



QUARTERLY FINANCIAL STATEMENTS

31 DECEMBER 2021

Rustenburg Water Services Trust

QUARTERLY FINANCIAL STATEMENTS
For the period ended 31 December 2021



TRUST INFORMATION

TRUST REFERENCE NUMBER : IT 6155/03

TRUSTEES	<i>Date of appointment</i>	<i>Date of retirement</i>
TJ Ehlers - active	1 Dec 2009	
BI Mpete	12 Dec 2019	
V Dilsook	12 Dec 2019	
WK Kumbe	12 Dec 2019	
J Kruger	12 Dec 2019	

TRUST CEO Pet Maas

REGISTERED OFFICE Missionary Mpheni House
Cnr Nelson Mandela and Beyers Naude Drive
Rustenburg
0300

POSTAL ADDRESS Rustenburg Water Service Trust
Post net Suite 4490
Private bag X 82323
Rustenburg
0300

AUDITORS Office of the Auditor-General
124 Kock Street
Rustenburg
0300

BANKERS ABSA Business Bank
91 Church Street
Klerksdorp
5271

CONTENTS

PAGE

Admin Report	3 - 4
Statement of Financial Position	5
Statement of Comprehensive Income	6
Statement of Comparison of Actual vs Budget	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
Accounting Policies	10 - 13
Notes to the Financial Statements	14 - 17

RUSTENBURG WATER SERVICES TRUST
CEO's REPORT
FOR THE PERIOD ENDING DECEMBER 2021



2.1 Trust Administration Agreement

2.1.1 **Rustenburg Local Municipality**
 Supply period: 2021/11/25 to 2021/12/25 (30days)

The Trust rendered invoices for the period ended December '21
 At Boitekong Sewage treated was 436,189 kl for the supply period.
 This gives a daily average for Boitekong of 14,540 kl per day for the period.
 At Rustenburg Sewage treated was 1,358,556 kl for the supply period.
 This gives a daily average for Rustenburg of 45,285 kl per day for the period.
 At Bospoort Treatment plant 306,842 kl was treated for the supply period.
 This gives a daily average for Bospoort of 10,228 kl per day for the period.
 At Kloof Treatment plant 10,730 kl was treated for the supply period.
 This gives a daily average for Kloof of ,358 kl per day for the period.
 Monakato and Lethabong are operated and reports on a monthly basis to the Operators Meeting

Off Take Agreements

RPM were invoiced the full 15 MI per day for 30 days.
 Impala were invoiced the full 10 MI per day for 30 days.
 RLM were invoiced the full 4 MI per day for 30 days.

2.1.2 **Debtors:**

Total Debtors at end of December 2021 was R 230,647,295
 Customer Age Analysis for Monthly Customers as at December 21

Name	90 Days +	60 Days	30 Days	Current	Total Due
Agrimán (Pty) Ltd	-	-	1 150.00	1 150.00	2 300.00
Glencore Operations	-	20 405.99	65 327.45	79 390.15	165 123.59
Impala Platinum Mines Ltd	-	-	3 122 777.96	3 005 174.56	6 127 952.52
RLM MIG - VAT issue	28 013 476.66	-	-	-	28 013 476.66
Rustenburg Local Municipality	159 236 374.64	-	4 340 083.88	14 944 041.24	178 520 499.77
RLM - EOH Recovery	(164 246.43)	-	-	-	(164 246.43)
RLM - MIG	7 546 103.09	-	-	-	7 546 103.09
Rustenburg Platinum Mines Ltd	-	-	4 858 830.14	5 577 255.98	10 436 086.12
Totals :	194 631 707.96	20 405.99	12 388 169.43	23 607 011.93	230 647 295.32
%	84%	0%	5%	10%	100%

2.1.3 **Earnings:**

For the month, the Earnings was R 6,815,743 against a budget of R 3,730,606
 The difference is a positive or (negative variance) of R 3,085,137
 For the 6 months , the Earnings was R 25,881,782 against a budget of R 22,383,636
 The difference is a positive or (negative variance) of R 3,498,146

See year to date column in Income Statement for comparison with adjusted budget.

2.1.4 **Accumulated Fund:**

EBIT and depreciation for the year to date is R 42,890,190 vs a budget of R 39,584,834
 The difference is a positive or (negative) variance of R 3,305,357

2.1.5 **Fixed Assets:**

Project costs incurred to date, have been reported under fixed assets and construction in progress.
 The following amount was depreciated for the month: R 3 278 146.26

2.1.6 Interest received for the month was: R 440 053.10

**RUSTENBURG WATER SERVICES TRUST
CEO's REPORT
FOR THE PERIOD ENDING DECEMBER 2021**



2.2 Water Service Agreement

2.2.1 The following insurance cover was arranged for the Rustenburg Water Services Trust.

Policy Name	Policy number	Renewal date
Assets All Risk Rustenburg Sewerage	SACOM4491632	2020/07/31
		Renewal date
WSSA's performance guarantee was issued by Lombard Insurance Company	C201869189	2023/07/31

2.3 Asset Lease Agreement

2.3.1 The Fixed Asset Register has been completed and includes all componentised assets at all the plants.

2.4 Loan and Underwriting Agreement

2.4.1 The funds of the Trust are invested in the following accounts.
The interest rate is under consideration at the bank.

2.4.2 Bank Accounts and interest rates:

	Amount	Interest %
Distribution Reserve Account	58 467 799.39	2.25%
Distribution Call Account	129 279 891.83	3.35%
Industrial Reserve Account	-	3.68%
Contingency Reserve Account	-	3.68%
Debt Service Reserve Account	-	3.68%
	<u>187 747 691.22</u>	

2.4.3 **Debt Service Cover Ratio** **Months expired** **Month** **YTD**
Per loan agreement, the Debt Service Cover Ratio set by ABSA is 1,5 times, calculated on EBIT + Cash Reserves

DSCR excl cash reserves:				
EBIT and depreciation			9 654 836	42 890 190
Avg Installment	20 572 962	6	<u>3 428 827</u>	<u>20 572 962</u>
			<u>2.82</u>	<u>2.08</u>
DSCR incl cash reserves:				
EBIT and depreciation			9 654 836	42 890 190
Cash			<u>187 747 691</u>	<u>187 747 691</u>
			<u>197 402 527</u>	<u>230 637 882</u>
Installment	20 572 962	6	<u>3 428 827</u>	<u>20 572 962</u>
			<u>57.57</u>	<u>11.21</u>

2.5 Capital projects

	CURRENT ESTIMATES	YTD ACTUALS
2.5.1 Monakato WWTW inlet works		
Construction	10 000 000.00	
Professional fees	1 000 000.00	388 986.80
2.5.2 Bospoort pipe		
Construction	150 000 000.00	
Professional fees	15 000 000.00	9 955 800.77
2.5.3 Bospoort WTW plant extension		
Construction	114 782 608.70	39 556 192.67
Professional fees	17 217 391.30	21 130 570.14
TOTAL COSTS	<u>308 000 000.00</u>	<u>71 031 550.38</u>

2.6 Issues

- 2.6.1 RLM overdue debtors account, agreement has been reached on 2 July 2019. RLM subsequently defaulted on this agreement. This poses a possible going concern issue for the Trust. A new agreement has been reached whereby R 218mil will be repaid over 4 years, 3 payments per year. Current portion to remain on 30 days. RLM is in terms and up to date with the repayment of the R 218mil.
- 2.6.2 Construction of Bospoort Plant Civil Project is almost done, busy with a snag list. M&E contract in process of termination, by RLM.
- 2.6.3 Bospoort Bulk Infrastructure Project re-submitted to MIG. BSC almost completed.
- 2.6.4 O&M contracts extended on a month to month basis. In process of new procurement.
- 2.6.5 CEO and CFO new contract entered and terminates on 28 February 2022.
- 2.6.6 Trust deed in process of amendment to remove ABSA and to add Bokamoso WWTW.
- 2.6.7 The members of the board have challenged each other in the Mahikeng High Court on code of conduct matters. The matter is ongoing.

STATEMENT OF FINANCIAL POSITION
At 31 DECEMBER 2021

	NOTES	6 Months 31/12/2021 R	12 Months 30/06/2021 R
LIABILITIES			
Non-Current Liabilities			
Long term liabilities	3	1 117 556	1 290 326
Current liabilities			
Trade and other payables (exchange transactions)		11 918 128	12 855 751
Short Term Portion of Liabilities	3	330 920	302 666
VAT payable		1 567 180	1 955 661
		13 816 228	15 114 078
Total Liabilities		14 933 784	16 404 405
ASSETS			
Non-current Assets			
Lease Hold Improvements	1	553 468 870	573 318 117
Financial assets	4	143 624 361	133 012 489
		697 093 231	706 330 606
Current assets			
Trade receivables (exchange transactions)	4	52 103 812	111 509 503
Trade receivables (non-exchange transactions)	4	35 395 333	35 395 333
Cash and cash equivalents	5	187 747 691	94 692 464
		275 246 836	241 597 300
Total Assets		972 340 068	947 927 906
NET ASSETS			
Statutory funds		1 000	1 000
Revaluation Surplus		264 760 558	264 760 558
Distributable reserves	2	692 644 725	666 761 944
TOTAL NET ASSETS		957 406 283	931 523 502

STATEMENT OF COMPREHENSIVE INCOME
For the period ended 31 December 2021

	6 Months 31/12/2021 R	- 12 Months 30/06/2021 R
REVENUE - From exchange transactions		
Sales - water	107 364 530	220 340 004
COST OF SALES		
Rustenburg WWTW	26 147 941	53 295 272
Boitekong WWTW	9 771 914	19 039 780
Bospoort WTW	8 225 506	15 773 680
Kloof WTW	888 307	1 782 146
Monakato WWTW	510 933	1 076 927
Lethabong WWTW	1 399 187	2 583 840
Effluent monitoring	629 815	1 054 934
Operator overheads		
Day works and provisional sums	488 812	936 084
Management and general staff	2 805 884	5 317 933
	50 868 301	100 860 596
GROSS MARGIN	56 496 229	119 479 408
	53%	54%
OTHER INCOME - From exchange transactions		
Tender deposits/ PIA application fees received	-	560
Profit on disposal of fixed assets	9 250	9 502
	9 250	10 062
OTHER INCOME - From non-exchange transactions		
MIG grant funding	-	6 091 816
MIG grant funding - RLM (VAT effect)	-	23 793 750
	-	29 885 566
	56 505 479	149 375 036
EXPENSES		
Auditors Remuneration	67 980	897 714
Bank charges	2 956	8 860
Provision for bad debts	-	2 336 902
Depreciation	19 110 188	39 046 437
Insurance	404 600	708 946
Impairment loss	-	610 683
Legal Fees	1 547 998	298 301
O & M Supervision	1 680 144	2 897 163
Disbursements (Printing & Travel)	7 511	14 082
Repairs	7 868 554	9 995 767
Salaries	1 848 000	1 984 740
Trust administrator's Remuneration	-	1 399 571
Trustees Remuneration	99 931	319 110
DWS Compliance	-	195 919
	32 637 862	60 714 195
Surplus from operations	23 867 617	88 660 841
Finance costs		
Interest received (from non exchange transactions)	2 102 780	2 755 072
Interest paid (from non exchange transactions)	(87 615)	(5 570 298)
Surplus for the year	25 882 782	85 845 615

STATEMENT OF COMPARISON OF ACTUAL VS BUDGET
For the period ended 31 December 2021

	Actual 31/12/2021	Budget 31/12/2021	% Variance 31/12/2021
	R	R	R
REVENUE			
Sales: RLM	69 892 546	76 662 398	-8.83%
Sales: Mines	37 471 984	38 247 727	-2.03%
TOTAL REVENUE	107 364 530	114 910 125	-6.57%
COST OF SALES	50 868 301	56 227 315	9.53%
GROSS MARGIN	56 496 229	58 682 810	3.73%
OTHER INCOME			
Tender deposits/ PIA application fees received	-	-	
Profit on disposal of fixed assets	9 250	-	
MIG grant funding	-	-	
	9 250	-	
EXPENSES	Actual	Budget	
Auditors Remuneration	67 980	541 558	87.45%
Bank charges	2 956	3 367	12.18%
Depreciation	19 110 188	19 248 698	0.72%
DWS Compliance	-	-	
Insurance	404 600	454 333	10.95%
Legal Fees	1 547 998	99 954	-1448.71%
Repairs	7 868 554	7 620 940	-3.25%
Disbursements (Printing & Travel)	7 511	-	
Salaries	1 848 000	1 880 457	1.73%
Trustees Remuneration	99 931	183 261	45.47%
O&M Supervision	1 680 144	1 543 027	-8.89%
Emergency costs	-	1 500 000	100.00%
New: Admin Structure	-	3 500 000	100.00%
New: Software	-	1 403 053	100.00%
New: Server + 3 Laptops + Printer	-	135 000	100.00%
New: Office Rental	-	125 000	100.00%
	32 637 862	38 238 646	
Surplus from operations	23 867 617	20 444 164	
Finance costs - net			
Interest received	2 102 780	2 047 500	2.70%
	-87 615	-108 028	-18.90%
Surplus for the period	25 882 782	22 383 636	

STATEMENT OF CHANGES IN EQUITY
At 31 DECEMBER 2021

	Note	Statutory funds R	Retained Earnings R	Revaluation Surplus R	Total R
Balance at 30 June 2013		1 000	100 041 534	123 486 921	223 529 455
Surplus for the year			34 331 616		34 331 616
Impairment adjustment for the year				(588 134)	(588 134)
Balance at 30 June 2014		1 000	134 373 150	122 898 787	257 272 937
Surplus for the year			64 976 931		64 976 931
Impairment adjustment for the year				(121 282)	(121 282)
Balance at 30 June 2015		1 000	199 350 081	122 777 505	322 128 586
Opening retained income correction			(834 712)	(1 674 952)	(2 509 664)
Surplus for the year			85 502 931		85 502 931
Impairment adjustment for the year				(546 934)	(546 934)
Revaluation surplus transferred			20 018	(20 018)	-
Balance at 30 June 2016		1 000	284 038 318	120 535 601	404 574 919
Surplus for the year			98 668 445		98 668 445
Impairment adjustment for the year				(1 715 197)	(1 715 197)
Distribution to beneficiary			(650 000)		(650 000)
Revaluation surplus transferred			13 857	(13 857)	-
2017 Revaluation surplus for the year				147 676 158	147 676 158
Balance at 30 June 2017		1 000	382 070 620	266 482 705	648 554 325
Surplus for the year			74 758 803		74 758 803
Impairment adjustment for the year				(128 724)	(128 724)
Revaluation surplus transferred			14 960	(14 960)	-
Balance at 30 June 2018		1 000	438 013 475	266 339 021	704 353 496
Surplus for the year			66 825 920		66 825 920
Impairment adjustment for the year				(175 075)	(175 075)
Revaluation surplus transferred			26 390	(26 390)	-
Correction of error			(16 363)		(16 363)
Balance at 30 June 2019		1 000	504 849 423	266 137 555	770 987 978
Surplus for the year			75 427 453		75 427 453
Impairment adjustment for the year				(476 805)	(476 805)
Revaluation surplus transferred			307 412	(307 412)	-
Balance at 30 June 2020		1 000	580 584 288	265 353 338	845 938 626
Surplus for the year			85 845 615		88 182 517
Impairment adjustment for the year				(260 739)	(260 739)
Revaluation surplus transferred			332 042	(332 042)	-
Balance at 30 June 2021		1 000	666 761 945	264 760 557	933 860 404
Surplus for the year			25 882 782		25 882 782
Impairment adjustment for the year					-
Revaluation surplus transferred					-
Balance at 31 December 2021		1 000	692 644 726	264 760 557	959 743 185

STATEMENT OF CASH FLOWS
At 31 DECEMBER 2021

	NOTES	6 Months 31/12/2021 R	- 12 Months 30/06/2021 R
Cash flows from operating activities			
Cash receipts from operating activities		156 158 349	250 259 877
Cash paid to suppliers		65 722 079	147 642 759
Cash generated from operations	7	90 436 270	102 617 118
Interest paid		(87 615)	(5 570 298)
Interest received		2 102 780	2 755 072
Net cash flow from operating activities		92 451 435	99 801 892
Cash flows from investing activities			
Proceeds on disposal of property, plant and equipment		9 250	9 502
Acquisition of property, plant and equipment		739 058	(20 147 461)
Net cash flow from investing activities		748 308	(20 137 959)
Cash flow from financing activities			
Long term Liabilities		-144 516	(55 002 182)
Net cash flow from financing activities		(144 516)	(55 002 182)
Net decrease in cash and cash equivalents		93 055 227	24 661 751
Cash and cash equivalents at beginning of period		94 692 463	70 030 712
Cash and Cash equivalents at end of period	5	187 747 689	94 692 463

ACCOUNTING POLICIES
For the period ended 31 December 2021

The principal accounting policies adopted in the preparation of these financial statements are set out below:

1 BASIS OF PREPARATION

The financial statements comply with standards of GRAP. Financial statements are prepared on the accrual basis of accounting, using the historical cost as measurement basis, except for assets which are revalued. The financial statements have been prepared on a going concern basis and the accounting policies have been applied consistently throughout the period.

Where a Standard of GRAP is approved as effective, it replaces the equivalent Statement of IPSAS, IFRS or SA GAAP. Where a standard of GRAP has been issued, but not yet in effect, an entity may select to apply the principles established in that standard in developing an appropriate accounting policy dealing with a particular section or event before applying paragraph .12 of the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the RWST:

GRAP 32, Service Concession Arrangements: Grantor
GRAP 108, Statutory Receivables
GRAP 20, Related Party Disclosures (Revised)

2 TRADE RECEIVABLES

All receivables constitutes receivables from both exchange transactions and non-exchange transactions. Trade receivables are initially recognised at cost. Consumer debtors are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the year-end. Bad debts are written off during the year in which they are identified.

3 TRADE PAYABLES

Trade payables are initially recognised at cost. Trade payables are measured and carried at fair value.

4 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are initially recognised at cost. Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term highly liquid with original maturities of 12 months or less, and bank overdrafts. In the balance sheet, bank overdrafts are included in borrowings in current liabilities, when applicable.

5 BORROWINGS AND BORROWING COST

Borrowings are recognised initially at the fair value of proceeds received, net of transaction cost incurred, when they become party to the contractual provisions. Borrowings are subsequently stated at amortised cost using the effective interest rate method; any difference between proceeds (net of transaction cost) and the redemption value is recognised in the income statement over the period of the borrowings as interest. Initial borrowing cost were capitalised until the assets became productive.

6 LEASEHOLD IMPROVEMENTS

Leases of fixed assets where the Trust assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalized at the net present value of the total lease payments at the commencement of the lease. Each lease payment is allocated between the liability and finance charges to achieve a constant rate on the finance balance outstanding. The corresponding lease obligation, net of finance charges, are included in other long-term liabilities. The interest element of the finance charge is charged to the income statement over the lease period.

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

Property, plant and equipment is stated at Fair Value where it was previously stated at cost less accumulated depreciation. This was a change in accounting policy in 2012. Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset is met. Land is not depreciated as it is deemed to have infinite life.

The cost of an item of PPE is the purchase price and other cost 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. Cost also includes initial estimates of the cost of dismantling and removing the asset and restoring the site on which it is located.

Where an asset is acquired at no cost, or for an nominal cost, its cost is its fair value as at the date of acquisition. Property plant and equipment are only depreciated once commissioned.

The Trust maintains and acquires assets to provide a social service to the community, as well as to sell water to the surrounding mines. The useful lives and economic useful lives of these assets are equal. After the loan have been paid up, all assets will revert back to the parent municipality.

Depreciation is recorded by a charge to the income statement computed on a straight-line method to write off the cost of the assets over their remaining useful lives or the remaining period of the lease, to their residual values. The expected useful lives are as follows:

Land and Buildings	0 - 60 years
Plant & Equipment	1 - 80 years
Movable assets	1 - 5 years

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Revaluation of the assets occur every 5 years.

At the end of each reporting period, the trust reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The cost of major renovations are included in the carrying amount of the asset when it is probable that the future economic benefits associated with the renovation will flow to the entity and its costs can be reliably measured.

Borrowing Directly attributable to the acquisition, construction and production of qualifying assets, which are assets necessarily taking a substantial amount of time to get ready for its intended use or sale, are added to the cost of those assets until such time that the assets are ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

The Trust depreciate separately each part of an item of PPE that has a cost that is significant in relation to the total cost of the item. Cost of replacing part are capitalised and the existing parts being replaced are derecognised.

7 REVALUATION AND IMPAIRMENT

Impairment loss on revalued assets shall first be used to reduce the revaluation surplus on that asset, the balance shall then be recognised in the surplus or deficit. When assets are revalued the cost price as well as the accumulated depreciation is restated. Any revaluation surplus recognised on an item of PPE included in net assets shall be transferred directly to the surplus or deficit upon derecognition in the period of the derecognition.

ACCOUNTING POLICIES (Continued)
For the period ended 31 December 2021

8 PROVISIONS

Provisions are recognised when the Trust has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount of the obligation can be made.

9 REVENUE RECOGNITION

Revenue comprise of exchange transactions as well as non-exchange transactions. Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Trust's activities. Revenue is shown net of value added tax. The Trust recognises revenue when the amount of revenue can be reliably measured, it is possible that future economic benefits will flow to the Trust and specific criteria have been met for each of the Trust's activities described below.

(a) Sale of goods

The entity purifies water at its plants and sells the purified water to its customer, Rustenburg Local Municipality, Sale of water is recognised when the entity has delivered the water to the customer.

(b) Interest income

Interest income is recognised on a time proportion basis using the effective interest rate method unless collectability is in doubt.

(c) Contributions received

Contributions received for refurbishment of infrastructure are recognised in the year it is received and as the costs of the projects incurred.

(d) MIG Grants received

Contributions received for refurbishment of infrastructure are recognised in the year it is received and as the costs of the projects incurred.

10 RESERVE ACCOUNTS

Contingency Reserve Account

Means the contingency reserve created by the borrower and to be held in the contingency reserve account. If the required level is exceeded the excess will be deposited into the Distribution Reserve Account. The amount in the account will be utilised for paying the costs of maintenance work, which falls outside the ambit of the Operating & Maintenance Agreement.

Debt Service Reserve Account

Means the debt service reserve created by the borrower and to be held in the debt service reserve account. If the required level is exceeded the excess can be deposited in the Distribution account. The amount in the account will utilised for purpose of the repayment of the Term Loan.

Industrial Contingency Reserve account

Means the industrial contingency reserve created by the borrower and to be held in the industrial contingency reserve account. If the required level is exceeded the excess will be deposited into the Distribution Reserve Account. The amount in the account will be utilised for undisputed claims of the Industrial Off-Takers in accordance with the Industrial Off-Take Agreements.

11 FINANCIAL INSTRUMENTS

Financial instruments recognised in the balance sheet include loans, trade and other receivables, trade and other payables and cash and cash equivalents.

Financial assets and financial liabilities are recognised on the Trust's balance sheet when the Trust becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially recognised at the fair value of the consideration given (in the case of an asset) are received (in the case of a liability) for it. Cash flows relating to current receivables are generally not discounted, unless significant.

Financial instruments are subsequently measured in terms of GRAP 104.45. Cash & cash equivalents, receivables and trade payables are subsequently measured at fair value, whilst long term liabilities are subsequently measured at amortised cost.

Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legal right to set-off the recognised amounts, and the Trust intends to settle on a net basis or to realise the asset and the liability simultaneously.

Financial assets or a portion of the financial assets are de-recognised when the Trust loses control of the contractual rights that comprise the financial asset. The Trust loses such control if it releases the rights to benefit from the contract, the rights are surrendered. Financial liabilities are de-recognised when they are extinguished - that is, when the obligation specified in the contract is discharged, cancelled or expires.

ACCOUNTING POLICIES (Continued)
For the period ended 31 December 2021

12 GOING CONCERN

The financial statements are prepared using the Going Concern basis, which assumes that the Trust will be able to meet the mandatory payments on a day to day basis. If for any reason the Trust is unable to continue as a going concern, it could have an impact on the Trust's ability to realise assets at their recognised values and to extinguish liabilities in the normal course of business at the amounts stated in the financial statements.

13 ROUNDING

The numbers presented in the financial statements are rounded to the nearest rand.

NOTES TO THE QUARTERLY FINANCIAL STATEMENTS
For the period ended 31 December 2021

1. LEASE HOLD IMPROVEMENTS

	31 DECEMBER 2021			30 June 2021		
	Cost / Valuation	Accumulated depreciation and impairment	Carrying value	Cost / Valuation	Accumulated depreciation and impairment	Carrying value
Land & Buildings	39 004 048	(15 839 486)	23 164 562	39 004 048	(15 391 190)	23 612 858
Plant & Equipment	1 135 701 304	(681 151 933)	454 549 370	1 135 701 304	(662 517 011)	473 184 293
Moveable's	1 947 984	(1 699 806)	248 178	1 781 558	(1 672 837)	108 722
Work in Progress	75 506 760	-	75 506 760	76 412 244	-	76 412 244
Total	1 252 160 096	-698 691 225	553 468 870	1 252 899 154	-679 581 037	573 318 117

Reconciliation of property, plant and equipment - 31 DECEMBER 2021

	Opening balance	Additions / Asset Allocations	Disposals / Asset Allocations	Depreciation and impairment	Carrying value
Land & Buildings	23 612 858	-	-	(448 296)	23 164 562
Plant & Equipment	473 184 293	-	-	(18 634 923)	454 549 370
Moveable's	108 722	166 426	-	(26 969)	248 178
Work in Progress	76 412 244	-905 484	-	-	75 506 760
Total	573 318 117	(739 058)	-	(19 110 188)	553 468 870

Reconciliation of property, plant and equipment - 30 June 2021

	Opening balance	Additions / Asset Allocations	Disposals / Asset Allocations	Depreciation and impairment	Carrying value
Land & Buildings	24 047 763	490 987	-	(925 892)	23 612 858
Plant & Equipment	350 220 987	4 176 224	157 729 407	(38 942 325)	473 184 293
Moveable's	110 222	48 142	-	(49 643)	108 722
Work in Progress	224 811 506	9 330 145	(157 729 407)	-	76 412 244
Total	599 190 478	14 045 498	-	-39 917 860	573 318 117

Assets consist Portion 4 of the farm Tweedepoort 283JQ, commonly known as Bospoort Treatment Plant; a portion of portion 1 of Town and town lands of Rustenburg 272JQ, commonly known as Rustenburg Sewage Treatment Plant; and portions of the farms PTN 54, PTN 23, PTN 76, PTN 22, PTN 21 & PTN 41 commonly known as Boitekong Sewage Treatment Plant.

The assets are encumbered by a general notarial bond, as security for the loan facility referred to in note 5.

The assets were revalued and re-classified in the 2017 financial year, the depreciated replacement cost method was used to revalue.

WIP to the value of R 53,917,639 on the expansion of the Bospoort Water Treatment Works consist of civil work. Following the civil work the mechanical and electrical work will follow. The expansion project completion is significantly delayed. The reason for the time delay is slow progress on the procurement process of the mechanical and electrical contract.

The Rustenburg Water Services Trust decided not to impair the WIP at this stage as it mainly consists of concrete structures of which the expected useful life is in the region of 80 years.

NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (Continued)
For the period ended 31 December 2021

	6 Months	-
	31/12/2021	12 Months
	R	R
2. DISTRIBUTABLE RESERVES		
At beginning of period	666 761 944	580 584 288
Profit for the period	25 882 782	85 845 615
	<u>692 644 725</u>	<u>666 429 903</u>
Revaluation reserve transferred	-	332 042
Balance at end of year	<u><u>692 644 725</u></u>	<u><u>666 761 945</u></u>
3. LONG TERM LIABILITIES		
Non-current		
3.1 Finance lease liabilities		
Rustenburg Local Municipality	1 448 476	1 592 993
Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default, subject to the cession of the lease agreement as security for the bank borrowings. The interest rate implicit in the lease is 11%		
Less: short term portion	(330 920)	(302 666)
	<u><u>1 117 556</u></u>	<u><u>1 290 326</u></u>

NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (Continued)
For the period ended 31 December 2021

	6 Months 31/12/2021 R	12 Months 30/06/2021 R
4. TRADE AND OTHER RECEIVABLES (from exchange transactions)		
Debtors' ageing		
Current	23 607 012	23 865 876
30 days	12 388 169	8 387 695
60 days	20 406	4 446 407
90 days +	159 236 375	207 757 564
	195 251 962	244 457 542
Insurance - Prepayments	476 211	64 450
	195 728 173	244 521 992
Transferred to non-current financial assets	-143 624 361	-133 012 489
	52 103 812	111 509 503

An agreement was reached on 2 July 2019 whereby RLM would repay the non-current portion of their debt over a 36 month period without any interest accruing. The first date of repayment was 31 July 2019. RLM breached the agreement on 31 August 2019. The Trust decided not to impair the RLM debtor at this point because RLM made a payment on 12 November 2019. RLM remain in breach, however they made further commitments to pay. The Trust will continue to assess the situation.

TRADE AND OTHER RECEIVABLES (from non-exchange transactions)

Debtors' ageing		
Current	-	635 875
30 days	-	830 832
60 days	-	-
90 days +	35 395 333	33 928 626
	35 395 333	35 395 333

5. CASH AND CASH EQUIVALENTS	31 December 2021 Balances		30 June 2021 Balances	
	Opening	Closing	Opening	Closing
ABSA Bank Limited				
Distribution Reserve Account	22 830 042	58 467 799	5 916 641	22 830 042
Distribution Call Account	71 862 423	129 279 892	8 854 903	71 862 423
Contingency Reserve Account - Current	-	-	-	-
Industrial Reserve account - Current	-	-	-	-
Debt Service Reserve Account - Current	-	-	-	-
Contingency Reserve Account - Investment	-	-	1 032	-
Industrial Reserve account - Investment	-	-	1 032	-
Debt Service Reserve Account - Investment	-	-	55 257 106	-
	94 692 464	187 747 691	70 030 714	94 692 464

The contents of the Contingency Reserve, the Industrial and Debt Service Reserve Accounts are ceded to the bank in terms of note 5.

For the purpose of the cash flow statement, the year-end cash and cash equivalents comprise the following:

Cash resources	187 747 691	94 692 464
----------------	-------------	------------

There are no 'undrawn facilities' available at any financial institution for the Trust. Interest accrued and received on the 1st of July of the following year are included in the balances of the bank accounts.

6. FINANCE COSTS - NET

Interest received		
Current Account and Investment Accounts	2 102 780	2 755 072
Interest paid		
Current and Long Term Loans	-	(3 833 307)
Finance Lease	(87 615)	(196 290)
	2 015 165	(1 274 524)

NOTES TO THE QUARTERLY FINANCIAL STATEMENTS (Continued)
For the period ended 31 December 2021

	6 Months 31/12/2021 R	12 Months 30/06/2021 R
7. CASH GENERATED FROM OPERATIONS		-
Surplus before tax	25 882 782	88 182 517
Adjustments for:		
Interest paid	87 615	5 570 298
Interest received	(2 102 780)	(2 755 072)
Depreciation	19 110 188	39 046 437
Net profit on disposal of fixed assets	-9 250	-9 502
Impairment	-	610 683
	42 968 555	130 645 361
Changes in working capital		
Trade and other receivables	48 793 819	33 747
Payables	(1 326 104)	(28 061 990)
Cash generated from operations	90 436 270	102 617 118