target	
Empowered and influenced stakeholders	Stakeholder management	Percent implementation of stakeholder management plan	New indicator	50%	70%	+20%	The WRC was presented with the opportunity to implement.	No revisions were made	
		Percent implementation of partnerships plan	New indicator	30%	70%	+40%	Municipal stakeholders' training activities during the fourth quarter.	No revisions were made	
	Knowledge dissemination	Percent implementation of knowledge dissemination plan	New indicator	60%	100%	+40%	Due to the increased interest of partners in partnering with the WRC to implement joint activities.	No revisions were made	
	Communication and promotion	Percent implementation of communication plan	New indicator	40%	106%	+66%	The WRC received more opportunities to publish scholarly, authored, and coauthored articles, coupled with a high demand to disseminate knowledge on specific water and sanitation challenges.	No revisions were made	
	Human capacity development	Number of candidates supported for capacity enhancement (bursaries & other financial support)	262	250	294	+44	Due to increased volumes of brand awareness, brand presence, and media activities boosted by the events convened by the WRC and its partners.	No revisions were made	





## 4.5 Research, Development and Innovation (RDI)

The key priority and core technical mandate of the WRC is to ensure water security and continuous access to water for socio-economic activities in South Africa and the region. Hence, the RDI Programme drives water security solutions for South Africa and the region through innovative knowledge generation and technology development. Through this work, the WRC continues to position itself as the leading knowledge hub for transformative water solutions that benefit both current and future generations.

The RDI Programme's strategic focus areas are:

1. Creating and implementing robust mechanisms to support continuous RDI advancement
2. Delivering targeted innovations that respond to sector-specific needs, priorities, and emerging risks.
3. Developing novel and adapted technologies that address critical water challenges across multiple sectors.

The programme is responsible for the **innovation-driven water sector, empowered and influenced stakeholders** and the **adaptation and resilience** outcomes and is organised to execute its strategy through the following sub-programmes:

- Water resources and ecosystems
- Water use, wastewater and sanitation futures
- Water utilisation in agriculture
- Business development and innovation

### 4.5.1 Other programme priorities and highlights

Over the past financial year, the WRC's RDI activities have specifically been focused on enhancing the resilience of communities and increasing adaptation to climate change. Water-related RDI is vital in South Africa to address climate change impacts and ensure long-term water security. As droughts intensify and resources dwindle, innovative solutions are needed to manage supply, enhance resilience, and protect ecosystems, securing water for communities, agriculture, and economic growth in a warming, water-stressed region. The sub-sections below highlight some of the WRC-funded projects completed across these themes in 2024/25.

#### *Enhancing the resilience of communities*

Communities play a vital role in building resilience to climate change and water scarcity in South Africa. RDI has a significant role to play in enhancing communities' ability to withstand frequent weather events and thrive amid increasing threats to water security. Below are some of the resilience-related programmes implemented:

- The **Arid Region Water Research Centre (ARWRC)**, established by the WRC and SPU, is a strategic initiative to address the critical water challenges in the Northern Cape, one of the country's most water-scarce regions. Hosted within SPU's Faculty of Natural and Applied Sciences, the Centre aims to become a world-class hub for research, innovation, and capacity building in arid zone water management. Its mission is to generate scientific knowledge, develop context-appropriate technologies, and support sustainable water use through partnerships with government, industry, and communities. With a R25 million investment over five years (2024 to 2028) from the WRC, the Centre will focus on priority themes such as climate change, water quality, domestic and agricultural water use, and the water-energy-food nexus. It will also support postgraduate research, technical innovation, and policy-relevant outputs. As both a research and stakeholder engagement platform, ARWRC is designed to promote inclusive governance, indigenous knowledge, and local capacity building. By embedding innovation and collaboration at its core, the Centre seeks to transform water security planning and service delivery in arid regions, with an eye on both regional resilience and global relevance.
- During the year under review, the **Giyani Local Scale Climate Resilience Programme (GLSCR)** was concluded. The programme aimed to tackle climate challenges in Greater Giyani Municipality, Limpopo. The programme focused on

developing innovative climate-adaptive solutions and enhancing water utilisation practices in the area. The GLSCRIP strove to enhance community resilience and restore natural resources to help alleviate the pressure of climate change on these vulnerable communities. The project team collaborated with local authorities and communities to assess new methods and innovations to supplement water supply, enhance food security, and ultimately, improve livelihoods.

- Various **climate-resistant sanitation technologies** were demonstrated in various communities across South Africa during 2024/25 to assess acceptance and robustness. The technologies are aimed at remote or rural areas where municipal sewerage sanitation is not feasible and allow municipalities to rapidly provide dignified sanitation solutions. In another WRC project, the feasibility of using seawater to flush toilets was examined in Cape Town.
- To increase resilience to climate change, communities need to safeguard their existing water sources. South Africa has several Strategic Water Source Areas (SWSAs), which generate a significant portion of the country's surface and groundwater resources. A WRC project, led by CSIR, aimed to strengthen municipal planning and decision-making for SWSA protection through the development of a framework to help municipalities develop **strategies for SWSA management and protection** in a participatory way. The project also included SWSA Spatial Mapping and Management Guidance, using geospatial data to identify risks, guide conservation actions, and inform municipal policies.

#### *Increasing climate change adaptation*

Rising temperatures, drought, and extreme weather threaten livelihoods, health, food, and water security, underlining the need for adaptation. Initiative-taking adaptation strengthens resilience, safeguards resources, and ensures sustainable development, particularly for vulnerable populations reliant on agriculture, water, and natural ecosystems for survival and economic stability.

- The WRC supported various innovations to improve climate change adaptation in communities in 2024/25, including a project undertaken by the Agricultural Research Council focused on demonstrating the **bag system** for rural areas in communities in Giyani. A bag system is a simple hydroponic system for vertically growing vegetables in polypropylene bags filled with sawdust (wood dust) or soil for vegetable production in resource-limited areas.
- Rising temperatures and intensified rainfall alter pathogen dynamics, increasing risks of waterborne illnesses, such as schistosomiasis, a water-related disease linked to freshwater snails. A WRC study developed a **comprehensive diagnostic framework** for assessing schistosomiasis prevalence in low-transmission settings, highlighting the importance of molecular diagnostics in detecting the disease. The study highlights the importance of molecular diagnostics in detecting schistosomiasis.

#### *Addressing South Africa's water challenges*

Water resource pollution poses a significant challenge in South Africa, with poor water quality having socio-economic and ecological impacts. During 2024/25, the WRC completed several projects that led to knowledge solutions improving the treatment of municipal, industrial, and mine wastewater. The solutions (technologies and processes) contribute to efficient and low-cost treatment of effluent and, in some cases, the reuse of wastewater to enhance alternative water sources.

Examples include the development of a **pervious concrete permeable reactive barrier system** to treat polluted mine-water to meet the national limits applicable to the discharge of wastewater into a water resource; and the piloting of a modified **activated sludge process**, which increases the potential reuse of treated municipal wastewater for agricultural purposes and improves environmental protection.

Considering the health impact of water, a research project undertaken in Limpopo developed a **rapid sensor** that can be used for the early detection of various potentially toxic elements in water, thereby ensuring effective water quality management.

In another project, a **Smart Water Operations (SWO) Platform** was developed and demonstrated. This is a frontier technology-based solution designed to enhance the performance, automation, and resilience of remote and rural water



treatment plants, which traditionally have not performed as well as urban plants due to a number of factors. The SWO integrates advanced sensors, artificial intelligence (AI), and Internet of Things (IoT) technologies to enable real-time monitoring, predictive maintenance, and adaptive control of water treatment processes.

Non-revenue water (NRW) represents water lost before reaching customers, due to leaks, theft, or metering errors. Reducing NRW, while managing water demand, is vital for conserving resources, improving utility efficiency, and ensuring a sustainable water supply. The WRC has invested heavily in tools and guides to improve NRW over the last few decades. The latest addition is the launch during 2024/25 of an **NRW Management Portal** (<https://managenrw.co.za/>), which serves as a central online repository for resources and insights related to the management of NRW. The website provides a 'one-stop shop' for all existing solutions that can support municipalities and related organisations to deal with non-revenue water.

The targets set for the year, and actual performance, are detailed in Table 7.



**AB Farms Hydroponics System**

*This innovative hydroponics system from AB Farms showcases a patented design that optimizes water and power usage, promoting sustainable agricultural practices. The system is a testament to climate resilience, enabling farmers to grow crops efficiently while conserving critical resources. It represents a forward-thinking approach in the fight against drought, aligning with the Water Research Commission's mission to enhance water utilization in water-scarce areas.*

**Small-Scale Farmers Standing in Front of a Field**

*A group of small-scale farmers proudly stands in front of their vibrant field, embodying the hope and determination of local communities striving for self-sufficiency. Their commitment to sustainable farming practices reflects the core objectives of the Water Research Commission's MUS programme, which aims to empower local agricultural initiatives and enhance water utilization strategies. These farmers are vital participants in the journey towards climate adaptation and resilience in the Giyani Municipal area.*



**Solar Powered Borehole**

*The solar-powered borehole stands as a beacon of change in the wake of the Giyani load-shedding crisis, transforming water supply solutions for local communities. This sustainable water source not only alleviates water scarcity but also demonstrates a commitment to renewable energy solutions. The implementation of such technology aligns with the Water Research Commission's efforts to develop innovative, climate-adaptive responses that improve water accessibility and socio-economic opportunities for beneficiaries in the Mopani district in Giyani.*

#### 4.5.2 Research Development and Innovation performance overview

Table 7: RDI performance overview.

PROGRAMME: RESEARCH DEVELOPMENT & INNOVATION									
Outcome	Output	Output	Actual audited performance 2023/24	Actual planned performance 2024/25	Actual achievement 2024/25	Deviation from planned target to actual achievement 2024/25	Reasons for deviation	Reason for revision to output/output indicator/annual target	
Innovation driven water sector	Innovation demonstration	% of innovations demonstrated	31%	30%	35%	+5%	The WRC was presented with an opportunity for an additional demonstration	No revisions were made	
	Innovation transfer	% of innovations transferred to stakeholders	18%	20%	31%	+11%	This is a benefit of the WRC's continuous promotion of the late-stage innovations and scaling up within communities and with key stakeholders, which in turn is realising new market opportunities.	No revisions were made	
Adaptation and resilience	RDI products	Percentage of resilience-related projects per total number of completed RDI projects	53%	30%	59%	+29%	More projects that contribute to resilience were finalised than was projected.	No revisions were made.	
		Percentage of adaptation related projects per total number of completed RDI projects	47%	50%	40%	-10%	Target not met due to the delays in research projects timelines that necessitated amendments, resulting in a lower completion rate for adaptation projects.	No revisions were made	



### Strategy to overcome areas of underperformance

Underperforming Output Indicator	Strategy to overcome underperforming Indicator
Percentage of adaptation related projects per total number of completed RDI projects	1. Conduct or monitor progress of all projects at Theme and branch level to detect and mitigate risks with the potential to delay projects.
	2. All new contracts are now having risk profiles which are discussed and updated in annual reference group meetings.

## 5. Performance against budget

Table 8 depicts performance against the budget across WRC programmes during the 2023/24 and 2024/25 financial years. It should be noted that the comparative period (2023/24) was restated to incorporate the prior period adjustments made in the Annual Financial Statements. Furthermore, during the 2024/25 financial year, with the revision of the organisational structure, some functions previously under Corporate Services were moved to Administration and Governance.

*Table 8: Performance against budget.*

	2024/25			2023/24		
	Budget ('000)	Expenditure ('000)	Over/Under Expenditure ('000)	Budget ('000)	Expenditure ('000)	Over/Under Expenditure ('000)
Programme	R	R	R	R	R	R
Administration and Governance	22 165	13 294	8 871	9 806	6 038	3 768
Corporate Services	157 724	138 569	19 156	177 852	143 275	34 578
Finance	2 642	2 559	82	3 102	2 499	603
Stakeholder and Communication	42 995	28 321	14 674	18 733	10 478	8 256
Research development and innovation	233 532	218 559	14 973	210 630	204 105	6 525
<b>Total</b>	<b>459 057</b>	<b>401 302</b>	<b>57 756</b>	<b>420 123</b>	<b>366 394</b>	<b>53 729</b>

## 6. Revenue collection

The Water Research Levy (WRL) is the WRC's main source of revenue. The WRC does not collect levies on its own behalf. The Rand Water Board, uMngeni-uThukela Water Board and the DWS collect the WRL on behalf of the WRC from various water users based on water consumption volumes.

Table 9: Revenue collected

	2024/25			2023/24		
	Estimate ('000)	Actual amount collected ('000)	Over/ Under collection ('000)	Estimate ('000)	Actual amount collected ('000)	Over/ Under collection ('000)
Sources of revenue	R	R	R	R	R	R
Water research levies	326 578	327 982	1 404	312 262	323 368	11 105
Leverage income	100 098	119 412	19 314	104 370	97 464	(6 906)
Other income	790	733	(58)	922	563	(358)
Investment revenue	31 591	32 522	930	24 538	28 546	4 008
<b>Total</b>	<b>459 057</b>	<b>480 649</b>	<b>21 591</b>	<b>442 092</b>	<b>449 941</b>	<b>7 849</b>

### 6.1 Levy income

The positive variance is directly related to higher actual water volume sales by the waterboards than those projected during the budget.

### 6.2 Leverage income

Leverage income arises when the WRC, in partnership with other organisations, undertakes research and innovation projects where it may or may not also be a co-funder. The leverage-funded component of the WRC operations is an important funding mechanism as the WRC moves to an increased impact portfolio, and it enables the WRC to do more research than it otherwise would be able to.

Based on historical experience, the WRC did not increase its leverage income budget for the 2024/25 financial year, but rather retained the original budget, to allow for unforeseen circumstances given the volatile nature of leverage income, consultations with leverage funded partners and communities in which these projects are implemented and circumstances that are outside of the WRC's control.

During the current financial year, the WRC was not significantly impacted by circumstances outside the WRC's control and was able to overachieve the leverage budget.

### 6.3 Other income

Other income includes, among others, EWSETA payments, royalties, recovery of studies and insurance settlement claims received. These items are ad hoc in nature.

#### 6.3.1 Investment revenue

Investment revenue arises from interest that the WRC earns on the cash resources held. This income is not a guaranteed source of funds, and the WRC does not rely on it in any significant manner in its long-term financial planning. The positive variance in investment revenue is due to higher than anticipated cash holdings during the financial year and increases in the prime interest rate.

# Part C: Governance

## 7. Corporate governance

### 7.1 Introduction

Corporate governance encompasses the processes and systems through which public entities are directed, controlled, and held accountable. The WRC's corporate governance framework is guided by the Public Finance Management Act (PFMA) and the Water Research Act. The WRC is governed by a Board which is appointed by the Minister of Water and Sanitation under the Water Research Act. The organisation is led by a CEO, who is responsible for its day-to-day management and is accountable to the Board.

### 7.2 Portfolio committee

The Water and Sanitation Portfolio Committee is responsible for oversight of the Department of DWS and the WRC. During the reporting period, the WRC tabled to the Water and Sanitation Parliamentary Portfolio Committee its Annual Performance Plan and reported on the financial and non-financial performance of the WRC.

### 7.3 Executive Authority

The oversight authority of the Executive Authority primarily stems from the provisions of the PFMA, which gives authority to the Executive Authority for oversight powers. Furthermore, the Executive Authority has the power to appoint and dismiss the Board of a public entity. The Executive Authority must also ensure that the appropriate mix of executive and non-executive directors is appointed and that directors have the necessary skills to guide the public entity.

### 7.4 The Board

The Board is responsible for corporate governance within the WRC and is supported by the Board Secretary. During the past financial year, the Board has been functional and executing its oversight responsibilities as required. The Board has a Charter in place which is compliant with the applicable provisions of the WRA and PFMA and is also aligned with recommended best practices. The Board Charter is reviewed every two years and is up to date.

## 7.5 Board Charter

The Board has a Charter which is compliant with the applicable provisions of the WRA and PFMA and recommended best practices, including King IV. The Board Charter is reviewed every two years and is up to date.

The Board composition and attendance are tabulated in Table 10.

*Table 10. Board members and meetings attended.*

Name	Designation	Date Appointed	Qualifications	Area of expertise	Board directorships	No. of meetings attended
Dr Rethabile Melamu	Board Chairperson	19/04/2023	PhD in Chemical Engineering	Renewable energy expert	Green Matter, Inani Startwell Foundation, WRC & South African Renewable Energy Business Incubator	17 (Board & RIC)
Dr Harrison Pienaar	Deputy Board Chairperson	19/04/2023	PhD Hydrogeology	Natural resource management (IWRM and IEM), with particular focus on applied RDI and teaching	WISA Board, WRC & Institute for Water Studies at the University of the Western Cape	16 (Board & RIC)
Prof Nnenesi Kgabi	Board Member	19/04/2023	PhD Environmental Science	Water-climate sciences	NSTF Board, NWU Council, SADC WaterNet & WRC	19 (Board, HRC & RIC)
Ms Nonkululeko Mxenge-Mayende	Board Member	19/04/2023	Master of Arts in Industrial Relations	Business Development, Human Resource Development, Coaching & Mentoring, Project Development and Management, Strategic Planning, Industrial Relations, Foreign Direct Investment and Foreign Trade Promotion.	StatsSA Council, Amatola Water Interim Board Member, Engage SA Advisory & WRC Boards	18 (Board & HRC)



Name	Designation	Date Appointed	Qualifications	Area of expertise	Board directorships	No. of meetings attended
Dr Tendai Sawunyama	Board Member	19/04/2023	PhD in Engineering Hydrology	Water resources planning and management, hydrology, hydraulics, stormwater management, disaster management, climate change, systems operations, Irrigation development and planning, ICT management	Council President for the South African Hydrological Society & WRC Board	22 (Board & AC)
Adv Reinette Mary Rosey	Board Member	19/04/2023	Advocate of the High Court of South Africa, Bachelor of Laws Degree (LLB)	Public and Corporate Governance, Risk management, spatial planning and land use management law, land reform, contracts, commercial law	Olifants Catchment Management Agency Board, Maruleng Municipal Planning Tribunal, NYDA Audit and Risk Committee, Greater Tzaneen Municipal Planning Tribunal, Mopani District Municipal Planning Tribunal & WRC Board	30 (Board, AC & HRC)
Ms Zama Portia Dlamini	Board Member	19/04/2023	Postgraduate Diploma in Management Practice, Bachelor of Management Leadership	Corporate governance, risk and compliance	Msunduzi and Ncome Museum Council, KZN Community Education and Training College, Council and Audit Risk Committee, Zululand District Municipality Audit and Performance Audit Committee & WRC Board	21 (Board & AC)

Name	Designation	Date Appointed	Qualifications	Area of expertise	Board directorships	No. of meetings attended
Ms Megan Schalkwyk	Board Member	19/04/2023	Master's in Business Administration, BSc (Hons) Chemical Engineering	Water and wastewater treatment, governance, provision of water services, water reuse	WISA Board & WRC Board	22 (Board, RIC & HRC)
Prof Aldo Stroebe	Board Member	19/04/2023	PhD in Sustainable Agriculture	Research Management	WRC Board	09 (Board & RIC)
Mr Willem Bertram Baird	Board Member	19/04/2023	Chartered Risk Manager	Finance and Risk Management	Phambili Services (Pty) Ltd & WRC Board	29 (Board, AC & HRC)
Dr Jennifer Molwantwa	Board Member( Ex-officio)	19/04/2023	PhD Biotechnology	Water & Sanitation RDI, Corporate Governance, Strategy Development	WISA, EAPASA, AFWASA & WRC Board	17 (Board, RIC & HRC)

## 7.6 Board committees

The following Board committees have been established to assist the Board in discharging its duties. All committees of the Board are operating in terms of their approved terms of reference:

- Audit Committee (AC) (statutory committee)
- Research and Innovation Committee (RIC)
- Human Resources Committee (HRC)

*Table 11. WRC Board committees.*

Committee	No. of meetings held	No. of members	Name of members
Audit Committee	11	4	Dr Tendai Sawunyama (Chairperson January to March 2025) Mr Willem Baird (Chairperson April to December 2024) Ms Zama Dlamini Adv Mary Rosey
Research and Innovation	5	6	Dr Harison Pienaar (Chairperson) Dr Rethabile Melamu Prof Nnnesi Kgabi Ms Megan Schalkwyk Prof Aldo Stroebe Dr Jennifer Molwantwa
Human Resources Committee	7	6	Prof Nnnesi Kgabi (Chairperson) Adv Mary Rosey Ms Megan Schalkwyk Mr Willem Baird Dr Jennifer Molwantwa Ms Nonkululeko Mxenge-Mayende

## 7.7 Remuneration of Board members

Members of the Board are paid an allowance in respect of the performance of their duties as determined by the Minister of Water and Sanitation in consultation with the Minister of Finance. Members who are not remunerated are the CEO, DSTI representative and state employees. Board members are also paid for travel expenses.

*Table 12. Remuneration paid to each Board member in 2024/25*

Name	Remuneration	Other allowances	Other reimbursements	Total (R)
Dr Rethabile Melamu	169 441	9 720	3 357	182 518
Dr Harrison Pienaar	26 650	3 240	728	30 618
Prof Nnenesi Kgabi	111 252	9 720	-	120 972
Ms Nonkululeko Mxenge-Mayende	81 998	9 720	-	91 718
Adv Reinette Mary Rosey	178 596	9 720	-	188 316
Ms Zama Portia Dlamini	89 214	9 720	7 454	106 388
Ms Megan Schalkwyk	39 504	3 240	-	42 744
Prof Aldo Stroebel	47 662	9 720	-	57 382
Mr Willem Bertram Baird	189 610	9 720	1 608	200 938
Dr Tendai Sawunyama	-	3 240	5 618	8 858
	<b>933 927</b>	<b>77 760</b>	<b>18 765</b>	<b>1 030 452</b>

## 7.8 Risk management

The WRC Board maintains oversight and accountability for the risk management process, which undergoes regular review to ensure its effectiveness. During the 2024/25 financial year, the WRC further strengthened its risk governance framework through the development and implementation of key risk management documents, including the Risk Policy, Risk Management Strategy and Methodology, and Risk Implementation Plan. To enhance oversight, the Risk Management Committee was established, chaired by an independent appointee, providing strategic guidance on risk-related matters. Throughout the year, comprehensive risk assessments were conducted for both strategic and operational risks, ensuring alignment with organisational objectives.

Progress on risk mitigation is continuously monitored, with updates on risk treatment plans presented quarterly to EXCO, the Audit Committee, and the Board. Additionally, several policies and standard operating procedures (SOPs) were developed or reviewed to reinforce the internal control environment, further embedding a culture of risk awareness and compliance across the WRC.

## 7.9 Internal control function

To fulfil its responsibility of providing reliable financial information, the WRC maintains accounting systems and practices that are adequately supported by a system of internal controls. These controls are designed to provide reasonable assurance that transactions are concluded in accordance with management authority and that the assets are adequately safeguarded.



The internal audit function monitors the effectiveness and efficiency of internal control systems, reports its findings, and makes recommendations to management and the Audit Committee, and monitors whether corrective action has been taken.

**7.10 Internal audit and audit committees**

In line with the PFMA and Treasury Regulations, the WRC has established an internal audit function. The internal audit function provides assurance to the Board, through the Audit Committee, that the system of governance, risk management, and control is appropriate, adequate, and effective to mitigate business risk. Furthermore, the function ensures that there is improvement in the internal control within the Commission, as well as compliance with applicable legislation. The internal audit function has adopted formal terms of reference as its Internal Audit Charter. The internal audit function prepared a rolling three-year strategic internal audit plan, which was approved by the Audit Committee. Progress against the Annual Audit Plan was reported quarterly during the year under review.

The Internal Audit Function executed and completed all the audits on the approved plan. Where controls were found deficient or not operating as intended, recommendations for enhancement or improvement were provided. Significant deficiencies were reported to the Audit Committee quarterly. Audits were performed, among others, in the following areas:

- Finance discipline
- Supply chain management
- Knowledge management and innovation
- Stakeholder management
- IT project governance
- Performance information
- Payroll and employee expenditure management

*Table 13. Audit Committee*

Name	Qualifications	Internal/ External	If internal, position in the WRC	Date appointed	Date resigned	No. of meetings attended
Mr W. Baird	Chartered Risk Manager. Post Graduate - Management Development Programme. Post Graduate Diploma in Law. Chartered Management Accounting Diploma. Diploma in Business Development.	External	N/A	19/04/2023	N/A	11
Ms Z. Dlamini	Postgraduate Diploma in Management Practice. Bachelor of Management Leadership. Small Business Development.	External	N/A	19/04/2023	N/A	10
Adv M. Rosey	Advocate of the High Court of South Africa. Bachelor of Laws Degree (LLB)	External	N/A	19/04/2023	N/A	11
Dr T. Sawunyama	PhD in Engineering Hydrology. MSc in WaterNet Integrated Water Resources Management. BSc Hons in Agricultural Engineering. Executive Development Programme.	External	N/A	19/04/2023	N/A	11



## 8. Compliance with laws and legislation

The WRC strives to build an accountable and inclusive institution that embeds, in its business functions, the standard required of a good corporate citizen, not least of which is regulatory compliance of the highest standard. To this end, the WRC established a Regulatory Compliance Framework and work plan as a tool for regulatory compliance monitoring for the creation of non-compliance alerts so that the risks of non-compliance can be proactively managed going forward. Given that the WRC is positioned within a highly regulated environment, and the risks associated with not having a compliance view of the organisation, the Compliance Framework and work plan ensure the continuous monitoring of the WRC's compliance duties in line with the WRC's regulatory universe.

There are various ways to monitor regulatory compliance. One obvious methodology is through a checklist approach. The WRC has developed compliance checklists for each area so that compliance monitoring is a deliberate exercise that management applies their minds to, at least annually or as and when the need arises. In addition, a quarterly legal and compliance progress report serves at the Audit Committee and Board.

## 9. Fraud and corruption

The WRC has a zero-tolerance fraud and corruption policy. All fraud and corruption will be investigated and followed up on. The application of all remedies falls within the full extent of the law and the implementation of appropriate prevention and detection controls. The WRC has an approved fraud and corruption prevention policy to ensure that the Commission's zero tolerance for fraud and corruption is integrated into day-to-day activities. Furthermore, the WRC has a 24-hour ethics hotline hosted by an external service provider. All fraud hotline calls received are reported quarterly to the Audit Committee.

During the year under review, ten (10) cases were reported through the hotline. Three (3) were investigated and closed. Two (2) were reported directly to the Minister and the Minister's office acknowledged receipt; the WRC is still waiting for the Minister's report/request for information. The remaining five (5) cases are under investigation and should be finalised during the year.

The related challenges include the resources to investigate and the complexity of the matters being reported.

## 10. Minimising conflict of interest

WRC manages conflicts of interest through the implementation of its Code of Conduct, Code of Ethics and Gift and Hospitality policy. These frameworks and policies require all employees to complete a Business Interest Disclosure form, declaring any external affiliations, including shareholding and other business interests and pre-approval for work outside the WRC.

In line with the Code of Conduct, employees are obligated to maintain confidentiality and are required to disclose and recuse themselves from any matters where a potential conflict of interest arises.

To promote a culture of ethical and professional behaviour, the WRC conducts ongoing awareness initiatives. In the financial year under review, a whistleblowing awareness workshop was held to promote anonymous reporting of suspected fraudulent activities. These efforts are part of a continuous program aimed at reinforcing the ethical standards expected of all WRC employees.

## 11. Code of ethics and business conduct

The sustainability of the WRC is rooted in a strong value system and a principle-based approach to governance and operations. This approach requires the organisation to uphold fundamental responsibilities in the areas of human rights, labour practices, environmental stewardship, legal compliance, and anti-corruption.

The WRC's Code of Ethics and Code of Conduct is aligned with the Constitution of the South Africa and is implemented through the adoption of the Ten Principles of the United Nations Global Compact. It is a commitment to integrity, fairness, and transparency based on several legislation, prescripts and other related policies such as the Constitution, Public Sector Ethics Framework and Batho Pele Principles.

Section 195 of the Constitution outlines the basic values and principles:

- A high standard of professional ethics must be promoted and maintained.
- Services must be provided impartially, fairly, equitably and without bias.
- Public administration must be accountable.
- Transparency must be fostered by providing the public with timely, accessible and accurate information.

## **12. Health, safety and environmental Issues**

The WRC is committed to providing a proactive safety, health and environmental programme, which continuously strives to achieve and maintain the highest standards. The WRC is ensuring continuous compliance with the Occupational Health and Safety Act 85 of 1993, relevant regulations, and policies.

## **13. Board secretary**

There is a designated board secretary whose role is crucial to the effective functioning of the board. The board secretary supports the Board Chairperson in determining and monitoring the Annual Board Plan and raises matters with the Board that needs their attention. In addition, the board secretary is responsible for the Board's documentation and record keeping, meeting arrangements, ensuring compliance and governance is complied with.

## **14. Social responsibility**

The Corporate Social Investment (SCI) policy has been developed and approved, and the CSI Committee has been appointed by the CEO. A CSI strategy has been developed and approved and through the implementation of the CSI strategy, the WRC aims to contribute positively to the areas it operates through knowledge sharing and partnership investment. The committee has developed its Terms of Reference (ToR) and Standard Operating Procedures.

## **15. Audit Committee Report**

### **REPORT OF THE AUDIT COMMITTEE**

We are pleased to present our report for the financial year ended 31 March 2025.

### **AUDIT COMMITTEE RESPONSIBILITIES**

The report of the Audit Committee (Committee) is required by Section 51(1)(a)(ii) of the Public Finance Management Act (as amended) and paragraph 27.1.7 of the Treasury Regulations. The Committee has adopted the formal terms of reference as its Charter, which was approved by the Board. The Committee reports that it has executed its responsibilities in compliance with the Charter and has discharged all of its responsibilities for the year under review. According to the Treasury Regulations, the committee completed all of its statutory obligations. The committee examined the yearly financial statements to ensure that they fairly represented the company's financial position in accordance with PFMA, Treasury Regulations, and generally accepted accounting principles (GRAP).

### **AUDIT COMMITTEE COMPOSITION**

The Committee comprised five (5) non-executive members who are members of the WRC Board. The Committee comprises persons with a blend of skills, knowledge, and experience necessary to discharge its responsibilities. As at 31 March 2025, the Committee comprised the following members:

1. Dr Tendai Sawunyama (Chairperson from January to March 2025)
2. Mr Willem Baird (Chairperson from April to December 2024)



3. Advocate Mary Rosey
4. Ms Zama Dlamini
5. Mr Stanley Ngobeni (Chairperson from April 2025)

### EFFECTIVENESS OF INTERNAL CONTROLS

The Committee has determined that the internal control system is generally acceptable in terms of design, but in order for the WRC to successfully execute the existing controls, executive intervention and targeted improvement efforts are needed. The system is intended to manage failure risk rather than eradicate it, and to maximize opportunities to meet the established objectives; thus, the control flaws found by both the Internal Audit and the External Auditors give the Board an opportunity to improve. The Internal Audit (IA) function is responsible for evaluating the control environment and assisting the Committee to fulfil its responsibilities. The IA unit operated satisfactorily during the 2024/25 financial year. According to the internal audit charter and internal audit standards, the function continued to be generally effective and objective in carrying out its purpose.

The three-year rolling and annual internal audit plans were approved by the Committee at the beginning of the financial year under review. The strategy, which included risk-based, required, performance, ICT, and follow-up audits, satisfied the Committee since it showed a clear correlation with the major risks the WRC faced.

### IN-YEAR MANAGEMENT AND QUARTERLY REPORT

The CEO prepared and submitted quarterly financial and non-financial reports throughout the year under review, and the Committee took note of their substance and quality. A few changes were suggested, approved by management, and put into practice.

### EVALUATION OF THE FINANCIAL STATEMENTS AND ANNUAL PERFORMANCE REPORT

The Committee has:

- reviewed and discussed the unaudited and audited Annual Financial Statements and Annual Performance Report included in the Annual Report;
- reviewed changes relating to the Annual Financial Statements and Annual Performance Report;
- reviewed the entity's compliance with legal and regulatory provisions;
- reviewed the Auditor-General of South Africa's (AGSA) management report and management's response thereto.

### AUDITOR-GENERAL SOUTH AFRICA

The audit implementation plan for the prior fiscal year was taken into consideration and assessed by the Committee. According to the Committee's assessment of management interactions, internal audit reports, and the AGSA audit report, important issues have been adequately resolved.

The AGSA conducted the 2024/25 audit. The Committee accepted the engagement letter, audit plan, and fees for the fiscal year that concluded on 31 March 2025, after consulting with Management.

The Committee accepts the Unqualified audit opinion and conclusion expressed by the AGSA on the Annual Financial Statements and the Annual Performance Report.

On behalf of the Audit Committee

Stanley Ngobeni  
Chairperson of the Audit Committee

## 16. B-BEEE compliance performance information

Table 14. Application of the relevant Code of Good Practice (B-BBEE certificate levels 1-8)

Criteria	Response Yes / No	Discussion
Determining qualification criteria for the issuing of licences, concessions or other authorisations in respect of economic activity in terms of any law?	No	This criterion is not applicable to the WRC and therefore no measures are required to ensure compliance.
Developing and implementing a preferential procurement policy?	Yes	
Determining qualification criteria for the sale of state-owned enterprises?	No	This criterion is not applicable to the WRC and therefore no measures are required to ensure compliance.
Developing criteria for entering partnerships with the private sector?	Yes	
Determining criteria for the awarding of incentives, grants and investment schemes in support of Broad-Based Black Economic Empowerment?	No	This criterion is not applicable to the WRC and therefore no measures are required to ensure compliance.



## Part D:

# Human resources (HR) management

## 17. Overview of HR matters at the public entity

The WRC's vision is to leverage its employee value proposition to create a meaningful working environment that fosters the integration of technology, innovation, and people through strategic partnerships. The WRC's strategy emphasises developing human capital, building strategic business partnerships, enhancing service delivery, and improving operational efficiencies. By adopting this approach, the WRC continues to attract and retain a skilled and capable workforce. Through its focused skills development and capacity enhancement program, the WRC positions itself as an employer of choice.

### 17.1 Set HR priorities for the year under review and the impact of these priorities

- **Development of employees for improved performance and efficiency:** By investing in professional growth, employees have gained advanced competencies, increased operational excellence, and a stronger alignment with organisational goals.
- **Diverse and transformed organisation contributing to Government's transformation agenda:** The WRC has embraced diversity, equity, and inclusion as a strategic priority, aligning with the government's broader transformation agenda to foster social cohesion, economic empowerment, and equitable service delivery. Through targeted policies and skills development, the WRC has cultivated a workforce that reflects the demographics of the communities it serves.
- **Talent management:** The WRC has implemented a structured and strategic talent management framework to support its mandate and contribute to broader water sector capacity-building objectives. This includes targeted initiatives to attract and retain critical skills, enhance workforce capabilities, and promote leadership development. These efforts align with national imperatives to improve service delivery, ensure institutional sustainability, and cultivate a high-performing institution.

### 17.2 Employee performance management framework

The WRC's performance management framework establishes clear metrics for evaluating employee performance. The process is conducted consultatively and fairly to foster accountability, transparency, and continuous improvement. The framework aligns individual goals with organisational strategy to ensure clarity of expectations, regular feedback, and recognition of achievements. The framework is designed to motivate and develop employees, rewarding excellence while addressing underperformance effectively.

The policy was reviewed to adopt a holistic approach to performance management, aimed at fostering employee development, ensuring fair and consistent performance evaluations, and promoting the ongoing recognition and reward of high performers. Additionally, the revised policy introduces a cost-effective performance reward system designed to support the WRC's long-term financial sustainability.

### **17.3 Employee wellness programmes**

The WRC recognises that employee wellness is fundamental to organisational success. The WRC's Employee Wellness Programme is designed to foster a healthy, engaged, and high-performing workforce by addressing physical, mental, and emotional well-being. By prioritising wellness, the WRC strives to cultivate a supportive work environment that enhances productivity, reduces absenteeism, and strengthens employee satisfaction.

In pursuit of this objective, the Employee Assistance Programme has implemented a comprehensive range of initiatives aimed at supporting employees' well-being. These include professional counselling services, financial management support services, targeted stress management awareness campaigns, the promotion of healthy lifestyle practices, and structured educational programmes addressing mental health and chronic illness awareness.

### **17.4 Policy development**

In the year under review, the WRC developed various HR governance documents to ensure proper HR governance, staff development and performance management, staff retention and talent management. The following HR policies were developed and approved:

- Conditions of Service was reviewed and was awaiting the approval of the Minister of Water and Sanitation
- Human Resource Policy
- Grievance Resolution Policy
- Performance Management Policy

A Hybrid Working Policy was developed and was pending consultation with key stakeholders before approval.

### **17.5 Highlights and achievements**

It must be noted that the planned annual target of spending 50% of the training and development budget was exceeded or overachieved, as 73% of the budget was spent during the reporting period.

The WRC made strides in addressing the imbalances of the past by implementing affirmative measures in a quest to achieve a diverse and transformed workforce. This was achieved through the recruitment and selection processes when filling positions. By the end of 2024/25, there was 78% black representation against the planned target of 75% and 56% women representation against the planned target of 50%. Women empowerment continued to be at the core of the transformation plan, resulting in 17 training programmes provided for women against the planned target of 5. This signals an overachievement of the above-stated targets.

Efforts were made to achieve the 5% target of persons living with disability representation in the WRC workforce as per the WRC transformation plan through recruitment and internal voluntary disclosures. However, only 3.4% representation was achieved through the voluntary disclosure drive, which is still below the 5% target by the WRC, which is higher than the National Disability target of 1.2%. More efforts will be made in the forthcoming financial years to recruit persons with disabilities across all occupational categories and to provide reasonable accommodation as and when a need arises. This will be done by identifying barriers to employment opportunities and implementing affirmative action measures, such as forging strategic partnerships with key stakeholders, such as organisations representing persons with disabilities.

### **17.6 Challenges faced by the public entity**

From an HR performance and organisational capacity perspective, the WRC faced several challenges that affected its ability to operate at full efficiency. Human capacity shortages due to vacant positions and the temporary unavailability of key personnel due to disciplinary proceedings resulted in critical vacancies remaining unfilled. These constraints placed considerable strain on existing staff, who were required to assume additional responsibilities beyond their core functions.

The cumulative impact led to increased levels of employee fatigue, reduced morale, and a decline in overall productivity, thereby affecting the organisation's capacity to deliver services optimally.

### 17.7 Future HR plans

In the forthcoming year, HR management endeavours to prioritise the following initiatives:

- To identify and define the desired organisational culture which must be embedded in staff.
- To implement change management intervention programmes across the organisation.
- To capacitate all staff through training and development initiatives and offer leadership development programmes for the entire management team (Executives, Senior Managers and Middle Managers)
- To provide employee engagement initiatives in a quest to improve communication with staff, trust and meaningful contribution and feedback.
- To continue offering employee wellness programmes and support in a quest to promote a healthy lifestyle and work-life balance for the WRC's workforce.

### 17.8 HR oversight statistics

Personnel expenditure of personnel of all programmes of the WRC is budgeted, monitored and reported under the Corporate Services programme.

Table 15. Personnel costs by programme/activity/objective.

Programme/activity/objective	Total Expenditure for the entity (R'000)	Personnel Expenditure (R'000)	Personnel exp. as a % of total exp.	No. of employees	Average personnel cost per employee (R'000)
Administration and Governance	13 294	18 339	15%	17	1 079
Corporate Services	138 569	10 730	9%	13	825
Finance	2 559	15 475	13%	17	910
Stakeholder & Impact	28 321	12 636	11%	11	1 149
Research Development & Innovation	218 559	62 420	52%	44	1 419
<b>TOTAL</b>	<b>401 302</b>	<b>119 600</b>	<b>100%</b>	<b>102</b>	<b>1 172</b>

### 17.9 Personnel cost by salary band

Table 16. Personnel cost by salary band

Level	Personnel expenditure (R'000)	% of personnel expenditure to total personnel cost	No. of employees	Average personnel cost per employee (R'000)
Top Management	17 771	14,86%	5	3 554
Senior Management	58 154	48,62%	35	1 662
Professional qualified	35 074	29,33%	42	835
Skilled	7 419	6,20%	16	464
Semi-skilled	808	0,68%	2	404
Unskilled	374	0,31%	2	187
<b>TOTAL</b>	<b>119 600</b>	<b>100%</b>	<b>102</b>	<b>1 173</b>

Reconciliation between employee-related costs as per the Statement of Financial Performance and personnel expenditure is included in Table 16.

*Table 17. Reconciliation between employee-related costs as per the Statement of Financial Performance and Personnel expenditure.*

Personnel expenditure	Total Expenditure for the Entity (R'000)	Comment
Employee-related costs	115 659	Amount as per the Statement of Financial Performance
Reversal of provisions for performance-based incentive	4 869	Reversal of provisions raised in the 2023/24 financial year in respect of performance-based incentives
Provision for CCMA award	(4 339)	Provision for accounting purposes, thus not paid to employees
Leave and bonus provision	(4 524)	Provision for accounting purposes, thus not paid to employees
Leverage funded employees	9 327	Salaries in respect of leverage-funded employees have been re-allocated to research, development and innovation costs
Backpay in respect of former employees	(24)	Back pay paid to former employees due to the implementation of increases
Directors' remuneration	(1 012)	This is in respect of remuneration (fees for preparation and attendance of meetings and connectivity allowance) payable to Non-Executive Directors (Board and sub-committee members)
Compensation Commissioner	(356)	This is not directly related to employees, but a payment to the Department of Labour
<b>TOTAL</b>	<b>119 600</b>	

#### 17.10 Performance rewards

*Table 18. Performance rewards.*

Programme//activity/objective	Performance rewards	Personnel expenditure (R'000)	% of performance rewards to total personnel cost
Top management	-	17 771	0,00%
Senior management	-	58 154	0,00%
Professional qualified	-	35 074	0,00%
Skilled	-	7 419	0,00%
Semi-skilled	-	808	0,00%
Unskilled	-	374	0,00%
<b>TOTAL</b>	<b>-</b>	<b>119 600</b>	<b>0,00%</b>

## 17.11 Training costs

Table 19. Training costs.

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 (R'000)
Study grants and short courses	119 600	1 942	2%	62	31.3

## 17.12 Employment and vacancies

Table 20. Employment and vacancies.

Programme/activity/ objective	2023/24 No. of employees	2023/24 vacancies	2024/25 No. of employees	2024/25 vacancies	% of vacancies
Top Management	5	0	5	1	20%
Senior Management	26	11	32	3	9%
Professional qualified	39	12	33	17	52%
Skilled	12	6	12	4	33%
Semi-skilled	0	0	0	0	0%
Unskilled	3	0	3	0	0
<b>TOTAL</b>	<b>85</b>	<b>29</b>	<b>88</b>	<b>25</b>	<b>28%</b>

Table 21. Employment changes.

Salary band	Employment at the beginning of the period	Appointments	Terminations	Employment at the end of the period
Top Management	5	1	1	5
Senior Management	28	6	2	33
Professional qualified	37	6	7	35
Skilled	12	4	4	12
Semi-skilled	0	0	0	0
Unskilled	3	0	0	3
<b>TOTAL</b>	<b>85</b>	<b>17</b>	<b>14</b>	<b>88</b>

Table 22. Reconciliation between the number of employees in table 16 and table 20.

Description	Number
Employment at end of the period	88
Terminations during the year	14
Total employees paid during the year	<b>102</b>

### 17.13 Reason for staff leaving

The following reasons were provided as reasons for resignations by some of the employees who resigned:

- Career growth opportunities and new networks

Table 23. Reasons for staff leaving.

Reason	Number	% of total no. of staff leaving
Death	0	0%
Resignation	6	43%
Dismissal	6	43%
Retirement	0	0%
Ill health	0	0%
Expiry of contract	2	14%
<b>Other</b>	<b>0</b>	<b>0%</b>
<b>Total</b>	<b>14</b>	<b>100%</b>

### 17.14 Labour relations misconduct and disciplinary action

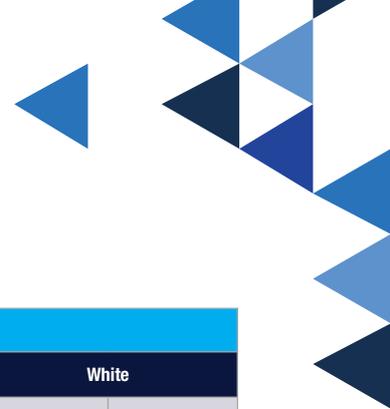
Table 24. Labour relations misconduct and disciplinary action.

Nature of discipline	No
Verbal Warning	1
Written Warning	1
Final Written warning	1
Dismissal	6
Total	9

### 17.15 Equity target and employment status

Table 25. Equity target and employment status.

LEVEL	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	2	0	1	0	0	0	0	0
Senior Management	10	29	3	6	2	2	1	2
Professional qualified	10		1		0		0	
Skilled	3		0		0		0	
Semi-skilled	0		0		0		0	
Unskilled	1		0		0		0	
<b>TOTAL</b>	<b>26</b>	<b>29</b>	<b>5</b>	<b>6</b>	<b>2</b>	<b>2</b>	<b>1</b>	<b>2</b>



FEMALE								
LEVEL	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top management	2	0	0	0	0	0	0	0
Senior management	9	34	0	2	2	3	2	8
Professional qualified	16		1		0		5	
Skilled	10		0		0		0	
Semi-skilled	0		0		0		0	
Unskilled	2		0		0		0	
<b>TOTAL</b>	<b>39</b>	<b>34</b>	<b>1</b>	<b>2</b>	<b>2</b>	<b>3</b>	<b>7</b>	<b>8</b>

Table 26. The disability target is 1.2% of the overall staff complement as per the national disability target.

DISABLED STAFF								
LEVEL	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management								
Senior Management			1					
Professional qualified							1	
Skilled								
Semi-skilled								
Unskilled								
<b>TOTAL</b>			<b>1</b>				<b>1</b>	



## PFMA Compliance

### 18. PFMA compliance report

#### 18.1 Irregular expenditure

*Table 27. Reconciliation of irregular expenditure.*

Description	2024/25	2023/24
	R	R
Opening balance	188 563	12 216 527
Add: Irregular expenditure confirmed	-	188 563
Less: Irregular expenditure condoned	-	-
Less: Irregular expenditure not condoned and removed	-	(12 216 527)
Less: Irregular expenditure recoverable	(30 025)	-
Less: Irregular expenditure not recovered and written off	-	-
<b>Closing balance</b>	<b>158 538</b>	<b>188 563</b>

#### 18.1.1 Approval of performance bonuses and salary increases not in accordance with the Delegations of Authority – relating to the 2022/23 financial year

The WRC requested National Treasury for guidance to determine if the expenditure relating to performance bonuses and salary increases amounting to R12 216 527 constituted irregular expenditure. The National Treasury responded on 28 June 2023, indicating that the incurred expenditure does not constitute irregular expenditure as there was no breach of the PFMA / Treasury Regulations.

Therefore, the incurred expenditure of R12 216 527, which was indicated in the 2022/23 AFS as irregular expenditure, is no longer reflected in the 2023/24 AFS disclosure and has been removed.

#### 18.1.2 Independent legal opinion – Service rendered in excess of the issued purchase order amount – relating to 2022/23 financial year.

The irregular expenditure of R30 025 was recovered from the official responsible.

#### 18.1.3 Irregular expenditure 2023/24 financial year

No Irregular expenditure was confirmed, condoned, written off or recovered during the 2023/24 financial year.



#### 18.1.4 Irregular expenditure 2024/25 financial year

No irregular expenditure was incurred during the 2024/25 financial year. Prior years' (2022/23 and 2023/24 financial years) irregular expenditure, which were under the determination test, were concluded and resolved by the Board during the 2024/25 financial year.

*Table 28. Reconciling notes*

Description	2024/25	2023/24
	R	R
Irregular expenditure that was under assessment	-	188 563
Irregular expenditure that relates to the prior year and identified in the current year	-	-
Irregular expenditure for the current year	-	-
<b>Total</b>	<b>-</b>	<b>188 563</b>

#### 18.1.5 Independent legal opinion – Service rendered in excess of the issued purchase order amount – relating to 2022/23 financial year

This case pertains to a service rendered in excess of the issued purchase order amount. On 22 April 2022, the WRC appointed a service provider to assist with legal work. The award was based on an hourly rate of R1 725, and it was recommended that an amount of R20 000 be set aside for the completion of the work. Upon completion of the work, the appointed legal firm submitted an invoice totalling R50 025. The invoice was R30 025 over the issued purchase order amount.

This possible irregular expenditure of R30 025 was subject to a determination test as conducted by the Internal Audit, and upon conclusion, the expenditure was confirmed as irregular expenditure as the payment amount exceeded the authorised amount. The Board resolved that the WRC should apply for condonation of the irregular expenditure to the National Treasury for approval. National Treasury advised that "the entity is the relevant authority to condone irregular expenditure where the delegation of authority was contravened" and, as such, the condonation of this transaction is now considered concluded.

##### *Consequence management*

Consequence management has been undertaken against the relevant official/s, and the expenditure incurred has been recovered from the relevant official.

#### 18.1.6 Appointed legal firms in respect of disciplinary hearing – Received invoice amount is more than the contract amount – relating to 2023/24 financial year

In September 2022, the WRC appointed three (3) legal firms to assist with a disciplinary hearing on behalf of the WRC. The award was based on an hourly rate per firm, with the total contract amount set at R500 000. In September 2023, a contract variation amounting to R300 000 was approved to enable the completion of the work. The total contract amount (original contract and variation) amounted to R800 000, and upon completion of the work, the appointed legal firms submitted invoices that amounted to R958 538.

Possible irregular expenditure of R158 538 was subject to a determination test as conducted by the Internal Audit and upon conclusion, the expenditure was confirmed as irregular expenditure.

*Table 29. Details of current and previous year irregular expenditure (under assessment, determination, and investigation).*

Description	2024/25	2023/24
	R	R
Irregular expenditure under assessment	-	-
Irregular expenditure under determination	-	-
Irregular expenditure under investigation	-	-
<b>Total</b>	-	-

### 18.1.7 Foreign suppliers – relating to 2022/23 financial year

Possible irregular expenditure of R94 325, identified in the 2022/23 financial year was subject to the determination test by the Internal Audit.

Paragraph 2 of the Treasury Instruction Note 7 (2017 /18) requires an SBD 1 form to be obtained from foreign suppliers to verify tax compliance before award. Due to the suppliers being fully web-based (online) with no physical presence in South Africa, it was impractical to obtain the forms. National Treasury was engaged for guidance, to which the advice was that the completion of the SBD 1 form for the verification of tax compliance is done when considering price quotations or bids that have been invited by an institution. National Treasury further advised that, where impractical to obtain the SBD 1 form from the foreign-based supplier, an exemption must be requested from the National Treasury. The WRC has implemented control measures as per National Treasury guidance.

Supply Chain management (SCM) procedure has been reviewed, and the WRC has implemented internal control measures (i.e. updated the SCM checklist to include the verification of foreign-based suppliers for the completion of the SBD 1, where applicable) to eliminate potential future recurrence. All transactions involving foreign-based suppliers are processed in line with the implemented SCM control measures.

Upon conclusion of the determination test by the Internal Audit, it concluded that no contravention nor non-compliance with legislation and prescripts was identified with this expenditure, and it, therefore, does not constitute irregular expenditure.

### 18.1.8 Independent legal opinion – Service rendered in excess of the issued purchase order amount – relating to 2022/23 financial year

Possible irregular expenditure of R30 025 was subject to a determination test as conducted by the Internal Audit, and upon conclusion, the expenditure was confirmed as irregular expenditure (refer to table 25).

*Table 30. Details of irregular expenditure condoned.*

Description	2024/25	2023/24
	R	R
Irregular expenditure condoned	-	-
<b>TOTAL</b>	-	-



Table 31. Details of irregular expenditure removed (not condoned).

Description	2024/25	2023/24
	R	R
Irregular expenditure not condoned/ removed	-	12,216 527
<b>TOTAL</b>	<b>-</b>	<b>12,216 527</b>

Table 32. Details of irregular expenditure recoverable.

Description	2024/25	2023/24
	R	R
Irregular expenditure recoverable	30 025	-
<b>TOTAL</b>	<b>30 025</b>	<b>-</b>

Table 33. Details of irregular expenditure written off (irrecoverable).

Description	2024/25	2023/24
	R	R
Irregular expenditure written off	-	-
<b>TOTAL</b>	<b>-</b>	<b>-</b>

## 18.2 Additional disclosure relating to inter-institutional arrangements

- Non-compliance cases where an institution engages in an inter-institutional arrangement (where such institution is not responsible for the non-compliance – Not applicable)
- Details of irregular expenditure where an institution engages in an inter-institutional arrangement (where such institution is responsible for the non-compliance) – Not applicable

## 18.3 Fruitless and wasteful expenditure

Table 34. Reconciliation of fruitless and wasteful expenditure.

Description	2024/25	2023/24
	R	R
Opening balance	264 644	-
Add: Fruitless and wasteful expenditure confirmed		264 644
Less: Fruitless and wasteful expenditure written off	11 261	-
Less: Fruitless and wasteful expenditure recoverable	4 606	-
<b>Closing balance</b>	<b>248 777</b>	<b>264 644</b>

Possible fruitless and wasteful expenditure was subject to the determination test as conducted by the Internal Audit. The results of the determination were presented to the Accounting Authority (WRC Board) and the expenditure, which resulted in financial loss of R11 261 (R4 464 + R5 618 + R1 179) was condoned to be written off and the expenditure amounting to R4 606 in respect of training non-attendance was recovered (refer to table 34 for further details).

Table 35. Reconciling notes.

Description	2024/25	2023/24
	R	R
Fruitless and wasteful expenditure that was under assessment	-	-
Fruitless and wasteful expenditure that relates to the prior year and identified in the current year	-	264 644
Fruitless and wasteful expenditure for the current year	-	-
<b>Total</b>	<b>-</b>	<b>264 644</b>

### 18.3.1 SARS interest and penalties on Tax Returns – ERF Sewe-Nul-Ses Rietfontein (Pty) Ltd – related to the 2022/23 financial year

Possible fruitless and wasteful expenditure amounting to R4 464 relating to ERF Sewe-Nul-Ses Rietfontein was identified by the WRC. SARS charged ERF Sewe-Nul-Ses Rietfontein penalties and interest in respect of employee tax (PATE, SDL and UIF), however, ERF Sewe-Nul-Ses Rietfontein was not aware of any liability owed to SARS in respect of employee tax (PAYE, SDL and UIF), as it only became aware of this in August 2022, when requesting to deregister the company for tax purposes. ERF Sewe-Nul-Ses Rietfontein had written to SARS requesting the remission of the incurred penalties and interest.

A determination test was undertaken in respect of the expenditure incurred. The results of the determination were presented to the Accounting Authority (WRC Board), and the expenditure, which resulted in financial loss of R4 464, was condoned to be written off.

### 18.3.2 Payment to the South African Revenue Service (SARS) for an outstanding balance per the statement and Skills Development Levies (SOL) as per the tax compliant report charges – related to 2023/24 financial year

The WRC observed a tax non-compliance status upon review of the tax status following a payment of late penalty and interest charges on 10 July 2024. In line with the framework on fruitless and wasteful expenditure, a determination test was undertaken in respect of the expenditure incurred. The results of the determination were presented to the Accounting Authority (WRC Board), and the expenditure, which resulted in financial loss of R1 179, was condoned to be written off.

### 18.3.3 WRC SARS penalty and interest charges – related to 2023/24 financial year

The WRC incurred penalty and interest charges because of the late payment of the monthly employee tax return for May 2023 (202305 EMP201 tax return). The EMP 201 monthly tax return was due for submission and payment on or before the 7th of the following month. The payment was not released before 7 June 2023 as required by SARS and the associated Tax Administration Act.

Possible fruitless and wasteful expenditure of R248 777 was subject to a determination test, which was concluded during the 2024/25 financial year, with the expenditure confirmed as fruitless and wasteful. Consequence management is currently underway as resolved by the Board.

### 18.3.4 Training non-attendance – Online programme Improving Governance in the Public Sector on 1 November 2022 with the Institute of Directors in South Africa

Possible fruitless and wasteful expenditure was identified, amounting to R10 224 (R4 606 + R5 618) related to non-attendance of a training event. Two officials could not attend the online programme (training), 'Improving Governance in the Public



Sector', held on 1 November 2022 with the Institute of Directors in South Africa. The reason for one official's non-attendance was due to hospitalisation during the period of the training, with the other official not being aware of the training taking place on the set date (training not scheduled in the official's calendar).

Possible fruitless and wasteful expenditure of R10 224 was subject to a determination test as conducted by the Internal Audit, which concluded that it constituted fruitless and wasteful expenditure.

#### *Consequence management*

In respect of the expenditure amount of R4 606 for training non-attendance, the consequence management is underway as resolved by the Board. This was recovered from the official responsible.

*Table 36. Information on late and/or non-payment of suppliers*

Description	2024/25	2023/24
	R	R
Valid invoices received	1774	259 671 919
Invoices paid within 30 days or agreed period	1169	178 437 871
Invoices paid after 30 days or agreed period	605	81 234 048

During the 2024/25 financial year, the WRC experienced capacity constraints, which resulted in delays in the settlement of invoices. An invoice tracking register was implemented in the financial year to assist with the recording and monitoring of invoices going forward.

## **18.4 Information on supply chain management**

### **18.4.1 Procurement by other means**

Accounting authorities must ensure that all procurement by "other means" is reported in the annual report of an institution in the format prescribed in terms of the instruction on 'Enhancing compliance, transparency and accountability in supply chain management'.

*Table 37. Procurement by other means.*

Project description	Name of supplier	Type of procurement by other means	Contract number	Value of contract
Procurement of a new office lease for the WRC for a period of ten (10) years	The Innovation Hub Management Company, through Notre Dame Development Company (Pty) Ltd	Single Source Deviation	WRC-002-2024/25	Estimated lease amount of R147 951 005, with the annual escalation rate of 7.5% per annum.
Provision of legal services to the WRC (appointed legal expert to advise on an HR matter)	Verveen Attorneys	Single Source Deviation	RFQ-054-07-23/24	R1 000 000
<b>TOTAL</b>				<b>R247 951 005</b>

## 18.5 Contract variations and expansions

Table 38. Contract variations and expansions.

Project description	Name of supplier	Contract modification type (expansion or variation)	Contract number	Original contract value	Value of previous contract expansion/s or variation/s (if applicable)	Value of current contract expansion or variation
To administer (lead) a disciplinary hearing and act on behalf of the WRC	Ramushu Mashile Twala Inc.	Expansion	RFQ-062/08/23-24	R238 000	-	R760 000
Provision of legal services to the WRC (appointed legal expert to advise on an HR matter)	Verveen Attorneys	Expansion	RFQ-054-07-23/24	R1 000 000	-	R1 000 000
Contract extension (variation) for a period of 4 months commencing 1 December 2024 – 31 March 2025 under the same terms as the current contract.	Kgotlhetsa Consulting Services	Expansion (only period extended)	WRC-005-2021/22	R687 rate per hour	R0	R0





**Part F:**

# Water Research Commission Annual Financial Statements for the year ended 31 March 2025

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The annual financial statements set out on page 75 - 89 which have been prepared on the going concern basis, were approved on 28 July 2025 by the Board members and were signed on its behalf by:



**Dr JB Molwantwa**  
Chief Executive Officer

**Dr R Melamu**  
Chairperson of the Board

# Report of the auditor-general to Parliament on the Water Research Commission

## Report on the audit of the financial statements

### Opinion

1. I have audited the financial statements of the Water Research Commission set out on pages 75 to 89, which comprise the statements of financial position as at 31 March 2025, statements of financial performance, statements of changes in net assets, cash flow statement and the statement of comparison of budget information with actual information 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 Water Research Commission as at 31 March 2025 and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).

### Basis for opinion

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 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.

### Emphasis of matter

6. I draw attention to the matter below. My opinion is not modified in respect of this matter.

### Contingent liabilities

7. With reference to note 37 to the financial statements, the entity is the defendant in a matter regarding the non-payment of bonuses for the financial years 2021 to 2024 for senior management service and non-senior management service. The matter is being arbitrated by the Commission for Conciliation, Mediation and Arbitration (CCMA). The ultimate outcome of the matter could not be determined and no provision for any liability that may result was made in the financial statements.

### Responsibility of the accounting authority for the financial statements

8. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the 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.
9. 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 group or to cease

# Report of the auditor-general to Parliament on the Water Research Commission

operations, or has no realistic alternative but to do so.

## *Responsibilities of the auditor-general for the audit of the financial statements*

10. 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 it 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.
11. 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 on page 73, forms part of my auditor's report.

## *Report on the audit of the annual performance report*

12. 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 programme presented in the annual performance report. The accounting authority is responsible for the preparation of the annual performance report.
13. I selected the following material performance indicators related to the programme: Research Development and Innovation, presented in the annual performance report for the year ended 31 March 2025, for auditing. I selected those indicator programmes that measure the public entity's performance on its primary mandated functions and that are of significant national, community, or public interest:
  - Percentage of adaptation-related projects
  - Percentage of resilience-related projects
  - Percentage of innovations demonstrated
  - Percentage of innovations transferred to stakeholders
14. I evaluated the reported performance information for the selected programmes 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 objectives.
15. 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 directly linked 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.
  - The reported performance information is presented in the annual performance report in the prescribed manner and is comparable and understandable.

# Report of the auditor-general to Parliament on the Water Research Commission

- There is adequate supporting evidence for the achievements reported and for the reasons provided for any over- or underachievement of targets/measures taken to improve performance.

16. I performed the procedures only for the purpose of reporting material findings and not to express an assurance opinion or conclusion.

17. The material findings on the reported information for the selected programme are as follows:

## Research, Development and Innovation

18. Two targets were not clearly defined during the planning process. Consequently, the indicators and their targets are not useful for measuring and reporting on progress against the public entity's planned objectives.

Indicator	Target	Detail
Percentage of adaptation-related projects	50%	The reported adaptation achievement (40%) does not specify the planned adaptation research projects to allow for the measurement of the target.
Percentage of resilience-related projects	30%	The reported resilience achievement (59%) does not specify the planned resilience research projects to allow for the measurement of the target.

## Other matters

19. I draw attention to the matters below:

### Achievement of planned targets

20. The annual performance report includes information on reported achievements against planned targets and explanations for over- or under achievements. This information should be considered in the context of the material findings on the reported performance information.

21. The table that follows provides information on the achievement of the planned targets and lists the key service delivery indicators that were not achieved as reported in the annual performance report. The reasons for any underachievement of targets are included in the annual performance report on pages 38 - 39 .

## Research Development and Innovation

Targets achieved: 75%		
Key indicator not achieved	Planned target	Reported achievement
Percentage of adaptation-related projects	50%	40%

## Material misstatements

22. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for percentage of resilience-related projects and percentage of adaptation-related projects.

# Report of the auditor-general to Parliament on the Water Research Commission

## Report on compliance with legislation

23. 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.
24. 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.
25. 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.
26. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

## *Annual financial statements and performance and annual report*

27. 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 disclosure and classification of a liability identified by the auditors in the submitted financial statements were corrected, resulting in the financial statements receiving an unqualified audit opinion.

## Other information in the annual report

28. The accounting authority is responsible for the other information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected programmes presented in the annual performance report that have been specifically reported on in this auditor's report.
29. 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 opinion or any form of assurance conclusion on it.
30. 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 programmes presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.
31. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, and if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected, this will not be necessary.

## Internal control deficiencies

32. 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.

# Report of the auditor-general to Parliament on the Water Research Commission

33. The matters reported below are limited to the significant internal control deficiencies that resulted in the material findings in the annual performance report and the material findings in compliance with legislation included in this report.
34. Management did not adequately review the targets included in the annual performance plan to ensure that the targets were measurable.
35. Management did not adequately review the financial statements to ensure adherence to the GRAP.

## Other reports

36. I draw attention to the following engagements conducted by various parties. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.
37. The investigations conducted into allegations of misconduct by executive employees at the Water Research Commission were concluded during the year under review. Two executives have been suspended and one executive resigned. The disciplinary hearing has been concluded for one executive and a hearing is in progress for the other executive. Final rulings on the matter were still pending at the conclusion of the audit.

*Auditor - General*

Pretoria  
31 July 2025



**A U D I T O R - G E N E R A L**

## 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 this audit

#### *Professional judgement and professional scepticism*

As part of an audit in accordance with the ISAs, I exercise professional judgement and professional and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected programmes 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 report, 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 and its subsidiaries 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 author'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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. I am responsible for the direction, supervision and review of audit work performed for purposes of the group audit. I remain solely responsible for my audit opinion.

#### *Communication 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 51(1)(b)(i); 51(1)(b)(ii); 51(1)(e)(iii); 53(4); Section 54(2)(c); 54(2)(d); 55(1)(a); 55(1)(b); Section 55(1)(c)(i); 56(1); 57(b); 66(3)(c)
Treasury Regulations, 2005	Regulation 8.2.1; 8.2.2; 16A3.2; 16A3.2(a); Regulation 16A6.1; 16A6.2(a); 16A6.2(b); Regulation 16A6.3(a); 16A6.3(a); 16A6.3(b); Regulation 16A6.3(c); 16A6.3(e); 16A6.4; 16A6.5; Regulation 16A6.6; 16A.7.1; 16A.7.3; 16A.7.6; Regulation 16A.7.7; 16A8.3; 16A8.4; 16A9.1(b)(ii); Regulation 16A 9.1(d); 16A9.1(e); 16A9.1(f); Regulation 16A9.2; 16A9.2(a)(ii); 30.1.1; 30.1.3(a); Regulation 30.1.3(b); 30.1.3(d); 30.2.1; 31.2.1; Regulation 31.2.5; 31.2.7(a); 32.1.1(a); 32.1.1(b); Regulation 32.1.1(c); 33.1.1; 33.1.3
Companies Act 71 of 2008	Section 45(2); 45(3)(a)(iii); 45(3)(b)(i); 45(3)(b)(ii); Section 45(4); 46(1)(a); 46(1)(b); 46(1)(c); Section 112(2)(a); 129(7)
Construction Industry Development Board Act 38 of 2000	Section 18(1)
Construction Industry Development Board Regulations, 2004	Regulation 17; 25(7A)
Second amendment National Treasury Instruction No. 5 of 202/21	Paragraph 1
Erratum National Treasury Instruction No. 5 of 202/21	Paragraph 2
National Treasury instruction No 5 of 2020/21	Paragraph 4.8; 4.9; 5.3
National Instruction No. 1 of 2021/22	Paragraph 4.1
National Instruction No. 4 of 2015/16	Paragraph 3.4
National Treasury SCM Instruction No. 4A of 2016/17	Paragraph 6
National Treasury SCM Instruction No. 03 of 2021/22	Paragraph 4.1; 4.2(b); 4.3; 4.4; 4.4(a); 4.17; 7.2; Paragraph 7.6
National Treasury SCM Instruction No. 11 of 2020/21	Paragraph 3.4(a); 3.4(b); 3.9
National Treasury SCM Instruction No. 2 of 2021/22	Paragraph 3.2.1; 3.2.4; 3.2.4(a); 3.3.1
Practice Note 11 of 2008/9	Paragraph 2.1; 3.1 (b)
Practice Note 5 of 2009/10	Paragraph 3.3
Practice Note 7 of 2009/10	Paragraph 4.1.2
Preferential Procurement Policy Framework Act 5 of 2000	Section 1; 2.1(a); 2.1(f)
Preferential Procurement Regulations, 2022	Regulation 4.1; 4.2; 4.3; 4.4; 5.1; 5.2; 5.3; 5.4
Preferential Procurement Regulations, 2017	Regulation 4.1; 4.2; 5.1; 5.3; 5.6; 5.7; 6.1; 6.2; 6.3; Regulation 6.5; 6.6; 6.8; 7.1; 7.2; 7.3; 7.5; 7.6; 7.8; Regulation 8.2; 8.5; 9.1; 9.2; 10.1; 10.2; 11.1; 11.2
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section 34(1)

# Statement of Financial Position

for the year ended 31 March 2025

		WRC		
		2025	2024	
		R	Restated*	
Notes		R	R	
<b>Assets</b>				
<b>Current assets</b>				
	Receivables from exchange transactions	3	7 939 198	12 893 870
	Receivables from non-exchange transactions	3	44 297 195	45 907 124
	Cash and cash equivalents	4	574 763 458	506 501 337
			<b>626 999 851</b>	<b>565 302 331</b>
<b>Non-current assets</b>				
	Property, plant and equipment	5	4 771 907	5 369 813
	Intangible assets	6	9 996 385	13 245 470
	Investments in controlled entities	7	-	1
	Receivables from exchange transactions	3	1 523 832	1 409 685
			<b>16 292 124</b>	<b>20 024 969</b>
	<b>Total assets</b>		<b>643 291 975</b>	<b>585 327 300</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
	Operating lease liability	8	3 510 753	6 090 434
	Payables from exchange transactions	9	147 424 120	164 460 747
	Provisions	10	-	4 868 519
	Accrual for leave	12	9 015 989	6 142 825
	<b>Total current liabilities</b>		<b>159 950 862</b>	<b>181 562 525</b>
<b>Non-current liabilities</b>				
	Employee benefit obligation	11	3 614 741	3 710 921
	<b>Total liabilities</b>		<b>163 565 603</b>	<b>185 273 446</b>
	Accumulated surplus		479 726 372	400 053 854
	<b>Total net assets</b>		<b>479 726 372</b>	<b>400 053 854</b>

\* See Note 36

# Statement of Financial Performance

for the year ended 31 March 2025

		WRC	
		2025	2024
			Restated*
Notes		R	R
<b>Revenue from exchange transactions</b>			
	Leverage income	119 412 270	97 463 882
	Other income	677 424	544 091
	Investment revenue	32 521 525	28 546 328
	<b>Total revenue from exchange transactions</b>	<b>152 611 219</b>	<b>126 554 301</b>
<b>Revenue from non-exchange transactions</b>			
	Water research levies	327 981 997	323 367 706
	Other income	34 658	-
	<b>Total revenue from non-exchange transactions</b>	<b>328 016 655</b>	<b>323 367 706</b>
	<b>Total revenue</b>	<b>480 627 874</b>	<b>449 922 007</b>
<b>Expenditure</b>			
	Depreciation and amortisation	8 557 983	5 540 221
	Employee-related costs	115 658 572	101 746 516
	Finance costs	730 051	536 772
	General expenses	18 782 528	18 087 453
	Lease rentals on operating lease	11 108 926	10 936 959
	Research, development and innovation	246 017 443	214 247 455
	Repairs and maintenance	139 396	109 107
	<b>Total expenditure</b>	<b>400 994 899</b>	<b>351 204 483</b>
	<b>Operating surplus / (deficit)</b>	<b>79 632 975</b>	<b>98 717 524</b>
	Gain/(loss) on disposal of assets and liabilities	12 271	19 314
	Impairment (loss) and reversals	(9 925)	(338)
	Remeasurement	37 197	1 640 957
		<b>39 543</b>	<b>1 659 933</b>
	<b>Surplus for the year</b>	<b>79 672 518</b>	<b>100 377 457</b>

\* See Note 36

# Statement of Changes in Net Assets

for the year ended 31 March 2025

	Accumulated surplus	Total net assets
	R	R
<b>WRC</b>		
Opening balance as previously reported	299 747 706	299 747 706
<b>Adjustments</b>		
Correction of errors	(71 309)	(71 309)
<b>Balance at 1 April 2023 as restated*</b>	<b>299 676 397</b>	<b>299 676 397</b>
Changes in net assets		
Surplus for the year	100 377 457	100 377 457
Total changes	100 377 457	100 377 457
<b>Restated* balance at 1 April 2024</b>	<b>400 053 854</b>	<b>400 053 854</b>
Changes in net assets		
Surplus for the year	79 672 518	79 672 518
Total changes	79 672 518	79 672 518
<b>Balance at 31 March 2025</b>	<b>479 726 372</b>	<b>479 726 372</b>



\* See Note 36

# Cash Flow Statement

for the year ended 31 March 2025

		WRC	
		2025	2024
			Restated*
Notes		R	R
	<b>Cash flows from operating activities</b>		
	<b>Receipts</b>		
	Cash receipts from customers	428 476 929	411 192 937
	Investment revenue	35 033 385	30 606 453
		<b>463 510 314</b>	<b>441 799 390</b>
	<b>Payments</b>		
	Cash paid to suppliers and employees	(387 931 631)	(335 607 718)
26	<b>Net cash flows from operating activities</b>	<b>75 578 683</b>	<b>106 191 672</b>
	<b>Cash flows from investing activities</b>		
	Purchase of property, plant and equipment	(1 941 381)	(2 481 064)
	Purchase of other intangible assets	(2 539 150)	(12 150 764)
	Net cash flows on disposal	13 506	-
	<b>Net cash flows from investing activities</b>	<b>(4 467 025)</b>	<b>(14 631 828)</b>
	<b>Cash flows from financing activities</b>		
	Employee benefits paid	(539 077)	-
	<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>70 572 581</b>	<b>91 559 844</b>
	Cash and cash equivalents at the beginning of the year	506 501 337	410 479 202
	Effect of exchange rate movement on cash balances	(2 310 460)	4 462 291
4	<b>Cash and cash equivalents at the end of the year</b>	<b>574 763 458</b>	<b>506 501 337</b>

\* See Note 36

# Statement of Comparison of Budget and Actual Amounts

for the year ended 31 March 2025

## Budget on Cash Basis

### Revenue

#### Revenue from exchange transactions

	Approved budget	Adjustments	Final budget	Actual amounts on comparable basis	Difference between final budget and actual
	R	R	R	R	R
Leverage income	100 097 938	-	100 097 938	119 412 270	(19 314 332)
Other income	965 791	(175 338)	790 453	698 234	92 219
Investment revenue	24 537 915	7 053 438	31 591 353	32 521 525	(930 172)
<b>Total revenue from exchange transactions</b>	<b>125 601 644</b>	<b>6 878 100</b>	<b>132 479 744</b>	<b>152 632 029</b>	<b>(20 152 285)</b>

#### Revenue from non-exchange transactions

Water research levies	316 007 232	10 570 449	326 577 681	327 981 997	(1 404 316)
Other income	-	-	-	34 658	(34 658)
<b>Total revenue from non-exchange transactions</b>	<b>316 007 232</b>	<b>10 570 449</b>	<b>326 577 681</b>	<b>328 016 655</b>	<b>(1 438 947)</b>

#### Total revenue

<b>441 608 876</b>	<b>17 448 549</b>	<b>459 057 425</b>	<b>480 648 684</b>	<b>(21 591 259)</b>
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### Expenditure

Fixed costs	14 542 664	(183 098)	14 359 566	14 380 601	(21 035)
Running costs	21 942 241	(305 448)	21 636 793	13 726 814	7 909 979
Human resource costs	149 599 637	(12 714 870)	136 884 767	120 107 128	16 777 639
Research, development and innovation costs	211 270 731	22 260 785	233 531 516	218 558 516	14 973 000
Stakeholder and impact	36 553 947	6 440 786	42 994 733	28 320 829	14 673 904
Corporate expenditure	4 367 086	1 685 641	6 052 727	4 266 240	1 786 487
Capital expenditure	3 332 570	264 753	3 597 323	1 941 383	1 655 940
<b>Total expenditure</b>	<b>441 608 876</b>	<b>17 448 549</b>	<b>459 057 425</b>	<b>401 301 511</b>	<b>57 755 914</b>

#### Actual amounts on comparable basis as presented in the Budget and Actual Comparative Statement

-	-	-	<b>79 347 173</b>	<b>(79 347 173)</b>
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Refer to note 32 for explanations for material differences between budget and actual amounts and for explanations for the movement from the approved budget to the final budget.

Refer to note 33 for a reconciliation of budget surplus/deficit with the surplus/deficit in the Statement of Financial Performance.

## Summary of significant accounting policies

### 1. Significant accounting policies

The significant accounting policies applied in the preparation of these annual financial statements are set out below.

#### 1.1 Basis of preparation

The annual financial statements have been prepared in accordance 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 (Act 1 of 1999).

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.

These financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

#### 1.2 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

##### Receivables

The entity assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or

deficit, management makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Where impairment indicators arise, these receivables are individually assessed for impairment.

All other receivables which are not individually assessed and do not fall in the category of 120 days and more, are grouped together and assessed.

##### Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the entity for similar financial instruments.

##### Impairment testing

The entity assesses its receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the entity makes judgements as to whether there is any observable data indicating a measurable decrease in the estimated future cash flows from the financial asset.

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time.

## Summary of significant accounting policies

### Useful lives and residual values

The entity reassesses the useful lives and residual values of property, plant and equipment on an annual basis. In reassessing the useful lives and residual values of property, plant and equipment management considers the condition and use of the individual assets, to determine the remaining period over which the asset can and will be used.

### Employee benefit obligations (Medical aid scheme)

The present value of the post-retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post-retirement obligations.

The appropriate discount rate is determined at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the post-retirement obligations. The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, the entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve.

Other key assumptions for post-retirement obligations are based on current market conditions. Additional information is disclosed in Note 11.

### Effective interest rate

The entity uses the prime interest rate to discount future cash flows.

### Impairment of receivables

On receivables an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired.

The impairment is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

### 1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition. Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct

## Summary of significant accounting policies

an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management. Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Property, plant and equipment are depreciated on the straight-line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight-line	3-10 years
Motor vehicles	Straight-line	5 years
Office equipment	Straight-line	3-10 years
Computer equipment	Straight-line	3-5 years
Leasehold improvements	Straight-line	Years according to lease term
Finance lease assets	Straight-line	Years according to lease term

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The residual value, useful life and depreciation method applied to an asset is reviewed at least at the end of each reporting date. If the expectations differ from previous

estimates, the change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

### 1.4 Intangible assets

An asset is identifiable if it either:

- is separable i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the economic entity or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the economic entity; and
- the cost or fair value of the asset can be measured reliably.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date. Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Expenditure on research (or on the research phase of an

## Summary of significant accounting policies

internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight-line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software and licenses	Straight-line	1 - 10 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal

The gain or loss arising from the derecognition of intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

### 1.5 Investment in wholly controlled entity

The investment in the wholly controlled entity is carried at cost less any accumulated impairment in accordance with the Standard of GRAP on Financial Instruments.

The cost of an investment in a controlled entity is the aggregate of:

- The fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the entity; plus
- any costs directly attributable to the purchase of the controlled entity

The entity determines whether it is a controlling entity by assessing whether it controls the other entity. The entity controls another entity when it is exposed, or has rights, to variable benefits from its involvement with the other entity and has the ability to affect the nature and amount of those benefits through its power over the other entity.

Consolidation of a controlled entity begins from the date the entity obtains control of the other entity and ceases when the entity loses control of the other entity.

The entity includes the revenue and expenses of a controlled entity in the consolidated annual financial statements from the date it gains control until the date when the entity ceases to control the controlled entity.

## Summary of significant accounting policies

If the entity as controlling entity loses control of a controlled entity, it:

- Derecognise the assets and liabilities of the controlled entity at their carrying amounts at the date when control is lost, and the carrying amount of any non-controlling interests in the former controlled entity at the date when control is lost (including any gain or loss recognised directly in net assets attributable to them).
- Recognise the fair value of the consideration received, if any, from the transaction, event or circumstances that resulted in the loss of control, if the transaction, event or circumstances that resulted in the loss of control involves a distribution of shares of the controlled entity to owners in their capacity as owners, that distribution and any investment retained in the former controlled entity at its fair value at the date when control is lost.
- Transfer directly to accumulated surplus/deficit, if required by other Standards of GRAP, the amounts recognised directly in net assets in relation to the controlled entity on the basis described in paragraph .56.
- Recognise any resulting difference as a gain or loss in surplus or deficit (see GRAP 106), or in accumulated surplus or deficit (see GRAP 105) attributable to the controlling entity.

### 1.6 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities.

#### Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Receivables	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at fair value

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Payables	Financial liabilities measured at amortised cost
Finance lease obligation	Financial liabilities measured at amortised cost
Accruals	Financial liabilities measured at amortised cost

#### Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument. The entity recognises financial assets using trade date accounting.

## Summary of significant accounting policies

### Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

### Subsequent measurement of financial assets and financial liabilities

All financial assets and financial liabilities are measured after initial recognition using the following categories:

- Financial instruments at fair value
- Financial instruments at amortised cost
- Financial instruments at cost

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

### Financial Instruments at fair value

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

#### Loans

These include loans to and from wholly controlled entities and loans to employees. It is recognised initially at fair value plus direct transaction costs and subsequently measured at amortised cost.

#### Receivables

Receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method.

#### Payables

Payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

### Fair value measurement considerations

The fair values of listed investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the entity establishes fair value by using valuation techniques. These include the

use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity specific inputs.

### Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

### Impairment and uncollectibility of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

For amounts due to the entity, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

## Summary of significant accounting policies

### Derecognition

#### Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset 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
  - derecognises the asset; and
  - recognises separately any rights and obligations created or retained in the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

#### Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished – i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived. The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit.

#### Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

#### Offsetting of financial instruments

A financial asset and a financial liability are only offset 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.

### 1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

#### Finance leases – lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate on debt owing to the lessor.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

#### Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

### 1.8 Impairment of assets

Cash-generating assets are assets managed with the objective of generating a commercial return.

Non-cash generating assets are assets other than cash generating assets.

## Summary of significant accounting policies

### Identification

The entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the entity estimates the recoverable amount of the asset (for all cash-generating assets) and recovery service amount (for all non-cash generating assets).

### Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit.

If, the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable service amount. That reduction is an impairment loss.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

### 1.9 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

#### Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

When an employee has rendered a service to the entity during a reporting period, the entity recognises the cost in the period in which the service was rendered equal to the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service. The expected cost of compensated absences is recognised as an expense as the employees render

services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognises the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

When an employee has rendered a service to the entity during a reporting period, the entity recognises the cost in the period in which the service was rendered equal to the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service. The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognises the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

#### Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

## Summary of significant accounting policies

### *Post-employment benefits: Defined contribution plans*

Defined contribution plans are post-employment benefit plans under which the 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 periods.

When an employee has rendered service to the entity during a reporting period, 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, the 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.

### *Post-employment benefits: Defined benefit plans*

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

The present value of a defined benefit obligation is the present value, without deducting any plan assets (if any), of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus, any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may

be negative (an asset). The entity measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan (if any) or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above are recognised in surplus or deficit.

The entity determines the present value of defined benefit obligations and the fair value of any plan assets (if any) with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

Actuarial valuations are conducted on an annual basis by independent actuaries. The results of the valuation are updated for any material transactions and other material changes in circumstances up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan, when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan

# Notes to the Annual Financial Statements

assets (if any).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

## Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect 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 post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
  - those changes were enacted before the reporting date; or
  - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

## 1.10 Provisions and contingencies

Provisions are recognised when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense. A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus/ (deficit). If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

## Summary of significant accounting policies

Contingent assets and contingent liabilities are not recognised but disclosed in the notes. Refer to note 37.

### 1.11 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 fair presentation should be disclosed in a note to the financial statements.

General commitments relate to contractual obligations that the WRC entered into before year end.

Research project commitments comprise of research projects approved for funding by the WRC executive management and include those for which contracts have been signed at year end and those that are in the process of being signed by all contracting parties but for which terms and conditions have been agreed upon.

### 1.12 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Revenue from exchange transactions refers to revenue that accrued to the entity directly in return for services rendered/ goods sold, the value of which approximates the considerations received or receivable. An exchange transaction is one in which the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net trade discounts and volume

rebates, and value added tax.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Leverage income arises when the WRC, in partnership with other organisations, undertakes research, development and innovation projects and related activities, where it may or may not also be a co-funder.

Revenue received from clients in respect of contracts for undertaking science and technology research and associated activities is recognised by reference to the stage of completion on individual projects.

Funds (income) received in advance is recognised as leverage income in the statement of financial performance when research deliverables and associated activities, in respect of projects funded by leverage funded partners, are achieved and realised. The revenue (leverage income) is recognised in the accounting period in which the research expenditure is incurred.

## Summary of significant accounting policies

### Interest

Interest is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and
- the amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

### 1.13 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

The Water Research Levy is prepared in accordance with section 11 (1) of the Water Research Act, 1971 (Act No. 34 of 1971) (WRA). The Minister of Water and Sanitation, in consultation with the Minister of Finance, approves the annual Water Research Levy increase on an annual basis.

The Rand Water Board, uMngeni-uThukela Water Board and the Department of Water and Sanitation collect the levies on behalf of the WRC from various water users.

### 1.14 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

### 1.15 Translation of foreign currencies

#### Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rands, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At each reporting date:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in surplus or deficit in the period in which they arise.

When a gain or loss on a non-monetary item is recognised directly in net assets, any exchange component of that gain or loss is recognised directly in net assets. When a gain or loss on a non-monetary item is recognised in surplus or deficit, any exchange component of that gain or loss is recognised in surplus or deficit.

Cash flows arising from transactions in a foreign currency are recorded in Rands by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow.

The bank accounts denominated in foreign currency, are held on behalf of leverage funded partners. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial

## Summary of significant accounting policies

statements are for the account of the leverage funded partners and not recognised in surplus or deficit.

### 1.16 Research and development expenditure

Expenditure on research, development and innovation is recognised as an expense when it is incurred.

### 1.17 Fruitless and wasteful expenditure

Section 1 of the PFMA defines fruitless and wasteful expenditure as expenditure which was made in vain and would have been avoided had reasonable care been exercised.

The WRC discloses fruitless and wasteful expenditure in terms of National Treasury Instruction no. 4 of 2022/2023 (PFMA Compliance and Reporting Framework) which is effective as of 3 January 2023.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure is incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

If the expenditure is recoverable it is treated as an asset until it is recovered from the responsible person or written off as irrecoverable in the statement of financial performance.

### 1.18 Irregular expenditure

Irregular expenditure is defined in section 1 of the PFMA as expenditure other than unauthorised expenditure, incurred in contravention of; or that is not in accordance with a requirement of any applicable legislation, including:

- (a) the PFMA; or
- (b) WRC supply chain management policy; or
- (c) National Treasury Regulations.

All expenditure relating to irregular expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance

with the nature of expenses and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

The WRC discloses irregular expenditure in terms of National Treasury Instruction no. 4 of 2022/23 (PFMA Compliance Reporting Framework) which is effective from 3 January 2023.

Irregular expenditure are only disclosed in the annual financial statements once the determination test is concluded. This relates to irregular expenditure incurred in the current year, with a one financial year comparative analysis.

### 1.19 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the entity has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

### 1.20 Income tax expense

The WRC is exempt from income tax in terms of section 10(1)(cA)(ii) of the Income Tax Act, 1962 (No 58 of 1962)..

### 1.21 Budget information

The annual financial statements and the budget are not on the same basis of accounting therefore a reconciliation between the statement of financial performance and the budget have been included in the annual financial statements. Refer to notes 32 and 33.

### 1.22 Related parties

The entity operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Key management are those individuals responsible for

## Summary of significant accounting policies

planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the entity.

Only transactions with related parties not at arm's length or not in the ordinary course of business are required to be disclosed.

The entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable 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 are within the normal operating parameters established by that reporting entity's legal mandate.

Where the entity is exempt from the disclosures in accordance with the above, the entity discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

### **1.23 Events after the 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 (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

# Notes to the Annual Financial Statements

## 2. New standards and interpretations

### 2.1 Standards and interpretation effective in the current year

There were no standards that could be early adopted or became effective in the current year.

### 2.2 Standards and interpretations early adopted

The entity has chosen to not early adopt any standards and interpretations.

## 3. Receivables

### Receivables from non-exchange transactions

Receivables: Water Research Levies

### Receivables from exchange transactions

Receivables: Other

Deposits

Prepaid expenses

Non-current assets

Current assets

WRC	
2025	2024
R	R
44 297 195	45 907 124
<b>44 297 195</b>	<b>45 907 124</b>
5 771 322	12 509 721
1 523 832	1 409 685
2 167 876	384 149
<b>9 463 030</b>	<b>14 303 555</b>
1 523 832	1 409 685
52 236 393	58 800 994
<b>53 760 225</b>	<b>60 210 679</b>

The comparative year has been restated. Refer to note 36 for details.

### Receivables pledged as security

No receivables were pledged as security for any financial liability.

### Credit quality of receivables

None of the receivables defaulted during the year under review. Management considers that all of the above financial assets are of good credit quality. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The fair value approximates the carrying amount of the balances due to their short-term maturity.

### Receivables

All the receivables, as reflected above, represent receivables from exchange transactions, except for Receivables: Water research levies which represents receivables from non-exchange transactions.

Where impairment indicators arise, these receivables are individually assessed for impairment.

## Notes to the Annual Financial Statements

During the evaluation of recoverability of receivables, it became apparent that the full amount, excluding the provision for impairments that were raised below, will be recoverable for the respective debtors. The fair value is thus equal to the full amount receivable as at year-end.

The recoverable amount of the debtors is equal to their fair value.

None of the financial assets that are fully performing have been renegotiated in the last year.

The entity has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

### Receivables past due not impaired

GRAP 104 states that a financial asset is past due when a counterparty has failed to make a payment when contractually due.

Receivables are all considered for impairment.

At 31 March 2025, R 0 (2024: R7 305) were past due but not impaired.

After attempts to recover the outstanding balance of R7 305, it was discovered that the City of Tshwane municipality decided to write off the debtor's account. This provides doubt whether the asset (the receivable) will generate future economic benefits or service potential and, as such, the debtor was impaired (R7 305).

For the current and prior financial year no further receivables were past due but not impaired for the WRC.

### Receivables impaired

As of 31 March 2025, trade and other receivables of R7 305 (2024: R nil) were impaired and provided for.

The amount of the provision was R8 105 as of 31 March 2025 (2024: R800).

### Reconciliation of provision for impairment of receivables

	WRC	
	2025	2024
	R	R
Opening balance	800	800
Provision for impairment	7 305	-
	<b>8 105</b>	<b>800</b>

Receivables are generally written off when there is no expectation of recovery. After attempts to recover the outstanding balance of R7 305, the municipality decided to write off the debtor's account.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above.

The entity does not hold any collateral as security.

## Notes to the Annual Financial Statements

### 4. Cash and cash equivalents

*Cash and cash equivalents consist of:*

Cash on hand  
Bank balances  
Short-term deposits

WRC	
2025	2024
R	R
2 936	1 831
194 064 448	185 247 453
380 696 074	321 252 053
<b>574 763 458</b>	<b>506 501 337</b>

#### Credit quality of cash at bank and short term deposits, excluding cash on hand

Management considers that all of the above cash and cash equivalents categories are of good quality by reference to external credit ratings. The maximum exposure to credit risk at the reporting date is the fair value of each class of cash and cash equivalents mentioned above. The fair value approximates the carrying amount of the balances.

All cash and cash equivalents held by the entity are available for use.

The cash and cash equivalents are not pledged as security for financial liabilities.

#### Financial assets at fair value

The entity has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

#### Fair value hierarchy of financial assets at fair value

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements.

The fair value hierarchy have the following levels:

- Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.
- Level 2 applies inputs other than quoted prices that are observable for the assets either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 applies inputs which are not based on observable market data.

There were no transfers into or out of level 1, 2 or 3 for the years presented.

**Level 1**  
Cash and cash equivalents

WRC	
2025	2024
R	R
574 763 458	506 501 337

## Notes to the Annual Financial Statements

### 5. Property, plant and equipment

	2025			2024		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
	R	R	R	R	R	R
Furniture and fixtures	4 613 150	(4 520 899)	92 251	4 607 061	(4 449 002)	158 059
Motor vehicles	300 391	(275 444)	24 947	300 391	(250 497)	49 894
Office equipment	3 288 436	(2 807 022)	481 414	3 007 553	(2 648 384)	359 169
Computer equipment	10 877 264	(8 035 272)	2 841 992	9 565 224	(6 941 901)	2 623 323
Leasehold improvements	10 494 774	(9 163 471)	1 331 303	10 253 155	(8 073 787)	2 179 368
<b>Total</b>	<b>29 574 015</b>	<b>(24 802 108)</b>	<b>4 771 907</b>	<b>27 733 384</b>	<b>(22 363 571)</b>	<b>5 369 813</b>

### Reconciliation of property, plant and equipment – 2025

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
	R	R	R	R	R	R
Furniture and fixtures	158 059	6 089	-	(71 897)	-	92 251
Motor vehicles	49 894	-	-	(24 947)	-	24 947
Office equipment	359 169	280 884	-	(158 639)	-	481 414
Computer equipment	2 623 323	1 654 408	(8 539)	(1 424 580)	(2 620)	2 841 992
Leasehold improvements	2 179 368	241 619	-	(1 089 684)	-	1 331 303
<b>Total</b>	<b>5 369 813</b>	<b>2 183 000</b>	<b>(8 539)</b>	<b>(2 769 747)</b>	<b>(2 620)</b>	<b>4 771 907</b>

The disposal amounting to R8 539 is in respect of stolen laptops.

The impairment loss amounting to R2 620 is in respect of damaged or missing computer equipment.

Refurbishments and upholstery of office chairs amounting to R83 390 were incurred during the financial year.

Further costs (R56 006) were incurred during the year in respect of repairs of electrical lights (including the replacement of light bulbs), generator service and repairs (as per lease agreement) and plumbing services.

## Notes to the Annual Financial Statements

### Reconciliation of property, plant and equipment – 2024

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
	R	R	R	R	R	R
Furniture and fixtures	201 399	14 053	-	(57 393)	-	158 059
Motor vehicles	74 910	-	-	(25 016)	-	49 894
Office equipment	373 058	119 624	-	(133 175)	(338)	359 169
Computer equipment	1 329 947	2 313 887	(1 902)	(1 018 609)	-	2 623 323
Leasehold improvements	3 225 146	33 500	-	(1 079 278)	-	2 179 368
<b>Total</b>	<b>5 204 460</b>	<b>2 481 064</b>	<b>(1 902)</b>	<b>(2 313 471)</b>	<b>(338)</b>	<b>5 369 813</b>

The comparative year has been restated in respect of leasehold improvements. This is related to an acquisition that was incorrectly expensed in the prior financial year. Depreciation was adjusted accordingly. Refer to note 36 for details.

The comparative year has been restated by R338 622 due to a reassessment of useful lives of fully depreciated assets. Refer to note 36 for details.

The impairment loss amounting to R338 is in respect of damaged office equipment.

The disposal amounting to R1 902 is in respect of a stolen laptop with a cost price of R20 219 and accumulated depreciation of R18 317.

Compensation to the value of R21 216 was still receivable at year-end from third parties (AON Insurance) in respect of a laptop that was stolen during the financial year.

Costs amounting to R109 107 were incurred during the year in respect of repairs of electrical lights (including the replacement of light bulbs), generator service and repairs (as per lease agreement) and door repairs.

#### Pledged as security

None of the assets were or are pledged as security.

#### Assets subject to finance lease (Net carrying value)

No assets are subject to a finance lease.

A register containing the information required by the PFMA is available for inspection.

# Notes to the Annual Financial Statements

## 6. Intangible assets

	2025			2024		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
	R	R	R	R	R	R
Computer software and licenses	18 098 140	(8 101 755)	9 996 385	19 731 317	(6 485 847)	13 245 470

### Reconciliation of intangible assets – 2025

	Opening balance	Additions	Amortisation	Total
	R	R	R	R
Computer software and licenses	13 245 470	2 539 150	(5 788 235)	9 996 385

### Reconciliation of intangible assets – 2024

	Opening balance	Additions	Amortisation	Total
	R	R	R	R
Computer software and licenses	4 321 455	12 150 764	(3 226 749)	13 245 470

None of the intangible assets are pledged as security.

The comparative year has been restated. Refer to note 36 for details.

There was a change in estimate. Refer to note 35 for further details.

Fully amortised intangible assets with a cost of R4 172 326 (2024: R2 167 978;) were derecognised for the current and prior year. The derecognition relates to FMS that was decommissioned during the 2024/25 financial year, and licenses that had expired during the current and prior financial years.

Amortisation of Intangible Assets is included in Depreciation and Amortisation as reflected in the Statement of Financial Performance.

## 7. Investment in wholly controlled entity

### Name of company

Investment in ERF 706 Rietfontein

100% of the shares were owned by the Water Research Commission up to the date of deregistration of ERF 706 (Pty) Ltd at the Companies and Intellectual Property Commission (CIPC) on 4 July 2024.

## Notes to the Annual Financial Statements

### 8. Operating lease liability

	WRC	
	2025	2024
	R	R
<b>Balance at year end</b>		
Operating lease liability	3 510 753	6 090 434
<b>Minimum operating lease liability payments</b>		
Within 12 months	13 114 480	12 183 409
Between 12 - 60 months	-	13 114 480
	<b>13 114 480</b>	<b>25 297 889</b>

The WRC entered into a ten-year lease agreement during the 2016/17 financial year with Lynnwood Bridge Office Park (Pty) Ltd whereafter the tenancy is subject to renewal at the landlord's discretion. The monthly lease payments comprise the following based on area occupied:

- rental of two (2) floors in the building escalated at 7.5% per annum over the lease period
- rental of ninety (90) parking bays escalated at 7.5% per annum over the lease period
- operating costs escalated at 8.5% per annum over the lease period
- rates and taxes pro-rated according to area occupied.

No contingent rent is payable and there are no restrictions on the lease.

### 9. Payables from exchange transactions

	WRC	
	2025	2024
	R	R
<b>Payables from exchange transactions</b>		
Income received in advance	96 200 251	124 278 458
Payables	45 359 503	38 763 953
Accruals	1 296 065	1 418 336
Other payables	4 338 766	-
Credit card	229 535	-
	<b>147 424 120</b>	<b>164 460 747</b>

The comparative year has been restated. Refer to note 36 for details.

During the 2022/23 financial year, the WRC Azure subscription was compromised when a hacker added services to the

## Notes to the Annual Financial Statements

WRC's subscription resulting in additional charges of R1 274 076 being levied on the WRC's account. There was a dispute between the WRC and SIS Global in respect of who is responsible for the costs associated with the lack of security protocols and, as such a contingent liability was raised in the prior financial years. In a settlement agreement, signed on 25 April 2025, SIS Global and the WRC agreed to share in equal halves (50/50) the cost of the invoice being R637 038. A payable was raised in the current year in accordance with GRAP 14 – events after the reporting period.

During the financial year, six employees were dismissed on 8 May 2024. The matter was referred to the CCMA by the employees for unfair dismissal on 16 May 2024. On 31 March 2025 the matter was finalised and the Commission ruled on 17 April 2025 that the employees be reinstated with back pay. A payable has been raised at the total cost of reinstatement amounting to R4 338 766. The WRC is currently taking the arbitration award on review in terms of Section 145 of the Labour Relations Act, Act 166 of 1995 ("the LRA"). To suspend enforcement, the employer must apply for a stay of enforcement, and furnish security to the satisfaction of the Labour Court. The WRC applied for a stay of enforcement and furnished security on 10 July 2025.

Revenue received from clients in respect of contracts for undertaking science and technology research is recognised by reference to the stage of completion on individual projects. Income received in advance is therefore recognised as leverage income in the statement of financial performance when research deliverables in respect of projects funded by leverage funded partners, are realised.

Included in income received in advance are funds remaining in respect of the following projects that are funded through funders (leverage funds). In line with GRAP, material projects (with reference to the WRC's Materiality framework) are reflected below with the remaining funds being aggregated.

## Notes to the Annual Financial Statements

### Projects funded through leverage funds

	2025	2024
	R	R
Implementation of sanitation projects, facilitation of sanitation innovations and sanitation technologies	6 149 287	6 663 636
Implementation of international cooperation support instrument	5 258 429	7 556 173
Commercialisation and scale of reinvented toilets in South Africa for the benefit of schools and communities who lack dignified and safe sanitation solutions while being gender intentional in all planned activities	34 585 550	55 395 803
Development of training material and organising and hosting workshops	2 603 336	2 844 836
Development of a siltation management strategy for large dams in South Africa	1 204 244	14 375 848
The installation of innovation sanitation technologies at operational sites for the purposes of understanding the functionality, performance, safety, user and social acceptance of the installed innovative sanitation technologies	16 428 630	-
Support of the Water, Sanitation, and Hygiene Research & Development Centre in sanitation technology field-testing trials	5 794 199	5 794 199
Adaptive response and local scale adaptation for improving water security and increasing resilience to climate change in selected communities in Giyani	3 101 128	2 482 307
Updating of the present ecological state/ecological importance and sensitivity (PES/EIS) data	6 898 000	14 062 000
Scale up of sludge technology and assessing new business models for adapting to circular economy products from waste and wastewater at eThekweni municipality	3 367 876	4 367 201
Other aggregated leverage funded projects	10 809 572	10 736 455
	<b>96 200 251</b>	<b>124 278 458</b>

The entity did not default on interest or capital on any payables. None of the items attached to the payables were re-negotiated during the period under review.

The maximum exposure to credit risk at the reporting date is the fair value of the payables above. The fair value of the payables approximates the carrying amount of the balances due to their short-term maturity.

### 10. Provisions

#### Reconciliation of provisions – 2025

	Opening Balance	Reversed during the year	Total
	R	R	R
Provision for performance bonus	4 868 519	(4 868 519)	-

# Notes to the Annual Financial Statements

## Reconciliation of provisions – 2024

	Opening Balance	Additions	Payments for the year	Remeasurement	Total
	R	R	R	R	R
Provision for performance bonus	4 466 887	4 868 519	(4 466 887)	-	4 868 519
Provision for settlement fees	738 424	-	(738 424)	-	-
Provision for performance-based incentive	1 059 979	-	-	(1 059 979)	-
	<b>6 265 290</b>	<b>4 868 519</b>	<b>(5 205 311)</b>	<b>(1 059 979)</b>	<b>4 868 519</b>

The comparative year has been restated. Refer to note 36 for details.

A provision shall be recognised when: (a) an entity has a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation.

Provisions shall be reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provision shall be reversed.

The provision for performance bonus raised above for the 2023/24 financial year was reversed as this matter was referred to the CCMA and as such is included in contingent liabilities.

## 11. Employee benefit obligations

### Medical aid scheme

#### Defined benefit plan:

The WRC has made provision for a medical aid scheme covering retired employees and active employees before 1 April 2008. These funds are actuarially valued at intervals of not more than three years using the projected unit credit method. The Scheme was last actuarially valued at 31 March 2025.

The WRC carries the legal and related financial obligation to subsidise (100% subsidy level) the medical aid benefit of certain of its employees in retirement. As such, the WRC's post-retirement medical aid obligation represents a long dated, uncapped and unfunded liability which, if not pro-actively managed represents a significant systematic employee benefit and financial risk to the institution. It is on this basis and in terms of prudent practice, that the management of the WRC initiated a formal strategy in 2008 to manage the long dated, uncapped and unfunded costs and risks associated with its post-retirement medical aid liability as follows:

- The WRC closed the subsidy/benefit to new recruits to the WRC as of 1 April 2008.
- The WRC employed the professional services of an independent consultant and actuary to value the quantum of the liability (i.e. risk ring fencing) and/or buy out (i.e. liability capping) the disclosed liability in order to manage the WRC's exposure to the associated costs and risks. In the 2010/2011 financial year, the WRC offered voluntary buy outs to all in service members. Members that did not accept the buyout offer and the pensioners already receiving the benefit have had the liability ring fenced through an insurance cover administered by Momentum Group Limited.

## Notes to the Annual Financial Statements

The Momentum Insurance cover is, however, limited to CPI (lower price index) and the WRC has been paying the shortfall between actual medical rate increases and CPI.

The WRC embarked on a process to fully transfer the obligation to Momentum in a manner that will ensure fairness to all parties and also ensure the financial sustainability of the WRC.

The amounts recognised in the statement of financial position are as follows:

### Carrying value

Present value of the defined benefit obligation

Fair value of plan assets

**Employee benefit asset/ (obligation) recognised**

WRC	
2025	2024
R	R
(40 791 773)	(40 507 061)
37 177 032	36 796 140
<b>(3 614 741)</b>	<b>(3 710 921)</b>

### Movement for the year

Opening balance

Net expense recognised in the statement of financial performance

WRC	
2025	2024
R	R
(3 710 921)	(4 815 106)
96 180	1 104 815
<b>(3 614 741)</b>	<b>(3 710 291)</b>

**Net expense recognised in the the statement of financial performance**

Net interest expense/revenue

Contributions by the employer

Remeasurements

WRC	
2025	2024
R	R
(480 094)	(536 772)
539 077	-
37 197	1 640 957
<b>96 180</b>	<b>1 104 185</b>

The interest cost reflects the reducing discounting period from one year to the next (i.e. the unwinding of the discount rate overtime) and allows for actual benefit payments.

Actuarial gains and losses arise when actual experience differs from the assumptions made at the previous valuation (e.g. actual medical contribution increases higher than those assumed will lead to an actuarial loss).

The expected return on plan assets is restated for actual benefit payments from the plan assets and contributions from the company.

## Notes to the Annual Financial Statements

### Reconciliation of the defined benefit obligation

	WRC	
	2025	2024
	R	R
Opening balance	40 507 061	39 572 903
Interest cost	4 966 941	4 180 684
Benefits paid	(4 362 125)	(4 252 606)
Actuarial losses/(gains)	(320 104)	1 006 080
	<b>40 791 773</b>	<b>40 507 061</b>

The liabilities were valued using the Projected Unit Credit Method.

The liability in respect of current continuation members is fully accounted for.

The actuarial valuation is based on the continuation members remaining on the Discovery Health Classic Saver plan.

### Reconciliation of the plan assets

	WRC	
	2025	2024
	R	R
Opening balance	36 796 140	34 757 797
Expected returns	4 486 846	3 643 912
Actuarial gains/losses	(282 906)	2 647 037
Contributions by employer	539 077	-
Benefits paid	(4 362 125)	(4 252 606)
	<b>37 177 032</b>	<b>36 796 140</b>

The WRC holds an annuity insurance policy with Momentum in respect of the benefits, which guarantees CPI increases.

The WRC has a partially funded plan. The balance is to be funded by the WRC through company contributions.

This policy meets the definition of a "qualifying insurance policy" stated in paragraph 115 of GRAP 25, which sets out that the fair value of the policy is deemed to be the present value of the related obligations.

The plan asset was valued using the same methodology as the liabilities for continuation members, but assuming increases equal to inflation only, as this represents the obligation that is covered by the policy.

This is the same methodology as per the previous valuation.

# Notes to the Annual Financial Statements

## Key assumptions used

The financial assumptions at the current and previous valuation dates are shown below:

	2025	2024
	%	%
<b>Financial Valuation Assumptions</b>		
Discount rates used	11,32 %	12,94 %
Medical contribution inflation	7,44 %	9,00 %
<b>Net discount rate for calculating liabilities</b>	<b>3,61 %</b>	<b>3,61 %</b>
<b>Financial Valuation Assumptions</b>		
Expected return on assets	11,32 %	12,94 %
Inflation	5,94 %	7,50 %
<b>Net discount rate for calculating assets</b>	<b>5,08 %</b>	<b>5,05 %</b>

## Financial Valuation Assumptions

GRAP 25 requires that the financial assumptions shall be based on market expectations, at the reporting date, for the period over which the obligations are to be settled. The assumptions used are based on statistics and market data as at 31 March 2025 and are consistent with the requirements of GRAP 25 and the previous valuation.

## Discount Rate Assumption

The discount rate required by GRAP 25 should be set with reference to a high-quality corporate bond. In countries where there is no deep market in such bonds, the market yield on government bonds should be used. The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. The discount rate has been set by using the average yields from the zero-coupon government bond curve with a duration of between 7-12 years. The recommended discount rate as at 31 March 2025 is 11.32%. The source is the Johannesburg Stock Exchange through IReSS data services.

## Future Inflation Assumption

The general inflation assumption is used to estimate the base rate for determining the rate at which the future healthcare subsidies will increase.

The market's pricing of inflation was made by comparing the nominal yields and real yields on government bonds with a duration of 7 to 12 years. The implied inflation assumption is therefore 5.94% per annum for future inflation.

The inflation assumption used for the previous valuation was 7.5%

## Future Medical Subsidy Inflation Assumption

It is assumed that medical inflation will exceed general inflation by 1.5% per annum. The implied medical inflation assumption is therefore 7.44% per annum. The source is the Johannesburg Stock Exchange through IReSS data services.

The assumption used for the previous valuation was 9%.

# Notes to the Annual Financial Statements

## Net Discount Rate to Value Liabilities

The net discount rate for medical subsidy inflation is assumed to be 3.61% p.a. (Derived from a discount rate of 11.32% and the expected medical subsidy inflation rate of 7.44%).

The net discount rate as per the previous valuation was 3.61% p.a.

## Net Discount Rate to Value Assets

The net discount rate for general inflation is assumed to be 5.08% p.a. (Derived from a discount rate of 11.32% and the expected general inflation rate of 5.94%).

The net discount rate as per the previous valuation was 5.05% p.a.

## Demographic Valuation Assumptions

Estimates (actuarial valuation assumptions) are also required to be made about demographic variables (such as employee turnover and mortality).

These assumptions are as follows:

- **Post-retirement Mortality**

The post-retirement mortality assumption is based on the PA (90) mortality tables, rated down two years. This assumption is consistent with that of the previous valuation.

- **Age of Spouse**

The current valuation uses the actual spouses' ages. This assumption is consistent with that of the previous valuation.

- **Continuation of Membership and Family Profile**

There are currently 33 (2024: 35) continuation members.

## Sensitivity Analysis

The results of the valuation are dependent on the underlying assumptions made. The assumptions present the best estimate of future experience. The actual cost of the employee benefits will, however, be dependent on the actual experience.

The sensitivity of the main results to changes in the medical inflation rate, discount rate and mortality table have been estimated. The changes in the 31 March 2025 Defined Benefit Obligation, Plan Asset and projected Interest Cost are reflected below:

The tables below illustrate the likely impact on results after certain changes to the underlying assumptions. These values are determined by assuming that all other relevant assumptions remain constant. These tables set out the impact on results relating to changes of the following assumptions (in isolation) – all other assumptions are to be held constant:

- The discount rate (1% increase and decrease);
- The post-retirement age-rating (mortality) assumptions (1 year increase and decrease).
- The medical inflation rate (1% increase and decrease).

## Notes to the Annual Financial Statements

### Discount rate

	Discount rate (R)	Discount rate -1% (R)	Discount rate +1% (R)
Defined benefit obligation	40 791 773	43 449 420	38 425 057
Projected interest cost	4 330 591	4 221 494	4 422 478
Plan asset	37 177 032	39 428 794	35 160 298

### Mortality

	PA (90) - 2 (R)	PA (90) - 1 (R)	PA (90) + 1 (R)
Defined benefit obligation	40 791 773	42 517 120	39 091 562
Projected interest cost	4 330 591	4 525 843	4 138 184
Plan asset	37 177 032	38 629 901	35 736 747

### Medical inflation rate

	Inflation rate (R)	Inflation rate (R) -1%	Inflation rate (R) +1%
Defined benefit obligation	40 791 773	38 322 878	43 524 330
Projected interest cost	4 330 591	4 051 896	4 639 124
Plan asset	37 177 032	35 044 574	39 526 501

### Employee statistics

#### Continuation members

	31 March 2025	31 March 2024	Difference
Number	33	35	(2)
Average age	79	77	2
Average subsidy (R per month)	12 495	11 086	1 409

#### Developments since the previous valuation:

There were no other significant developments over the valuation period relating to the benefits or membership.

# Notes to the Annual Financial Statements

## Contributions

The medical aid premiums used for the current valuation are summarised below:

	Main member	Adult dependent	Child dependent
Discovery Classic Comprehensive	9 298	8 793	1 856

## Amounts for the current and previous four years are as follows:

	2025	2024	2023	2022	2021
Defined benefit obligation	(40 791 773)	(40 507 061)	(39 572 903)	(37 869 911)	(38 832 213)
Plan assets	37 177 032	36 796 140	34 757 797	34 389 169	34 784 621
Net employee benefit assets/(liability)	(3 614 741)	(3 710 921)	(4 815 106)	(3 480 742)	(4 047 692)
Net expense recognised in the statement of financial performance	96 180	1 104 185	2 207 230	2 096 976	350 302

## 12. Accrual for leave

### Reconciliation of accrual for leave - 2025

	Opening Balance	Additions	Utilised during the year	Leave paid out	Re-measurement	Total
	R	R	R	R	R	R
Accruals for leave	6 142 825	12 149 641	(8 603 981)	(1 650 828)	978 332	9 015 989

### Reconciliation of accrual for leave - 2024

	Opening Balance	Additions	Utilised during the year	Payments during the year	Re-measurement	Total
	R	R	R	R	R	R
Accruals for leave	9 666 116	10 566 252	(8 801 051)	(5 702 536)	414 044	6 142 825

The comparative year has been restated. Refer to note 36 for details.

Accruals are made for the number of accumulated leave days at the reporting date at the applicable salary rate. In line with the conditions of employment these accumulated leave days may be used by staff in lieu of days off or paid out in cash.

There is no expected reimbursement in respect of the accrual.

## Notes to the Annual Financial Statements

### 13. Revenue from exchange transactions

	WRC	
	2025	2024
	R	R
Leverage income	119 412 270	97 463 882
Other income	677 424	544 091
Investment revenue	32 521 525	28 546 328
	<b>152 611 219</b>	<b>126 554 301</b>

Leverage income is recognised on the basis of research deliverables in respect of projects funded by leverage funded partners being realised.

The comparative year has been restated. Refer to note 36 for details.

### 14. Revenue from non-exchange transactions

	WRC	
	2025	2024
	R	R
Water research levies	327 981 997	323 367 706
Other Income	34 658	-
	<b>328 016 655</b>	<b>323 367 706</b>

### 15. Depreciation and amortisation

	WRC	
	2025	2024
	R	R
Property, plant and equipment – Depreciation	2 769 747	2 313 471
Intangible assets – amortisation	5 788 235	3 226 750
	<b>8 557 982</b>	<b>5 540 221</b>

The comparative year has been restated. Refer to note 36 for details.

Impairment has been disclosed in note 21 for the current and prior financial year.

## Notes to the Annual Financial Statements

### 16. Employee related costs

	WRC	
	2025	2024
	R	R
Basic salary	110 189 232	91 220 202
Merit bonus	(4 868 519)	4 868 520
Directors' emoluments	933 927	903 108
Workmen's compensation – Department of Labour	356 021	360 238
Skills development levies	1 099 115	1 039 669
Company contributions – UIF	182 798	178 544
Connectivity allowance	1 063 530	988 890
Connectivity allowance – directors	77 760	8 100
Leave accrual	4 523 992	2 179 245
Termination benefits	2 100 716	-
	<b>115 658 572</b>	<b>101 746 516</b>

The prior year was restated by a reclassification between connectivity allowance and salaries and directors' emoluments respectively.

During the financial year, six employees were dismissed on 8 May 2024. The matter was referred to the CCMA by the employees for unfair dismissal on 16 May 2024. On 31 March 2025 the matter was finalised and the Commission ruled on 17 April 2025 that the employees be reinstated with back pay. The total cost of reinstatement amounting to R4 338 766 has been included under basic salary in employee related costs. The WRC is currently taking the arbitration award on review in terms of Section 145 of the Labour Relations Act, Act 166 of 1995 ("the LRA"). To suspend enforcement, the employer must apply for a stay of enforcement, and furnish security to the satisfaction of the Labour Court. The WRC applied for a stay of enforcement and furnished security on 10 July 2025.

The provision for performance bonus raised for the 2023/24 financial year was reversed (R4 868 519) in the current financial year.

### 17. Finance costs

	WRC	
	2025	2024
	R	R
Employee benefit obligations	480 094	536 772
Interest and penalties SARS	249 957	-
	<b>730 051</b>	<b>536 772</b>

## Notes to the Annual Financial Statements

The WRC incurred penalty and interest charges as a result of late payment of the May 2023 employee tax return. The WRC observed a tax non-compliance status upon review of the tax status on 10 July 2024. A determination test was undertaken in respect of the expenditure incurred.

The determination were presented to the Board and the expenditure, which resulted in financial loss of R1 179 was condoned to be written off.

The determination test concluded that the remaining penalty and interest charges of R248 777 are fruitless and wasteful. Consequence management is currently underway.



## Notes to the Annual Financial Statements

### 18. General expenses

	WRC	
	2025	2024
	R	R
Auditors' remuneration	2 325 953	2 067 491
Bank charges	116 817	91 298
Catering costs	269 249	187 061
Cleaning	298 112	301 214
Consumables	210 992	72 455
Corporate social responsibility	64 939	99 758
IT expenses	3 656 874	4 788 093
Insurance	322 079	239 967
Motor vehicle expense	14 076	15 981
Printing and stationery	82 820	79 771
Postage and courier	53 731	32 737
Professional fees	4 206 617	4 312 364
Promotions	171 104	335 374
Recruitment and relocation costs	1 436 452	30 149
Security	691 994	607 590
Staff welfare	78 114	94 569
Staff training and leadership development	1 914 124	1 689 982
Storage costs	40 171	34 385
Subscriptions and membership fees	965 699	1 023 601
Telephone and fax	2 311	69 413
Travel – local	690 799	664 002
Utilities	1 169 501	1 250 198
	<b>18 782 528</b>	<b>18 087 453</b>

The comparative year has been restated. Refer to note 36 for details.

## Notes to the Annual Financial Statements

### 19. Lease rentals on operating lease

#### Premises

Rent payable in respect of Lynnwood Bridge

Operating lease liability – Straight-lining of lease

#### Equipment

Rental of equipment

WRC	
2025	2024
R	R
13 501 140	12 576 678
(2 579 683)	(1 714 830)
187 469	78 112
<b>11 108 926</b>	<b>10 939 960</b>

### 20. Research, development and innovation

Research, development and innovation costs

Media and marketing (printing and publishing)

Workshops and conferences

Other research related costs

Patent registrations

Local travel: Research related meetings

International travel: Research related meetings

Catering: Research related meetings

WRC	
2025	2024
R	R
207 568 326	188 395 887
1 387 857	1 888 854
21 588 666	8 695 180
4 822 475	8 600 843
85 759	131 625
2 645 919	3 654 214
7 744 731	2 679 923
173 710	200 929
<b>246 017 443</b>	<b>214 247 455</b>

The comparative year has been restated. Refer to note 36 for details.

### 21. Impairment loss

Property, plant and equipment

Receivables

**Total impairment losses (recognised) reversed**

WRC	
2025	2024
R	R
2 620	338
7 305	-
<b>9 925</b>	<b>338</b>

## Notes to the Annual Financial Statements

During the current financial year it was discovered that the council did a credit write-off on the municipal account of R7 305. Accordingly a provision for impairment was raised.

The impairment loss amounting to R2 620 is in respect of damaged or missing computer equipment.

### 22. Gain/(loss) on disposal of assets and liabilities

	WRC	
	2025	2024
	R	R
Investment in ERF 706	20 810	-
Property, plant and equipment	(8 539)	19 314
	<b>12 271</b>	<b>19 314</b>

The Companies and Intellectual Property Commission (CIPC) was requested to strike the company ERF 706 Rietfontein (Subsidiary) from the register in terms of Section 82 (3) (ii) (aa) (bb) of the companies Act 2008, as amended. The company, Erf 706 Rietfontein (Pty) Ltd, was deregistered at CIPC on 4 July 2024. The net assets of ERF 706 Rietfontein after settlement of the inter-entity balance was transferred to the WRC, resulting in a gain on disposal of R20 810.

## Notes to the Annual Financial Statements

### 23. Operating surplus

Operating surplus for the year is stated after accounting for the following:

	WRC	
	2025	2024
	R	R
<b>Operating lease charges</b>		
Premises		
· Contractual amounts	10 921 457	10 858 847
Equipment		
· Contractual amounts	187 469	78 112
	<b>11 108 926</b>	<b>10 936 959</b>
(Loss) gain on disposal of property, plant and equipment	(8 539)	19 314
Gain on disposal of investment in ERF 706	20 810	-
Impairment on property, plant and equipment	2 620	338
Impairment on trade and other receivables	7 305	-
Amortisation on intangible assets	5 788 235	3 226 749
Depreciation on property, plant and equipment	2 769 747	2 313 470
Employee costs	115 658 572	101 746 516
Research, development and innovation costs	246 017 443	214 247 455

### 24. Taxation

No provision has been made for Income taxation as the economic entity is exempt from company income tax in terms of Section 10(1)(cA)(i) of the Income Tax Act.

### 25. Auditors' remuneration

	WRC	
	2025	2024
	R	R
Fees – external auditors	1 752 517	1 420 646
Fees – internal auditors	573 436	646 845
	<b>2 325 953</b>	<b>2 067 491</b>

## Notes to the Annual Financial Statements

### 26. Cash generated from operations

	WRC	
	2025	2024
	R	R
<b>Surplus</b>	79 672 516	100 377 457
<b>Adjustments for:</b>		
Depreciation, amortisation and impairment	8 557 982	5 540 221
(Gain)/loss on disposal of assets and liabilities	(12 271)	(19 314)
Finance costs	480 094	536 772
Impairment loss	9 925	338
Movements in operating lease assets and accruals	(2 579 681)	(1 714 830)
Remeasurement	(37 197)	(1 640 957)
Movement in accrual for leave	2 873 164	(3 523 291)
Accrual for capital expenditure	(241 619)	-
Movement in provision for performance bonus	(4 868 519)	-
Foreign exchange (profit)/loss on foreign bank accounts	2 310 460	(4 462 291)
Movement in provisions	-	(1 396 771)
<b>Change in working capital:</b>		
Receivables from exchange transactions	6 450 453	316 302
Payables from exchange transactions	(17 036 624)	12 178 036
	<b>75 578 683</b>	<b>106 191 672</b>

### 27. Commitments

	WRC	
	2025	2024
	R	R
General commitments	12 143 688	6 534 806
Research project commitments	287 871 903	208 011 443
	<b>300 015 591</b>	<b>214 546 249</b>

General commitments relate to contractual obligations that the WRC entered into before 31 March 2025.

At year-end, research project commitments comprise projects approved by the executive management and include those

## Notes to the Annual Financial Statements

for which contracts have been signed at year end, those that were signed after year end and contracts that are in the process of being signed by all contracting parties but for which terms and conditions have been agreed upon.

The comparative year has been restated by R1 272 236 represented by an increase in the research commitments of R1 224 496 and general commitments of R47 740.

### 28. Related parties

All departments and public entities in the national sphere of government are related parties.

The WRC and the Department of Water and Sanitation report to the Minister of Water and Sanitation as their Executive Authority.

Below is the listing of other entities reporting to the Minister through the Department of Water and Sanitation:

Amatola Water, Lepelle Northern Water, Magalies Water, Mhlathuze Water, Overberg Water, Rand Water, uMngeni-uThukela Water, Breede-Olifants Catchment Management Agency, Inkomati-Usuthu Catchment Management Agency, Komati Basin Water Authority, Trans-Caledon Tunnel Authority, Water Trading Account, Orange-Senqu River Commission, Limpopo-Olifants Catchment Management Agency, Vaal Central Water, Vaal-Orange Catchment Management Agency; Mzimvubu-Tsitsikamma Catchment Management Agency, Pongola-Umzimkhulu Catchment Management Agency.

Irrigation Boards and Water User Associations:

Agterkliphoogte, Bellair, Buffelskloof, Cogmanskloof, Gamkarivier, Haarlem, Illovo, Kanoneiland, Manchester-Noordwyk, Noord Agter-Paarl, Perdeberg, Sondagsrivier (Elandslaagte), Suid Agter-Paarl, Uitnood.

### Related party balances

#### Amounts included in Trade receivable (Trade Payable) regarding related parties

	WRC	
	2025	2024
	R	R
ERF 706 Rietfontein (Proprietary) Limited	-	10 933

The trade receivable balance consisted of secretarial fees of R6 470 (2024: R5 670), employee taxes R800 (2024: R800) and penalties and interest of R4 463 (2024: R4 463) to SARS paid by the Water Research Commission on behalf of Erf 706 Rietfontein. The balance was settled when closing the bank account.

ERF 706 Rietfontein (Proprietary) Limited was deregistered with the CIPC on 4 July 2024.

Net assets of R20 810 were transferred to the Water Research Commission.

## Notes to the Annual Financial Statements

	WRC	
	2025	2024
	R	R
<b>Outstanding levy income (Debtor at year end)</b>		
Rand Water Board	33 200 022	33 035 248
uMngeni-uThukela Water Board	11 097 122	12 871 876
<b>Related party transactions</b>		
<b>Levy income</b>		
Department of Water and Sanitation	148 737 759	146 967 071
Rand Water Board	134 149 511	129 720 169
uMngeni-uThukela Water Board	45 094 727	46 680 466

The WRC derives its main source of income (water research levy) from the Department of Water and Sanitation and the two water boards in terms of the Water Research Act. The Department of Water and Sanitation, Rand Water and uMngeni-uThukela water board collect levy income on behalf of the WRC. The rate of the levy is approved by the Minister of Water and Sanitation on an annual basis.

The Department of Water and Sanitation pays the WRC the water research levy on a monthly basis in accordance with the agreement. The two water boards are invoiced bi-annually upon which they pay the WRC.

The WRC was established in terms of the Water Research Act to provide for the promotion of research in connection with water affairs; and to provide for matters incidental thereto.

Section 3(a) of the Water Research Act (WRA) states that the functions of the commission shall be to cause, by itself or in collaboration with the Council for Scientific and Industrial Research any State department, university or other institution, research to be undertaken in respect of matters relating to water. The WRC enters into contracts, in line with the Water Research Act, with institutions within the National sphere of government (which are considered to be related parties) that conducts research, development or innovation projects due their respective expertise in different scientific domains.

The transactions with the departments and public entities in the national sphere of government have occurred within the normal operating parameters established by the WRC's mandate on the same terms and conditions as any other institutions that conduct research on behalf of the WRC.

During the 2024/25 financial year, transactions with these entities amounted to R16 981 881, with the outstanding balances of these entities (at the end of March) amounting to R4 919 038 (2024: R2 250 002) (payables as per the Statement of Financial Position) and R24 352 666 (2024: R25 979 700) (research commitments) respectively. There are no guarantees in respect of these outstanding balances.

## Notes to the Annual Financial Statements

Compensation to directors and other key management are disclosed separately in note 29.

### 29. Emoluments of Executive management, Board members (Non-executive) and Appointed Sub-Committees

	WRC	
	2025	2024
	R	R
<b>Total emoluments</b>		
Fees for services as Board members (non-executive)	1 011 687	911 208
Basic salary	20 806 714	17 337 877
Other short-term benefits	790 877	1 310 955
Termination benefits	2 827 776	-
	<b>25 437 054</b>	<b>19 560 040</b>

#### Total emoluments

Executive 2025	Basic Salary	Other short-term benefits	Termination benefits	Total remuneration
Dr JB Molwantwa – CEO	3 564 792	20 400	-	3 585 192
Mr F Ismail – CFO (On special leave)	3 509 257	20 400	-	3 529 657
Dr MS Liphadzi	3 469 719	20 400	-	3 490 119
Ms R Lutchman (Terminated 15 October 2024)	1 708 831	10 200	2 827 776	4 546 807
Dr M Msibi (On special leave)	3 150 546	20 400	-	3 170 946
Dr V Naidoo (Acting Executive: Stakeholder and Communications for the period 1 April 2024 - 31 January 2025)	2 288 898	245 764	-	2 534 662
Dr MA Tlhagale (Acting Executive: Stakeholder and Communications for the period 1 February 2025 - 31 March 2025)	298 232	51 303	-	349 535
Ms N Viviers (Acting CFO for the period 11 June 2024 - 31 March 2025)	1 728 532	237 066	-	1 965 598
Mrs NT Muade (Acting Executive: Corporate Services for the period 10 September 2024 - 31 January 2025)	821 241	120 362	-	941 603
Adv FP Khumalo (Acting Executive: Corporate Services for the period 1 February 2025 - 31 March 2025)	266 666	44 582	-	311 248
	<b>20 806 714</b>	<b>790 877</b>	<b>2 827 776</b>	<b>24 425 367</b>

## Notes to the Annual Financial Statements

Allowances for cellphone, acting and leave pay where applicable, is disclosed under other short-term benefits.

Employees who meet the definition of key management personnel include those in an acting position, seconded and promoted, during the financial year. Acting means the practice where one employee in addition to their day-to-day responsibilities assumes the responsibility of another position at the same or higher level of complexity. Upon written appointment in the acting capacity the employee commits to the performance outcomes of both his/her assigned role and the acting position they are placed in for which an acting allowance is paid.

Whilst the full remuneration for the period in which they were appointed in an acting capacity, has been disclosed, a total of R5 451 744 relates to their respective cost to company paid for their day-to-day responsibilities.

Executive 2024	Basic Salary	Other short-term benefits	Total remuneration
Dr JB Molwantwa - CEO	3 500 768	20 400	3 521 168
Mr F Ismail - CFO	3 367 476	396 692	3 764 168
Dr MS Liphadzi	3 329 536	286 417	3 615 953
Ms R Lutchman	3 023 765	267 605	3 291 370
Dr M Msibi (On special leave from 11 October 2023 - 31 March 2024)	3 023 258	216 959	3 240 217
Dr V Naidoo (Acting Executive: Stakeholder and Communications for the period 1 November 2023 - 31 March 2024)	1 093 074	122 882	1 215 956
	<b>17 337 877</b>	<b>1 310 955</b>	<b>18 648 832</b>

Allowances for cellphone, acting and leave pay where applicable, is disclosed under other short-term benefits.

The comparative year has been restated to include the remuneration for Dr V Naidoo whilst in the acting capacity.

Employees who meet the definition of key management personnel include those in an acting position, seconded and promoted, during the financial year. Acting means the practice where one employee in addition to their day-to-day responsibilities assumes the responsibility of another position at the same or higher level of complexity. Upon written appointment in the acting capacity the employee commits to the performance outcomes of both his/her assigned role and the acting position they are placed in for which an acting allowance is paid.

Whilst the full remuneration for the period in which they were appointed in an acting capacity, has been disclosed, a total of R1 101 574 relates to the cost to company paid for day-to-day responsibilities.

## Notes to the Annual Financial Statements

Board members (Non-executive) 2025	Members' fees	Connectivity allowance	Total
Dr RB Melamu – Chairperson	169 441	9 720	179 161
Dr HH Pienaar – Deputy Chairperson	26 650	3 240	29 890
Mr W Baird	189 610	9 720	199 330
Mrs PZ Dlamini	89 214	9 720	98 934
Prof N Kgabi	111 252	9 720	120 972
Miss N Mxenge	81 998	9 720	91 718
Adv RM Rosey	178 596	9 720	188 316
Dr T Sawunyama	-	3 240	3 240
Mrs MSD Schalkwyk	39 504	3 240	42 744
Dr A Stroebel	47 662	9 720	57 382
	<b>933 927</b>	<b>77 760</b>	<b>1 011 687</b>

Board members appointed during the 2024 financial year	Members' fees	Connectivity allowance	Total
Dr RB Melamu – Chairperson	124 764	810	125 574
Dr HH Pienaar – Deputy Chairperson	71 750	810	72 560
Mr W Baird	154 514	810	155 324
Mrs PZ Dlamini	77 900	810	78 710
Prof N Kgabi	76 362	810	77 172
Miss N Mxenge	45 100	810	45 910
Adv RM Rosey	149 390	810	150 200
Dr T Sawunyama	12 300	810	13 110
Mrs MSD Schalkwyk	92 762	810	93 572
Dr A Stroebel	30 750	810	31 560
	<b>835 592</b>	<b>8 100</b>	<b>843 692</b>

## Notes to the Annual Financial Statements

Previous board members	Members' fees	Total
Dr NP Mjoli – Chairperson	16 266	16 266
Prof SV Nkomo – Deputy Chairperson	6 150	6 150
Mrs PL Dlamini	4 100	4 100
Dr ME Makgae	16 400	16 400
Ms MK Mbonambi	6 150	6 150
Mrs N Msezane	14 350	14 350
Mrs S Thomas	4 100	4 100
	<b>67 516</b>	<b>67 516</b>

### 30. Financial instruments disclosure

#### Categories of financial instruments

##### Financial assets

2025	At fair value	At amortised cost	Total
Receivables	-	51 592 349	51 592 349
Cash and cash equivalent	574 763 458	-	574 763 458
	<b>574 763 458</b>	<b>51 592 349</b>	<b>626 355 807</b>

##### Financial liabilities

2025	At amortised cost	Total
Payables	147 424 120	147 424 120
Accrual for leave	9 015 989	9 015 989
	<b>156 440 109</b>	<b>156 440 109</b>

##### Financial assets

2024	At fair value	At amortised cost	Total
Receivables	-	59 826 530	59 826 530
Cash and cash equivalent	506 501 337	-	506 501 337
	<b>506 501 337</b>	<b>59 826 530</b>	<b>566 327 867</b>

## Notes to the Annual Financial Statements

### Financial liabilities

2024	At amortised cost	Total
Payables	164 460 747	164 460 747
Accruals for leave	6 142 825	6 142 825
	<b>170 603 572</b>	<b>170 603 572</b>

Receivables above do not include prepayments due to the fact that it is not a financial asset.

### 31. Risk management

#### Liquidity risk

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities. The table below analyses the entity's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

At 31 March 2025	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables	147 424 120	-	-	-

At 31 March 2024	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Payables	164 460 747	-	-	-

#### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The entity only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Financial assets exposed to credit risk at year end were as follows:

Financial Instrument	WRC	
	2025	2024
	R	R
Corporation for Public Deposits	380 696 074	321 252 053
Bank balances	194 064 448	185 247 453

These balances represent the maximum exposure to credit risk.

# Notes to the Annual Financial Statements

## Market risk

### Interest rate risk

Due to the nature and extent of the entity’s investments, the entity is not unduly exposed to interest rate risks.

Deposits attract interest at rates that vary with prime. The entity’s policy is to manage interest rate risk so that fluctuations in variable rates do not have a material impact on the financial results.

At year end, financial instruments exposed to interest rate risk were as follows:

- Balances with banks
- Deposits with the Corporation for Public Deposits

### Foreign exchange risk

The entity does not hedge foreign accounts receivables, foreign accounts payables or derivative market instruments.

The bank accounts below, denominated in foreign currency, are held on behalf of leverage funded partners. The WRC is exposed to foreign currency risk to the extent that a devaluation in the foreign currency, reduces the amount available in respect of projects already entered into by the WRC with service providers in South African Rands.

### Foreign currency exposure at statement of financial position date

WRC	
2025	2024
R	R
100 839 848	71 819 326
34 427	12

### Current assets

Cash and cash equivalents, USD 5 531 958 (2024: 3 835 089)

Cash and cash equivalents, Euro 1 759 (2024: 0.60)

### Price risk

Due to the nature and extent of the economic entity’s investments, the economic entity is not unduly exposed to price risks as investments are held in trusts, cash and deposits.

## 32. Budget information and explanations thereof

### Material differences between budget and actual amounts

#### Leverage income

Based on historical experience the WRC did not increase its leverage income budget for the 2024/25 financial year, but rather retained the original budget to allow for unforeseen circumstances given the volatile nature of leverage income and unforeseen circumstances that are outside of the WRC’s control.

During the 2024/25 financial year, the WRC was not significantly impacted by circumstances outside the WRC’s control and was able to over-achieve the leverage budget with R19.3 million.

## Notes to the Annual Financial Statements

### *Interest income*

The interest income positive variance of R0.93 million is due to higher than anticipated cash holdings during the financial year and increases in the prime interest rate.

### *Levy income*

The positive variance of R1.4 million is directly related to higher actual water volume sales by the water boards than those projected during the budget.

### *Running costs*

The variance in running costs of R7.9 million is mainly related to:

- Licensing, maintenance, hosting, and support (R4.4 million). Cost savings of R2 million due to the Dynamics 365 Customer Insights tenant license now being purchased as a module to plug into the existing Dynamics 365 platform that the organisation is using instead of purchasing a stand alone system. The remaining difference is due to a reclassification of licenses to Intangibles assets.
- Professional consultancies (R3.1 million):
  - Delays in the appointment of service providers (R1.35 million) to develop change management and remuneration strategies, conduct board performance evaluations etc. Processes are underway and these costs are anticipated to occur in the next financial year.
  - Legal and associated costs related to labour matters which were not concluded by the end of the financial year.
- Savings and/or delays in other expenditure, such as subsistence and travel, catering, cleaning, membership fees and stationary costs.

### **Human Resource costs**

The variance in human resource costs of R16.8 million is mainly due to:

- Delays in the filling of vacant positions as per the approved organisational structure that was not filled in the 2024/25 financial year (R7.6 million) and employee terminations of (R4.1 million).
- Performance bonuses have not been finalised and implemented (R4.9 million)
- Performance-based pay-progression increases for Executives have not been finalised and implemented (R1.7 million)
- A delay in the implementation of training and employee development initiatives (R0.8 million).
- The total cost of back pay (R4.34 million) to be paid to dismissed employees as per CCMA arbitration award has been included under basic salary in employee related costs.

### **Research, Development and Innovation**

The Research, development, and innovation (RDI) expenditure variance of R15 million is mainly attributable to:

- Under-expenditure in respect of levy funded RDI costs. The variance is due to delays in meeting of some levy funded deliverables and projects planned for the 2024/25 financial year as well as budget associated with new projects not being spent due to contracts only being signed in the latter part of the financial year.
- Over-expenditure in respect of leverage funded RDI costs, which is mainly because of deliverables being met earlier than expected. The leverage target for the 2024/25 financial year has been exceeded.
- Under-expenditure in respect of other research related expenditure, which mainly relates to savings on local travel, capacity, knowledge and RDI transfer, knowledge dissemination products and promotion of research outputs.

# Notes to the Annual Financial Statements

## Stakeholder and Communications

The Stakeholder and Communications expenditure variance of R14.7 million is mainly attributable to:

- Delays in spending in respect of stakeholder engagements and events and marketing, communications, promotions, and branding expenditure associated with these events as a result of:
  - Cost savings due to events being held virtually or being co-convened
  - Savings from roadshows as the actual cost was lower than expected
  - Savings in respect of trainings with partners were budgeted for however these are now included in the MOA's and thus not paid by the WRC directly.
- Campaigns for water awareness, uptake of knowledge and innovation products, and media training for internal staff which did not materialise in the current financial year, and will be conducted in the first quarter of the next financial year;
- Development of the knowledge hub/WRC website (R2 million) that did not materialise in the current financial year and is now included in the procurement plan for the 2025/26 financial year;
- Media briefings did not materialise as planned, with specific reference to a SABC briefing related to education/awareness (R5 million).

## Corporate expenditure

The variance in corporate expenditure is R1.8 million and mainly relates to delays in corporate social responsibility initiatives, recruitment costs due to planned vacancies not being filled and internal audit fees.

## Capital expenditure

The variance in capital expenditure of R1.7 million, is mainly due to:

- Delays in the acquisition of the Governance, Risk and Compliance system (R0.5 million). The WRC have been conducting its need analysis but the purchase is anticipated to occur early in the next financial year.
- Delays in the office configurations and acquisition or re-upholstering of office furniture relating to office configurations.

## Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of reallocations within the approved budget parameters.

## Notes to the Annual Financial Statements

### 33. Reconciliation between budget and statement of financial performance

Reconciliation of budget surplus/deficit with the surplus/deficit in the statement of financial performance:

	2025
	R
<b>Net surplus per the statement of financial performance</b>	79 672 518
<b>Adjusted for:</b>	
<b>Non-cash items</b>	
Depreciation, amortisation and impairment	8 557 983
Impairment losses, write offs and loss on disposal	18 464
Actuarial (gains)/losses	(37 197)
Finance costs	480 094
Interest and penalties: SARS	249 957
Straight-lining of operating lease	(2 579 681)
Movement in provisions	(4 868 519)
Movement in accrual for leave	2 873 164
<b>Actual payments made</b>	
Employee benefit payments	(539 077)
Capital expenditure incurred	(4 480 533)
<b>Net surplus per approved budget</b>	<b>79 347 173</b>

### 34. Going concern

We draw attention to the fact that at 31 March 2025, the entity had an accumulated surplus/(deficit) of R479 726 372 and that the entity's total assets exceeds its liabilities by R479 726 372.

The financial statements have been prepared on the basis of accounting policies applicable to going concern. The basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

### 35. Change in estimate

The WRC has reassessed the useful life of assets still in use which resulted in changes to remaining useful lives.

The effect of this revision has increased the depreciation charge for the future periods by R115 965 for property, plant and equipment and R27 144 for intangible assets.

## Notes to the Annual Financial Statements

	Previously assessed useful life	Reassessed useful life	Financial impact on current and future depreciation
<b>Property, plant and equipment</b>			
Computer equipment	3 – 5 years	3 – 5 years	115 883
Office equipment	3 – 10 years	3 – 10 years	82
			115 965
<b>Intangible assets</b>			
Computer software and licenses	3 – 11 years	1 – 10 years	27 144

### 36. Prior period errors

During the current period, errors were identified in the financial statements for the year ended 31 March 2024.

Management has evaluated the identified prior period errors for materiality, both individually and collectively.

Software licenses with a carrying amount of R10 779 964 were reclassified from prepaid expenses to intangibles assets, with the associated recognition of amortisation R2 594 044 and a decrease in IT expenses (general expenses) (R2 632 525). This was a material adjustment to the AFS for the 2023/24 financial year in line with the WRC's materiality framework.

Further immaterial items were also identified during the evaluation process. As a result, the prior period financial statements have been restated to correct the following immaterial errors to improve accuracy of the financial statements.

- An amount of R33 500 was included in prior year repairs and maintenance for the acquisition of an airconditioner. This amount has been reclassified to property, plant and equipment and depreciated by R2 268 accordingly.
- Leverage income of R990 000 was erroneously recognised in the 2023/24 financial year. The Leverage income and accrued debtor raised has been reversed.
- Correction of interest calculated in respected of a leverage funded project. The interest was understated by R44 467, requiring an adjustment to Investment Revenue and Payables from Exchange Transactions (Income received in advance).
- Invoices relating to general expenses (R16 614) and research costs (R41 400) respectively had not been accrued for in the prior year financial statements.
- Prior period correction of R97 454 to Compensation Commissioner expense and accrual raised.
- An amount of R1 116 relating to an research development and innovation subsistence claim was duplicated in the prior year.
- Reclassification of costs associated with the use of a marketing tool to the value of R10 985 to other research and costs (research, development and innovation) from general expenses.
- Reclassifications totaling R2 411 from repairs and maintenance of access cards to security and a waste paper basket and asset tags to consumables.
- Reassessment of useful lives of fully depreciated assets for all years of assessment ending 31 March 2024 resulted in a correction of error adjustment of R338 622 to accumulated depreciation.
- During the 2023/24 financial year some employees elected to keep and lock-up annual leave days at a fixed rate until such a time their employment at the WRC is terminated. Leave days payable to employees on termination amounting to R580 200 were reclassified from provision for leave to accrual for leave as there is no uncertainty regarding the amount (fixed at R580 220) and timing (payable on termination).

## Notes to the Annual Financial Statements

The errors resulted in the overstatement/understatement of affected accounts reflected below. The net impact on the retained earnings for the prior year amounted to R71 308 and an overstatement of surpluses to the value of R916 527:

	R
<b>Statement of Financial Position</b>	
Property, plant and equipment	369 854
Intangible Assets	10 779 964
Receivables from exchange transactions	(11 728 870)
Payables from exchange transactions	(408 783)
Accrual for leave	(580 220)
Provisions	580 220
Opening Accumulated Surplus or Deficit	71 308
	<b>(916 527)</b>

	R
<b>Statement of Financial Performance</b>	
Leverage Income	990 000
Investment revenue	44 467
General expenses	(2 602 515)
Employee costs	(97 454)
Depreciation and amortisation	2 588 641
Repairs and maintenance	(35 911)
Research, development and innovation	29 299
	<b>916 527</b>

### 37. Contingencies

	2025	2024
	R	R
Total Contingent Assets	248 777	-
Total Contingent Liabilities	(21 379 135)	(1 274 076)

The WRC incurred penalty and interest charges as a result of the late payment of the May 2023 employee tax return. The WRC observed a tax non-compliance status upon review of the tax status on 10 July 2024. A determination test was undertaken in respect of the expenditure incurred. The determination test concluded that penalty and interest charges of R248 777 are fruitless and wasteful. Consequence management is currently underway and the WRC is trying to recover the

## Notes to the Annual Financial Statements

amount from the relevant officials. A contingent asset of R248 777 has been disclosed pending the outcome of internal legal proceedings, outlining the nature of the event and whether it is recoverable from the relevant officials.

During the 2022/23 financial year, the WRC Azure subscription was compromised when a hacker added services to the WRC's subscription resulting in additional charges of R1 274 076 being levied on the WRC's account (as per comparative year). In a settlement agreement signed on 25 April 2025 SIS Global and the WRC agreed to share in equal halves (50/50) the costs of the invoice, which resulted in the removal of the contingent liability and recognition of a payable as at 31 March 2025 (refer to note 9).

The Public Servants Association of South Africa (PSA) referred the matter regarding the non-payment of performance bonuses to the CCMA for arbitration on 6 March 2025. The contingent liability in respect of the performance bonuses are R6 573 568 for 2021/22 (SMS only), R7 167 763 for 2022/2023 (SMS only) and R7 637 804 for 2023/24 SMS and Non SMS respectively, thus totaling to a possible contingent liability amounting to R21 379 135.

There is a further possible contingent liability relating to performance bonuses of SMS and Non SMS for the 2024/25 financial year. Performance assessments for these have not yet been conducted so we are unable to quantify the amount of the possible contingent liability.

At its meeting on 28 April 2025, the Board considered the HRC report, which incorporated both the legal opinion provided by the external service provider and the internal review by the WRC legal expert. Following thorough deliberation, the Board resolved to uphold the moratorium and, accordingly, not to approve the payment of performance bonuses to SMS employees for the 2021/22 financial year (R6 573 568).

The matter at the CCMA, however, includes the 2021/22 financial year and, as such, these are included in the contingent liability.

No further contingent liabilities were identified.

### **38. Events after the reporting date**

A settlement agreement was signed on 25 April 2025 in respect of the contingent liability for the WRC Azure subscription that was raised in the prior financial year. A payable has been raised in the current year (Refer to note 9 and note 37).

An Arbitration Award ("the award") was issued by the CCMA on 17 April 2025. A payable and related employee cost expense has been raised in the current year (Refer to note 9 and note 16). The WRC is currently taking the award on review in terms of Section 145 of the LRA. To suspend enforcement, the employer must apply for a stay of enforcement, and furnish security to the satisfaction of the Labour Court. The WRC has applied for a stay of enforcement and furnished security.

No further events after the reporting date were identified that require adjustment or disclosure in the financial statements.

## Notes to the Annual Financial Statements

### 39. Irregular expenditure and fruitless and wasteful expenditure

	2025	2024
	R	R
Irregular expenditure	-	188 563
Fruitless and wasteful expenditure	-	260 180
<b>Closing balance</b>	<b>-</b>	<b>448 743</b>

#### Refer to reconciling notes in the annual report

National Treasury issued instruction note no. 4 of 2022/23 effective 3 January 2023 in respect of PFMA Compliance and Reporting Framework related to Irregular, Fruitless and Wasteful and Unauthorised expenditure.

In accordance with the National Treasury PFMA Compliance and Reporting Framework a determination test must be undertaken to establish particulars of non-compliance and facts before disclosing in the annual financial statements.

There is irregular and fruitless and wasteful expenditure currently under assessment, determination and/or investigation of which the details are included in the annual report and detailed registers.

#### Restatement of balances

	2024
	R
<i>Irregular expenditure</i>	
Balance as at 31 March 2024	-
Expenditure confirmed in the current year related to prior year expenditure	188 563
<b>Restated balance</b>	<b>188 563</b>
	2024
	R
<i>Fruitless and wasteful expenditure</i>	
Balance as at 31 March 2024	-
Expenditure confirmed in the current year related to prior year expenditure	260 180
<b>Restated balance</b>	<b>260 180</b>

A prior year adjustment of R188 563 for irregular expenditure and R260 180 for fruitless and wasteful expenditure respectively was made in accordance with National Treasury Instruction note no.4 of 2022/23 section 7.8 b which states that unauthorised, irregular and fruitless and wasteful expenditure for the previous financial year includes: (b) amounts that were under assessment in that financial year and confirmed in the current financial year.

#### Irregular expenditure

A service was rendered in the 2022/23 financial year in excess of the issued purchase order amount. The invoice was R30 025 over the issued purchase order amount. A determination test was conducted by the Internal Audit and it concluded that the incurred expenditure constitutes irregular expenditure as the payment amount exceeded the authorised amount. Consequence management has been undertaken against the relevant official/s and the expenditure incurred has been recovered from the relevant official.

# Notes to the Annual Financial Statements

In September 2023, a contract variation amounting to R300 000 was approved to enable the completion of the work. The total contract amount (original contract and variation) amounted to R800 000, and upon completion of the work, the appointed legal firms submitted invoices amounting to R958 538. Possible irregular expenditure of R158 538 was subject to a determination test as conducted by the Internal Audit and it concluded that, despite measures being put in place to monitor the contract and ensure expenditure did not exceed the approved budget, the attorneys billed the WRC for amounts above the contract. The Board recommended that the irregular expenditure amount be recovered from the legal firms.

### Fruitless and wasteful expenditure

The WRC incurred penalty and interest charges as a result of the late payment of the May 2023 (202305 EMP201 tax return) i.e. monthly employee tax return. The WRC observed a tax non-compliance status upon review of the tax status following a payment of late penalty and interest charges on 10 July 2024. A determination test was undertaken in respect of the expenditure incurred. The results of the determination were presented to the Accounting Authority (WRC Board) and the expenditure, which resulted in financial loss of R1 179 was condoned to be written off.

The WRC incurred penalty and interest charges of R248 777 as a result of the late payment of the May 2023 (EMP201 tax return). The determination test concluded during the 2024/25 financial year confirmed the expenditure as fruitless and wasteful. Consequence management is currently underway.

During November 2022, fruitless and wasteful expenditure amounting to R10 224 was incurred relating to non-attendance of a training event. Two officials were not able to attend the online programme (training) on Improving Governance in the Public Sector, held on 1 November 2022 with the Institute of Directors in South Africa. The determination test conducted by Internal Audit was presented to the Board who condoned R5 618 and requested that R4 606 be recovered from the relevant official along with consequence management.

## 40. Defined contribution plans

### Medical fund

Contribution

2025	2024
R	R
4 291 927	4 260 791

### Defined contribution plan – Medical fund:

All eligible employees are members of the defined contribution scheme. The funds are governed by the Medical Schemes Act, 1998 (Act No 131 of 1998). No plan assets are held by the entity to fund this obligation. The above contributions have been included as part of the employee related costs.

### Pension fund scheme

Contribution

2025	2024
R	R
8 689 470	8 256 791

### Defined contribution plan – Pension fund:

The WRC has a pension fund scheme covering all employees in the form of a defined contribution fund. Alexander Forbes Life is managing the Umbrella Fund Scheme on behalf of the WRC.

The effect of this is that the WRC has no liability other than the defined contributions payable to the fund on a monthly basis. No liability can arise due to any adverse market conditions. The above contributions have been included as part of the employee related costs.

## General Information

Country of Incorporation and Domicile	South Africa
Legal form of entity	The main purpose of the company was to own the immovable property known as Erf 706 Rietfontein and to place the property at the disposal of the WRC as their main place of business. The immovable property was disposed of and the Board approved the deregistration of Erf 706 Rietfontein. ERF 706 Rietfontein was deregistered at CIPC on 4 July 2024.
Director	Dr JB Molwantwa
Postal Address	Private Bag X03 Gezina 0031
Controlling Entity	Water Research Commission until date of deregistration
Bankers	ABSA Bank
Auditors	Auditor-General of South Africa
Company Registration Number	1984/003566/07

**Part G:**

# ERF SEWE NUL SES RIETFONTEIN (PROPRIETARY) LIMITED

for the period ended 04 July 2024



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The Annual Financial Statements as set out in pages 137 to 150 which have been prepared on a liquidation basis, were approved by the Board of Directors on 28 July 2025, and were signed on its behalf by:

**Dr JB Molwantwa**  
Chief Executive Officer

# Directors' Report

## 1. General review

In order for stakeholders to review the business and operations of the company for the reporting period in general, the Directors draw attention to the statements of financial position, financial performance, changes in net assets and cash flows attached. These statements clearly reflect the business of the company, its results and state of affairs.

The Companies Act, 71 of 2008, requires that the Directors report on any material facts or circumstances which occurred between the reporting date and the date of their report. The material matters and circumstances that occurred during the period under review are contained in the specific matters below.

## 2. Specific matters

The main aim of the company was that of owning the immovable property known as Erf 706 Rietfontein, including all permanent improvements, and to use the property for the purpose of promoting the operations of the Water Research Commission.

Following the disposal of the Marumati Building ("the Property") owned by Erf 706 Rietfontein (Pty) Ltd and obtaining a tax compliance status verification from SARS on 29 January 2024, the transfer of assets and closure of the bank account were concluded in April 2024. The Companies Intellectual Property Commission (CIPC) was requested to strike the company from the register in terms of Section 82 (3) (ii) (aa) (bb) of the Companies Act 2008, as amended, and, as such, Erf 706 Rietfontein (Pty) Ltd was deregistered with Companies and Intellectual Property Commission (CIPC) on 4 July 2024.

No shares were allotted or issued by the company during the period under review. The entity was wholly owned by the Water Research Commission until the date of deregistration.

No dividends were paid or declared during the period under review.

## 3. Directors

Directors and certain members of staff of the Water Research Commission managed the business of the company. No third party was involved in managing the entity.

The director of the entity during the period and to the date of deregistration is as follows:

- Dr JB Molwantwa, appointed 1 April 2022

## 4. Company secretary

The secretarial functions during the year under review were performed by Rene Vorster of Cossec Services CC.

# Report of the Auditor-General

to Parliament on ERF 706 Rietfontein (Pty) Ltd

## Report on the audit of the separate financial statements

### Opinion

1. I have audited the financial statements of the ERF 706 Rietfontein (Pty) Ltd set out on pages 141 to 155, which comprise the statements of financial position as at 4 July 2024, statements of financial performance, statements 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 ERF 706 Rietfontein (Pty) Ltd as at 4 July 2024 and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Public Finance Management Act 1 of 1999 (PFMA).

### Basis for opinion

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 statement 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 the 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.

### Going concern

7. We draw attention to note 16 in the financial statements, which note that the company was deregistered with the Companies and Intellectual Property Commission (CIPC) on 4 July 2024. Our opinion is not modified in respect of this matter.

## Responsibilities of the accounting authority for the financial statements

8. The accounting authority is responsible for the preparation and fair presentation of the financial statements in accordance with the 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.
9. 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

10. 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 it 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

# Report of the Auditor-General

to Parliament on ERF 706 Rietfontein (Pty) Ltd

financial statements.

11. 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 on page 140, forms part of my auditor's report.

## Report on the audit of the annual performance report

12. As the entity was dormant for the year under review, no work was performed on the audit of performance information.

## Report on compliance with legislation

13. As the entity was dormant for the year under review, no work was performed to test compliance with key legislation.

## Other information in the annual report

14. The accounting authority is responsible for the other information included in the annual report, which includes the directors' report, the audit committee's report and the company secretary's certificate, as required by the Companies Act 71 of 2008 (Companies Act). The other information does not include the financial statements and the auditor's report.

15. My opinion on the financial statements does 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.

16. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears

to be materially misstated.

17. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter with those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

## Internal control deficiencies

18. I considered internal control relevant to my audit of the financial statements; however, my objective was not to express any form of assurance on it.
19. I did not identify any significant deficiencies in internal control.

Auditor - General

Pretoria  
31 July 2025



A U D I T O R - G E N E R A L

## Annexure to the Auditor's report

### 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 professional scepticism throughout my audit of the financial statements.

#### Financial statements

In addition to my responsibility for the audit of the financial statements as described in this auditor's report, 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 and its subsidiaries 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 author'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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. I am responsible for the direction, supervision and review of audit work performed for purposes of the group audit. I remain solely responsible for my audit opinion.

#### Communication 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 to 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.

## Statements of Financial Position

for the period ended 04 July 2024

	Notes	04 July 2024	31 March 2024
		R	R
<b>Assets</b>			
<b>Current assets</b>			
Receivables from exchange transactions	3	-	7 305
Cash and cash equivalents	4	-	25 325
<b>Total current assets</b>		-	<b>32 630</b>
<b>Total assets</b>		-	<b>32 630</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Payables from exchange transactions	5	-	10 935
<b>Total liabilities</b>		-	<b>10 935</b>
<b>Net assets</b>		-	<b>21 695</b>
<b>Net assets</b>			
Share capital	6	-	1
Accumulated surplus		-	21 694
<b>Total net assets</b>		-	<b>21 695</b>
<b>Total net assets and liabilities</b>		-	<b>32 630</b>

## Statement of Financial Performance

for the period ended 04 July 2024

	Notes	04 July	31 March
		2024	2024
		R	R
<b>Expenditure</b>			
Finance costs		-	57
Receivable derecognised		-	159
General expenses	7	885	4 395
Loss on derecognition	8	20 810	-
<b>Total expenditure</b>		<b>21 695</b>	<b>4 611</b>
<b>Surplus/(Deficit) for the year</b>		<b>(21 695)</b>	<b>(4 611)</b>

## Statement of Changes in Net Assets

for the period ended 04 July 2024

	Share capital	Accumulated surplus	Total net assets
	R	R	R
<b>Balance at 1 April 2023</b>	1	26 305	26 306
Surplus / (Deficit) for the year	-	(4 611)	(4 611)
<b>Total changes</b>	-	(4 611)	(4 611)
<b>Balance at 1 April 2024</b>	1	21 695	21 696
Surplus / (Deficit) for the year	-	(21 695)	(21 695)
Share capital reduction (deregistration at CIPC)	(1)	-	(1)
<b>Total changes</b>	<b>(1)</b>	<b>(21 695)</b>	<b>(21 696)</b>
<b>Balance at 31 March 2024</b>	-	-	-
<i>Note 6</i>			

## Cash Flow Statement

for the period ended 04 July 2024

	Notes	04 July 2024	31 March 2024
		R	R
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Cash receipts from customers		-	39
<b>Payments</b>			
Cash paid to suppliers		(11 820)	(1 874)
<b>Net cash flows from operating activities</b>	10	<b>(11 820)</b>	<b>(1 835)</b>
<b>Cash flows from investing activities</b>			
Net cashflows on derecognition		(13 505)	-
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(25 325)</b>	<b>(1 835)</b>
Cash and cash equivalents at the beginning of the year		25 325	27 160
<b>Cash and cash equivalents at the end of the year</b>	4	<b>-</b>	<b>25 325</b>

# Summary of significant accounting policies

for the period ended 04 July 2024

## 1. Significant accounting policies

The significant accounting policies applied in the preparation of these annual financial statements are set out below.

### 1.1 Basis of preparation

The annual financial statements have been prepared in accordance with the accounting policies below, which considers the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) with regard to the basic recognition, measurement and disclosure requirements, taking into account the circumstances that will impact the amounts that will be recovered or settled, where relevant.

The company was deregistered with the Companies Intellectual Property Commission (CIPC) on 4 July 2024. These financial statements have therefore been prepared on a liquidation basis of accounting and are in accordance with the historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

### 1.2 Going concern assumption

The financial statements were not prepared on a going concern basis but have been prepared on a liquidation basis as the entity has ceased operations and was deregistered with the Companies Intellectual Property Commission (CIPC) on 4 July 2024 and has no further assets and liabilities (also refer to note 16). The assets of the prior year were measured at their liquidation values and liabilities were measured at their exit values.

### 1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. As the entity was deregistered at CIPC, management is not expecting that actual results will differ from the estimates used in preparing the statements. Significant judgements include:

#### **Receivables / Held to maturity investments and/or loans and receivables**

The entity assesses its receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the company makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

#### **Fair value estimation**

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

#### **Impairment testing**

The entity assesses its receivables for impairment at the end of each reporting period. In determining whether an impairment

## Summary of significant accounting policies

for the period ended 04 July 2024

loss should be recorded in surplus or deficit, the entity makes judgements as to whether there is observable data indicating a measurable decrease in estimated future cash flows from financial assets.

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable.

### 1.4 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

#### Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalents	Financial asset measured at fair value

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Payables from exchange transactions	Financial liability measured at amortised cost

#### Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

# Summary of significant accounting policies

for the year ended 31 March 2024

## Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

## Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value
- Financial instruments at amortised cost
- Financial instruments at cost

### Financial instruments at fair value

#### *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

### Financial instruments at amortised cost

#### *Receivables*

Receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method.

#### *Payables*

Payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

### Fair value measurement considerations

The fair values of listed investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the entity establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity specific inputs.

### Impairment and uncollectibility of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

All financial assets measured at amortised cost, or cost, are subject to an independent review. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an

## Summary of significant accounting policies

for the year ended 31 March 2024

allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

### Derecognition

#### *Financial assets*

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset 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 asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

### Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished – i.e. when the obligation specified in the contract is discharged, cancelled, expires or is waived.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit.

## 1.5 Tax

### Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

# Summary of significant accounting policies

for the year ended 31 March 2024

## Deferred tax assets and liabilities

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable surplus will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable surplus will be available against which the unused tax losses can be utilised.

As the entity was deregistered with the CIPC on 4 July 2024, there will be no future taxable profits available against which deductible temporary differences can be utilised thus no deferred tax asset is recognised.

## 1.6 Share capital

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

## 1.7 Contingencies

Contingent assets and contingent liabilities are not recognised but disclosed in the notes to the financial statements.

## 1.8 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.

The entity follows the guidance of GRAP 20 to identify related party relationships, transactions and balances and the disclosures on those identified.

## 1.9 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 (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

If non-adjusting events after the reporting date are material, the entity discloses the nature and an estimate of the financial effect or a statement that such and estimate cannot be made.

# Notes to the Annual Financial Statements

for the period ended 04 July 2024

## 2. New standards and interpretations

### 2.1 Standards and interpretations effective and adopted in the current period

In the current period, the entity has not adopted any standards and interpretations that are effective for the current financial period and that are relevant to its operations.

### 2.2 Standards and Interpretations early adopted

The entity has not chosen to early adopt any standards and interpretations in the current financial year.

## 3. Receivables from exchange transactions

Deposits

04 July 2024	31 March 2024
R	R
-	7 305

The receivables balance consisting of a deposit made by a customer in terms of section 104(1)d of the Municipal System Act (MSA) was transferred to the Water Research Commission to facilitate the deregistration of the entity.

As at the previous reporting date:

- No receivables were pledged as security for any financial liability.
- The maximum exposure to credit risk was the fair value of the receivable
- No receivables were impaired or provided for
- At 31 March 2024, R7 305 was past due but not impaired.

### Credit quality of receivables

Cash and cash equivalents consist of:

Bank balances – Level 1

04 July 2024	31 March 2024
R	R
-	25 325

The remaining balance in the bank account, after settling the liabilities was transferred to the holding company whereafter the bank account was closed on 22 April 2024.

### Fair value hierarchy of financial assets at fair value

For financial assets recognised at fair value, disclosure is required of a fair value hierarchy which reflects the significance of the inputs used to make the measurements.

### The fair value hierarchy has the following levels:

- Level 1 represents those assets which are measured using unadjusted quoted prices in active markets for identical assets.

## Notes to the Annual Financial Statements

for the period ended 04 July 2024

- Level 2 applies inputs other than quoted prices that are observable for the assets either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 applies inputs which are not based on observable market data.

As at the previous reporting date:

- No cash and cash equivalents were pledged as security for any financial liability.
- The maximum exposure to credit risk was the fair value (which approximated the carrying value) of the cash and cash equivalents.
- The entire cash balance was available for use.

### 5. Payables from exchange transactions

Trade payables

04 July 2024	31 March 2024
R	R
-	10 935

The trade payable balance (inter-entity) consisted of secretarial fees of R6 470 (2024: R5 670), employee taxes R800 (2024: R800) and penalties and interest of R4 463 (2024: R4 463) to SARS paid by the Water Research Commission on behalf of Erf 706 Rietfontein. The remaining balance of R11 733 was settled when closing the bank account.

As at the previous reporting date:

- The maximum exposure to credit risk was the fair value of the payables (which approximated the carrying value)
- The entity did not default on interest or capital on any payables.
- None of the terms attached to the payables were renegotiated.

### 6. Share capital

#### Authorised

4 000 Ordinary shares of R1 each

#### Issued

1 Ordinary share of R1 each

04 July 2024	31 March 2024
R	R
-	4 000
-	1

100% of the shares were owned by the Water Research Commission up to the date of deregistration of ERF 706 (Pty) Ltd at the CIPC on 4 July 2024.

## Notes to the Annual Financial Statements

for the period ended 04 July 2024

### 7. General expenses

Bank charges  
Professional fees

04 July 2024	31 March 2024
R	R
85	1 875
800	2 520
<b>885</b>	<b>4 395</b>

### 8. Loss on derecognition

The CIPC was requested to strike the Company from the register in terms of Section 82 (3) (ii) (aa) (bb) of the companies Act 2008, as amended. The deregistration application was submitted in March 2024. The remaining inter-entity liability was settled, followed by a transfer of assets and the subsequent closure of the bank account of Erf 706 in April 2024 in order to facilitate the deregistration process. The company, Erf 706 Rietfontein (Pty) Ltd, was deregistered at the CIPC on 4 July 2024.

The impact of the derecognition is set out below.

	At fair value	At amortised cost	Total
Cash and cash equivalents	25 239	-	25 239
Settlement of inter-entity creditor	(11 733)	-	(11 733)
Receivables from exchange transactions	-	7 305	7 305
<b>Total Net assets</b>	<b>13 506</b>	<b>7 305</b>	<b>20 811</b>
Share Capital	-	-	(1)
<b>Loss on derecognition</b>	<b>13 506</b>	<b>7 305</b>	<b>20 810</b>

### 9. Taxation

Under section 20(1)(a) of the Income Tax Act no 52 of 1962, a company that does not carry on a trade during a year of assessment forfeits the right to carry forward its assessed loss. As such the assessed loss is R NIL.

## Notes to the Annual Financial Statements

for the period ended 04 July 2024

### 10. Cash (used in) generated from operations

#### Surplus/(deficit)

#### Adjustments for:

Loss on derecognition

Receivable transferred on derecognition

#### Changes in working capital:

Receivables from exchange transactions

Payables from exchange transactions

04 July 2024	31 March 2024
R	R
(21 695)	(4 611)
20 810	-
(7 305)	-
7 305	198
(10 935)	2 578
<b>(11 820)</b>	<b>(1 835)</b>

### 11. Related Parties

#### Relationships

Controlling entity: Water Research Commission up to date of deregistration (4 July 2024)

#### Related party balances

#### Amounts included in Trade receivable (Trade Payable) regarding related parties

Water Research Commission: Payable

04 July 2024	31 March 2024
R	R
-	(10 933)

The trade payable balance (inter-entity) consisted of secretarial fees of R6 470 (2024: R5 670), employee taxes of R800 (2024: R800) and penalties and interest of R4 463 (2024: R4 463) to SARS paid by the Water Research Commission on behalf of Erf 706 Rietfontein. The remaining balance of R 11 733 was settled when closing the bank account.

The amount of R20 810 (net of assets and liabilities) was transferred to the holding company,

#### Related party transactions

Secretarial fees of R800 (2024: R2 520) was paid by the Water Research Commission on behalf of Erf 706 Rietfontein.

No remuneration was paid to the Director during the 2024/25 and 2023/24 financial years respectively.

# Notes to the Annual Financial Statements

for the period ended 04 July 2024

## 12. Financial instruments disclosure

### Categories of financial instruments

#### July 2024

##### Financial assets

	At fair value	At amortised cost	Total
Receivables from exchange transactions	-	-	-
Cash and cash equivalents	-	-	-
	-	-	-

##### Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	-	-

The remaining balances (receivables and cash) were transferred to the WRC.

#### 2024

##### Financial assets

	At fair value	At amortised cost	Total
Receivables from exchange transactions	-	7 305	7 305
Cash and cash equivalents	25 325	-	25 325
	<b>25 325</b>	<b>7 305</b>	<b>32 630</b>

##### Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	10 935	10 935

The entity has not reclassified any financial assets from cost or amortised cost to fair value, or from fair value to cost or amortised cost during the current or prior year.

## 13. Contingent liabilities

No contingent liabilities were identified at the date of deregistration.

## 14. Comparative figures

The current financial statements cover a reporting period from 1 April 2024 to 4 July 2024, whereas the comparative figures presented are for the full year ended 31 March 2024. The shorter reporting period arose due to the entity being deregistered at the CIPC on 4 July 2024. As a result, the amounts presented in the financial statements are not entirely comparable.

## Notes to the Annual Financial Statements

for the period ended 04 July 2024

### 15. Risk management

The entity has no liquidity, interest rate or credit risk as at the reporting date as the entity was deregistered with the Companies and Intellectual Property Commission (CIPC).

As at the previous reporting date, the financial assets that were exposed to credit risk was the cash with ABSA bank (R25 325) and receivables (R7 305).

### 16. Going concern

The company was deregistered with the CIPC on 4 July 2024.

### 17. Irregular expenditure and fruitless and wasteful expenditure

Irregular expenditure  
Fruitless and wasteful expenditure

04 July 2024	31 March 2024
R	R
-	-
-	4 464
-	<b>4 464</b>

An amount of R4 464 was paid to SARS during the 2023/24 financial year in respect of interest and penalties which was identified with the process of deregistration of Erf 706. The entity submitted a request for remission of interest and penalties to SARS, without success. The Board approved the condonation of the transaction in March 2025.

### 18. Income Tax Computation

**Deficit before taxation**

**Permanent differences**

Loss on disposal of assets and liabilities

Add back: Finance costs

**Computed loss - carried forward**

Assessed loss brought forward

Assessed loss forfeited

**Assessed loss at year end**

Tax thereon

04 July 2024	31 March 2024
R	R
<b>(21 695)</b>	<b>(4 611)</b>
20 810	-
-	57
<b>(885)</b>	<b>(4 554)</b>
(1 354 469)	(1 349 915)
1 335 354	-
-	<b>(1 354 469)</b>
-	-

Erf 706 Rietfontein (Pty) Ltd was deregistered at CIPC on 4 July 2024. Under section 20(1)(a) of the income tax act a company that does not carry on a trade during a year of assessment forfeits the right to carry forward its assessed loss.



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