

City Power 2013/14 Annual Report



a world class African city



**CITY POWER JOHANNESBURG
(STATE OWNED COMPANY) LIMITED**
Registration No: 2000/030051/30



2013/14 Integrated Report

**(In terms of Section 121 of the
Municipal Finance Management Act, 2003 and Section 46 of the Municipal Systems Act, 2000)**

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CITY POWER JOHANNESBURG (SOC) LIMITED

COMPANY INFORMATION:

Registration number	:	2000/030051/30
Registered address	:	40 Heronmere Road Reuven Booyens
Postal address	:	PO Box 38766 Booyens 2016
Telephone number	:	(011) 490-7000
Fax number	:	(011) 490-7377
Website	:	www.citypower.co.za
Bankers	:	Standard Bank of SA Limited
Auditors	:	Auditor-General

Vision

To be a world-class electricity distributor

Mission

The mission of City Power is to meet the expectations of its customers and stakeholders by:

- Providing a sustainable, affordable, safe and reliable electricity supply
- Providing prompt and efficient customer services
- Developing and incentivizing its employees
- Being the preferred equal opportunity employer
- Undertaking its business in an environmentally acceptable manner

Aspired values

City Power aspires to be:

Resourceful

Resilient

Reliable

Respectful

And to always act with integrity.

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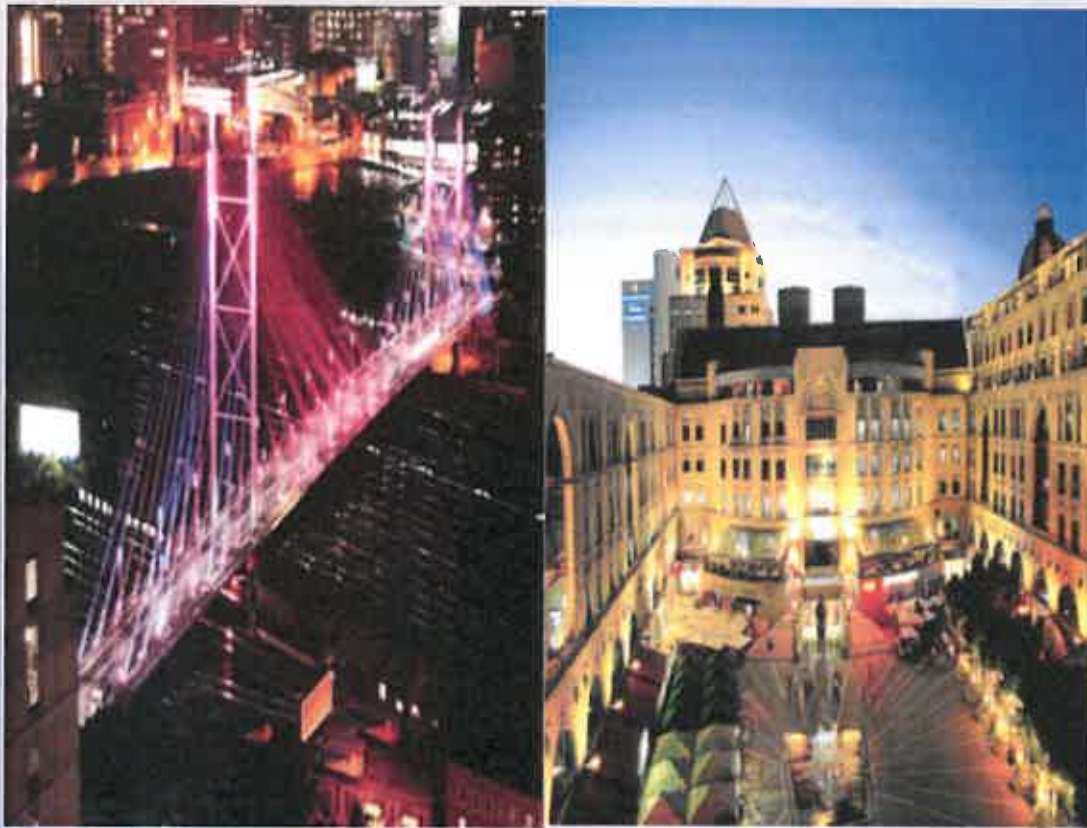
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CHAPTER ONE LEADERSHIP & CORPORATE PROFILE

KEY ACHIEVEMENTS

- **Stable and strengthened Board leadership**
- **Improved corporate image**



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Section 1: Corporate Profile / Overview of the entity

City Power Johannesburg (SOC) Ltd (City Power) is accountable for providing electricity services to all its customers. As the electricity distribution service provider of the City of Johannesburg, City Power's core competency is to purchase, distribute and sell electricity within its geographical footprint.

City Power was established in 2000 as an independent municipal entity, wholly owned by the City of Johannesburg. The National Energy Regulator of South Africa (NERSA) granted City Power a license to trade on 19 December 2001. Today, City Power has approximately 410 000 customers; ranging from domestic to commercial and industrial properties.

The City, by means of a Service Delivery Agreement, regulates the service provided by City Power in respect of financial issues (such as tariffs and capital expenditure), human resource issues (such as skills development), delivery targets (maintenance of assets and addressing assets) and standards of customer care.

City Power is accountable to provide network services to all its customers, which include:

- the purchasing and distribution and sale of electricity
- constructing networks
- connecting customers
- repair and maintenance of networks
- installation and maintenance of public lighting.

The City of Johannesburg provides a number of customer retail services for customers. This includes processing of applications, customer queries, customer complaints and customer accounts.

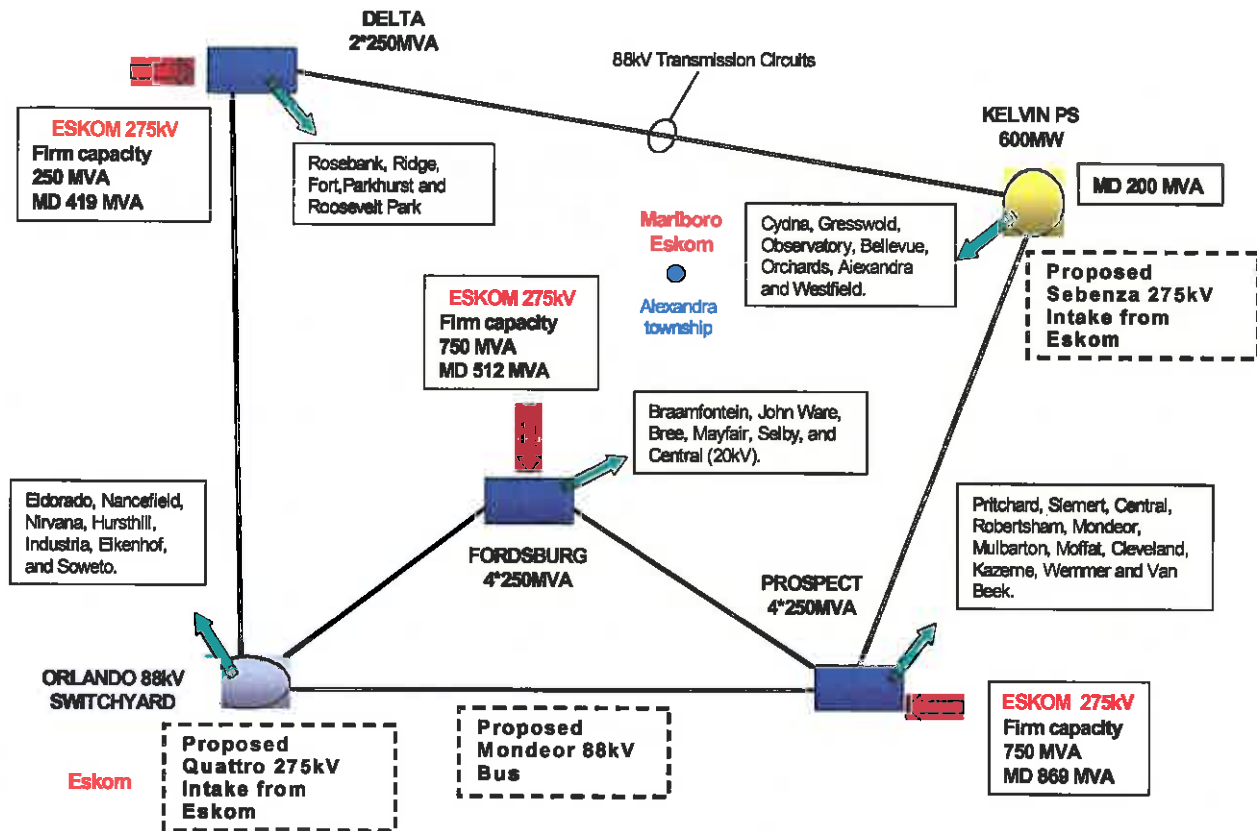
City Power is not the sole provider of electricity services for the City. The areas not covered by City Power (predominantly Soweto and Sandton), are serviced by Eskom.

City Power's Network Infrastructure Engineering Services

Measure Indicator	Unit	2013/14	2012/13	2011/12
Eskom Supply Points	No.	43	43	43
High Voltage Substations (Bulk Intake Points)	No.	5	5	5
Medium Voltage Substations (Major Substations) excl. Bulk Intake Substations	No.	87	87	87
Low Voltage Substations (Devices)	No.	18,410	18,366	18,366
High Voltage Overhead Transmission Lines > 44kV	km	831,37	811.37	811.37
High Voltage Transmission Cables > 44kV	km	113.1	101.1	101.1
Medium Voltage Overhead Lines >20.5kV and < 44kV	km	130	9.6	9.6
Medium Voltage Cables >20.5kV and <44kV	km	145	118.8	118.8
Ripple Relays Installed	No.	196,000	196,000	196,000
Ripple Relays In-service	No.	130,000	128,800	128,800

City Power operates six independent networks, representative of the former municipal transmission systems. Figure below provides a simplified schematic representation of City Power's Johannesburg transmission system and bulk power nodes.

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City Power's Johannesburg transmission system and power nodes

The visual representation above shows that bulk power is received from Eskom at five bulk intake points at a voltage of 275kV. At these stations, the voltage is transformed down to 88kV for onward transmission via City Power's transmission grid to over 30 major step-down substations. In addition, the 88kV transmission network is supplemented by a power input from the independently operated Kelvin Power Station.

There are also two smaller substations which receive an in-feed directly from the Eskom networks, which supply a small number of City Power customers.

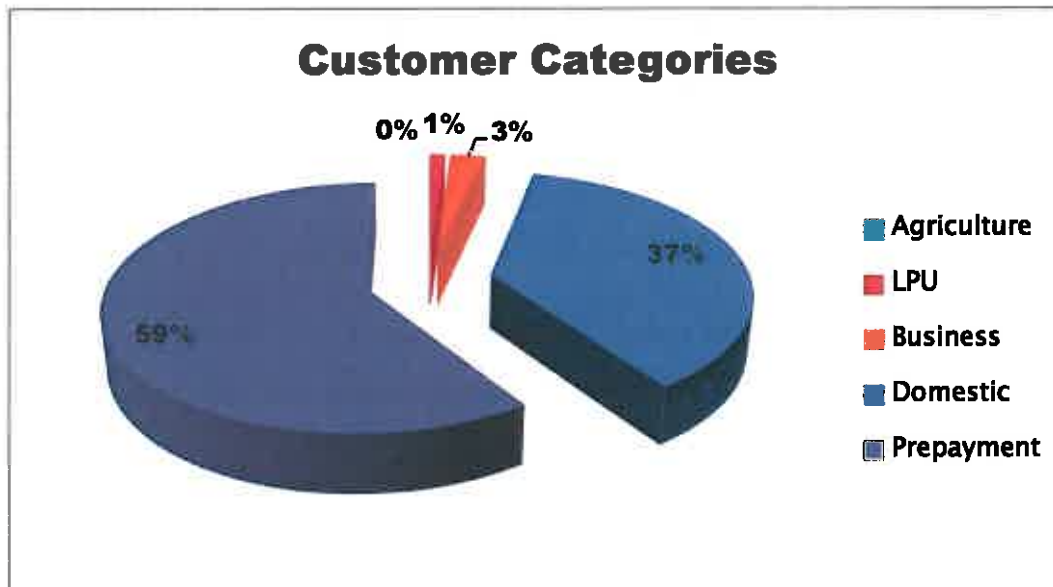
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Customer Base

As can be seen from the table below, the total number of customers supplied by City Power has gradually increased since 2011/12.

Type	2013/14	2012/13	2011/12
Agriculture	19	26	29
LPU	4 215	3 883	4,113
Business	10 493	10 063	10,744
Domestic	150 476	147 516	158,268
Prepayment	242 031	263 163	249,213
Total	407 234	424 659	422,367

Conventional customers reported above are based on customers invoiced as at end of June 2014, therefore they do not represent total active accounts as other customers were not billed or invoiced.



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Electricity Sales and Purchases

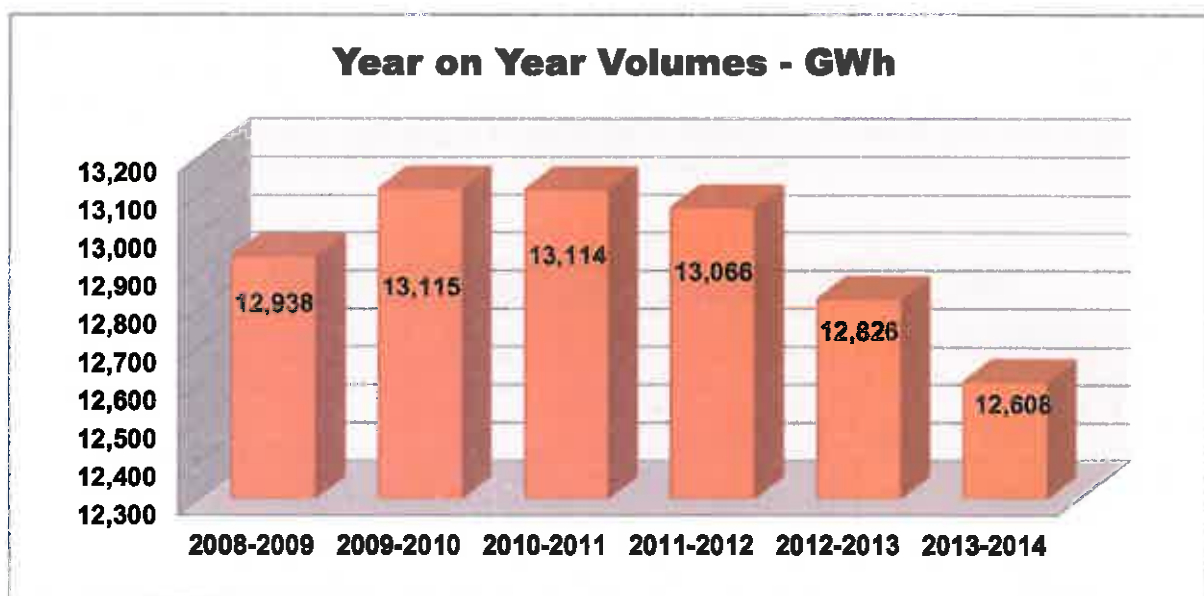
Sales

Measure Indicator	Unit	2013/14	2012/13	2011/12
Electricity sales	MWh	6 854 265	9 719 597	9 776 936
Growth in electricity sales	%	-8.9	0.6	-13.3
Revenue	R'000	12 579 124	12 570 439	11 791 523
Growth in revenue	%	0.07	5.31	20.49
Number of customers	No.	407 234	424 659	422 367
Gross margin	%	27.60	34.73	35.14

Purchases

Measure Indicator	Unit	2013/14	2012/13	2011/12
Bulk purchases	MWh	12 623 342	12, 825, 510	13,066,266
Direct costs of bulk purchases	c/kWh	66.39	63.90	58.53
Gross Margin	%	27.60	34.73	35.14
% reduction in electricity consumption	%	-1.58	-1.84	-0.38

Total purchases volumes has been dropping year on year signifying that customers are reducing consumption despite high increase in the losses.



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City Power Staff Complement

City Power fosters effective human resources practices with a view to contributing to the Organisation's goals. The Company's staff complement is 1 624 which includes permanent and contract employees.

Categories	Male				Male Total	Female				Female Total	TOTAL
	African	Coloured	Indian	White		African	Coloured	Indian	White		
Top Management (Executives)	3	-	-	2	5	2	-	-	-	2	7
Senior Management	14	1	2	4	21	5	-	1	1	7	28
Professionally qualified and experienced specialists and mid-management Managers and Professionals	157	10	6	69	242	112	3	1	7	123	365
Skilled technical and academically qualified workers, junior management, supervisors and Technicians	63	15	2	31	111	25	2	2	6	37	148
Artisans (All types)	221	16	3	57	297	24	1	-	-	25	322
Administrative	43	1	1	3	48	97	4	-	24	125	173
Semi-skilled and discretionary decision making	466	7	1	4	478	36	2	-	1	39	517
Elementary positions	16	-	-	-	16	46	2	-	-	48	64
Total (Permanent and Contract)	983	50	15	170	1 218	347	14	4	41	406	1 624

Section 2: Strategic Objective

City Power was established in 2000 according to the principles of the Egoli 2002 Plan and it is wholly owned by the City of Johannesburg. The review of the Growth Development Strategy 2030 was brought about by a shift in the light of climate change and natural resource scarcity. Natural resource scarcity affects both human and economic development. Without securing natural resources, cities cannot sustain human and economic development. "Cities are seeking new ways of overcoming critical natural resource constraints, 'decoupling' as a concept has emerged to assist national governments and cities to 'decouple' economic production and consumption from resource use. The emphasis has shifted in an important way, reframing economic and human development within the context of sustainability." Several themes emerged from the document, which will impact on how City Power does business in the future, if it is to align itself to the goals of the City of Johannesburg. These themes gave rise to master programmes and flagship programmes, which are outlined below.

Joburg 2040 : Towards Implementation

EMERGING MASTER PROGRAMMES

ENABLING RESILIENCE, INCLUSION & SUSTAINABILITY

Transforming deprived spaces, integrated planning for inclusive development, area-based economic initiatives, informal settlements to interim sustainable settlements, single window for poor & vulnerable, long & healthy life for all, food resilience

ENABLING GROWTH & JOB CREATION

Transforming the economy, targeted economic growth, proactive land management, transit oriented development, competitiveness support,

EMPOWERING CITIZENS & PARTNERSHIPS

customer care, civil and business sector mobilisation
Multi-level Skills development, support to schools and lifelong learning and ECD

GOING GREEN

Green ways & shift to green, low carbon economy, reduce recycle reuse, integrated urban water management systems, building climate change resilience

INSTITUTIONAL RENEWAL

Metro system of governance, institutional leadership development, IGR, communication, financial resilience

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GDS Outcomes

There are four GDS outcomes in the GDS2040 these are outlined below:

- Outcome 1: Improved quality of life and development driven resilience for all
- Outcome 2: Provide a resilient, liveable, sustainable urban environment- underpinned by infrastructure supportive of a low-carbon economy
- Outcome 3: An inclusive, job-intensive, resilient and competitive economy
- Outcome 4: A leading metropolitan government that pro-actively contributes to and builds a sustainable, socially inclusive, locally integrated and globally competitive Global Credit Rating.

GDS Principles

There are six GDS principles in the GDS2040 these are outlined below:

- Eradicating poverty
- Building and growing an inclusive economy
- Building sustainable human settlements
- Ensuring resource security and environmental sustainability
- Achieving social inclusion
- Promoting good governance

Mayoral Priorities and City Power Alignment

In this Business Plan the Organisation ensures alignment with the City's strategic direction and aligns to the GDS 2040. City Power is part of sustainable infrastructure cluster and the cluster has identified seven flagships sub-programs which driven by different departments and MOE's. City Power is directly involved with some of the programmes while it has direct and indirect input on others. The table below shows the flagship programmes and City Power's involvement and input to these programmes:

Lead and Influence	Indirect Input To	Indirect Input To
Financial Sustainability and Resilience	Agriculture and Food Security	Human Capital Development and Management
Resource Sustainability	Safer Cities	Strategic Communication and Marketing
Sustainable Human Settlement	Investment attraction, retention and expansion	Urban Water Management
Active Citizenry		City where none goes hungry
Smart City		
Green Economy		
SMME and Entrepreneurial Support		

The above priorities have been further broken done to a 10 STEP Programme that has ten interventions and targets for the next three to five years. City Power has a STEP programme to ensure alignment to the mayoral priorities. STEP is an acronym that stands for:

- S – Service Delivery,**
- T – Transformation,**
- E – Excellence,**
- P – Performance**

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The 10 STEP Programme

Decade 1	Mayoral Priorities	City Power Flagship Programmes	City Power STEP Targets S – Service Delivery, T – Transformation, E – Excellence, P – Performance
Term of Office Priorities (2012-2017)	Financial resilience and sustainability	Integrated Loss Management	<ol style="list-style-type: none"> 1. Attaining an Unqualified audit in a sustainable manner 2. Reduce losses to 10% by December 2015 3. Achieving 98% meter reading by June 2014 (100% Compliance to the by-law) 4. Achieving 100% payment level for key and LPU customer by June 2014 5. Achieving 90% data accuracy by 2015 6. Achieving full compliance to NRS 047 and 048 immediately 7. Accelerated Visible Service Delivery (eg.100% compliance to the SLA, electrification, PL)
	Sustainable Human Settlements	Infrastructure Plan and Maintenance: Electrification and Public Lighting	<ol style="list-style-type: none"> 8. Installing 110 000 SWH by December 2016 9. Achieving full compliance to NRS 047 and 048 immediately 10. Achieving 90:10 Planned: Unplanned maintenance ratio by December 2015 11. Accelerated Visible Service Delivery (eg.100% compliance to the SLA, electrification, PL)
	Active engaged citizenry	Stakeholder Engagement Plan	<ol style="list-style-type: none"> 12. Achieving 90% data accuracy by 2015 13. Accelerated Visible Service Delivery (eg.100% compliance to the SLA, electrification, PL) 14. Innovative Product Pricing (Introduction of Domestic Time of Use and Green Tariffs) by 2015
	SMME and entrepreneur development and support	Developmental Service Delivery	<ol style="list-style-type: none"> 15. Achieving 90% data accuracy by 2015 16. Accelerated Visible Service Delivery (eg.100% compliance to the SLA, electrification, PL)
Decade One Priorities (2017-2022)	Smart City	Smart Grid	<ol style="list-style-type: none"> 17. Reduce losses to 10% by December 2015 18. Achieving 90% data accuracy by 2015 19. Achieving full compliance to NRS 047 and 048 immediately 20. Achieving 90:10 Planned: Unplanned maintenance ratio by December 2015 21. Accelerated Visible Service Delivery (eg.100% compliance to the SLA, electrification, PL) 22. Innovative Product Pricing (Introduction of Domestic Time of Use and Green Tariffs) by 2015
	Resource Sustainability	Infrastructure Plan and Maintenance: AMM, Corridors of Freedom, and Data Management	<ol style="list-style-type: none"> 23. Achieving 90% data accuracy by 2015 24. Achieving full compliance to NRS 047 and 048 immediately 25. Achieving 90:10 Planned: Unplanned maintenance ratio by December 2015 26. Accelerated Visible Service Delivery (eg.100% compliance to the SLA, electrification, PL)

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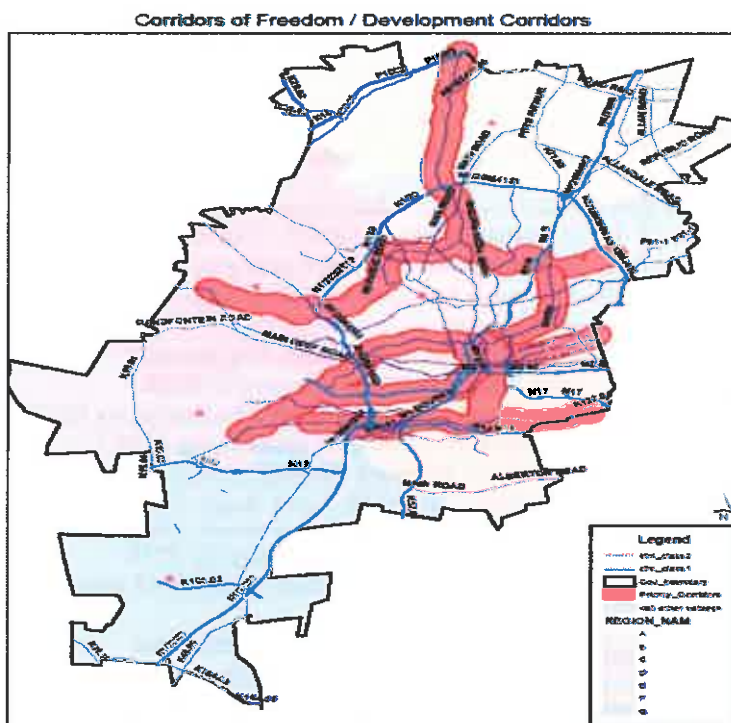
Decade 1	Mayoral Priorities	City Power Flagship Programmes	City Power STEP Targets S – Service Delivery, T – Transformation, E – Excellence, P – Performance
	Green Economy	Energy Plan including Demand Side Management	25. Reduce losses to 10% by December 2015 26. Installing 110 000 SWH by December 2016 27. Innovative Product Pricing (Introduction of Domestic Time of Use and Green Tariffs) by 2015

City Power's alignment projects to the SDBIP

The 5 year IDP is translated into one year plans which are called the Service Delivery Budget Implementation Plan (SDBIP). City Power's has four main programmes that ensure attainment of the SDBIP which are:

- City Power's Infrastructure Plan on COJ's Transit Oriented Development (TOD)
 - New substation for the Park Station precinct at an estimated cost of R 100 M
 - New substation for the Westgate precinct at an estimated cost of R 110 M
 - "Sebenza" will be situated in the North-East of Johannesburg adjacent to Kelvin Power Station and
 - "Quattro" in the South West of Johannesburg in the vicinity of the old Orlando Power station site.
 - Eskom's transmission networks will also need to be extended to supply our planned 275/88kV intake points at both Quattro and Sebenza.
 - Public lighting and electrification programme
- Smart Grid
- Energy Plan
- Asset Management Plan

Below is a map that illustrates the TOD



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The table below indicates the planned deliverables per City Power flagship programme. Details on the progress of the achievement of each of these are found in the relevant sections of the annual report.

Mayoral Priorities	City Power Flagship Programmes	Planned Deliverables
Financial resilience and sustainability	Integrated Loss Management	<p>Reduction in losses to 10% by December 2015</p> <p>Improve metering data accuracy and completeness (90% data accuracy by 2015)</p> <p>Deployment of statistical and check metering</p> <p>Deployment of smart meters</p> <p>Deployment of prepaid meters, Remote Access Terminal system (RATS) and protective structures</p> <p>Conversion of LPU to AMR</p>
Sustainable Human Settlements	Infrastructure Plan and Maintenance: Electrification and Public Lighting	<p>Bulk supply programmes in Fleurhof , Lufhereng, Elias Motsoaledi and Lehae</p> <p>4500 households in Lehae Phase 2, Klipspruit Ext11 and Golden triangle</p> <p>10000 public light cumulatively in Soweto, Orange Farms and Ivory Park in the next two financial years (2013/14 and 2014/15)</p> <p>2 days turnaround time on public lighting maintenance</p> <p>Operationalisation of Customer Services Charter and the Service Level Agreement</p>
Active engaged citizenry	Stakeholder Engagement Plan	Stakeholder engagement plan by 31 st May 2014
SMME and entrepreneur development and support	Developmental Service Delivery	<p>Developmental Service Delivery Plan by 31st May 2014</p> <p>Develop 30 sustainable SMMEs over next three years</p> <p>Create 8 000 job over next three year</p> <p>Develop 10 sustainable SMMEs over next three years, through installation and maintenance process</p> <p>Create 500 jobs over next three year through Community Liaison Officer (CLO) programmes, community ambassadors and public education</p> <p>Partner with universities to have 100 learnerships, apprenticeship and Bursars over the next three years</p>
Smart City	Smart Grid	<p>Installation of advanced metering infrastructure (AMI)</p> <p>Smart Grid Plan by 31st May 2014</p>
Resource Sustainability	Infrastructure Plan and Maintenance: AMM, Corridors of Freedom, and Data Management	<p>Improve network data accuracy and completeness</p> <p>Implementation of Condition Monitoring system</p> <p>Implementation of Shift System</p> <p>Review and implement core and support value chains</p>

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Mayoral Priorities	City Power Flagship Programmes	Planned Deliverables
Green Economy	Energy Plan including Demand Side Management	Energy efficient street lighting program Building retrofit program Building performance rating system Waste to energy programmes Low pressure solar water geyser program update Virtual Power Station Innovative Product Pricing Tariff support for distributed generation sources Tariff support for photovoltaic systems Promotion of gas cooking to replace electric stoves Natural gas electricity generation

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Growth and Development Strategy (GDS) and City Power's Strategic Agenda Alignment

The CoJ has a Growth and Development Strategy (GDS), which is translated into its integrated development plan (IDP). City Power influences the GDS's many sectors and principles, but most of the Company's influence resides in the infrastructure and services sector. The five-year plan for the infrastructure and services sector is to achieve:

"A city with a backbone of efficient and well-maintained service infrastructure, extended to all, so that all citizens and stakeholders can access an expanding package of innovative, safe, reliable and affordable services."

Section 3: Salient Features

Below are some more of the Organisation's major achievements for the 2013/14 financial year:

- Payment levels at 100.32% for the year
- Installation of 30 008 solar water heaters (geyser) in various areas including Alexandra, Devland, Lehae, Tshepisoeng and Vlaktefontein. The programme will continue in the 2014/15 financial year.
- Yet again in this financial year, City Power retained the full ISO accreditation certificate within the three ISO standards listed:
 - ISO 14001:2004 (Environment Management System)
 - ISO 9001:2008 (Quality Management System)
 - OHSAS 18001:2007 (Health and Safety)
- 3 507 EPWP jobs were created.
- Procurement spend on companies that are 50% black owned has been exceeded for the year (12% actual vs 8% target).

• Financial:

Key financial indicators	2013/14	2012/13	2011/12
	R'000	R'000	R'000
Total assets	14,901,777	13,416,392	11,497,305
Total equity	7,218,804	6,086,145	5,010,664
Total equity and liabilities	14,901,777	13,416,392	11,497,306
Short-term loan to Shareholder	2,241,193	2,705,337	1,190,591
Bank balances	30	42	30
Capital expenditure	(2,023,089)	(1,188,820)	(702,663)
Municipal infrastructure grants (MIG)			45,000
Revenue	12,707,533	12,802,693	12,493,692
Grant and subsidies	192,004	168,909	186,441
Direct cost	(8,380,255)	(8,212,651)	(7,647,830)
Employee costs	(741,987)	(694,132)	(696,754)
Finance income	161,399	160,607	193,946
Finance costs	(350,573)	(360,023)	(388,872)
Surplus before tax	1,513,540	1,419,460	1,588,592
Income tax expense – deferred	(362,881)	(44,385)	(356,237)
Surplus for the year	1,150,659	1,375,075	1,232,355
Net cash from operating activities	2,208,346	2,978,174	222,583
Net cash used in investing activities	(1,871,052)	(2,902,982)	(807,025)
Net cash from financing activities	(337,308)	(75,180)	584,452
Financial ratios	2013/14	2012/13	2011/12
	R'000	R'000	R'000
Liquidity	1.38:1	1.61:1	1.74:1
Solvency	2.44:1	2.00:1	1.79:1
Total operating expenditure/revenue	21.83%	24.21%	23.32%
Interest coverage	5.32	4.94	5.09

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• **Non-Financial:**

GDS Master Programmes	CP IDP Programme	KPI	Unit	Actual 2012/13	Plan 2013/14	Actual 2013/14
Shift to low carbon Economy	improve Network performance and quality of supply	SAIDI	Minutes	1 336.57	1 337	1 652.65
		SAIFI	Number	4.78	5	5.26
		CAIDI	Minutes	280	280	314
		CAIFI	Number	0.07	5.65	6.07
		Planned: Unplanned Maintenance	%	64:36	70:30	70:30
		NRS 048 Compliance	%	100	95	99.12
		NRS 047 Compliance:	%	75.77	90	70.44
	Refurbishment of ageing infrastructure	Average age of infrastructure	Years	39	39	39
	Expansion of electricity network	Provision of public Lights	Number	5 343	7 000	7 027
		Electrification	Number	3 307	2 000	2 151
	Demand Side Management	After Diversity Maximum Demand (ADMD)	KvA	0.12	Not measured	Not measured
		Energy Mix	%	7.5	Not measured	Not measured
		Energy Efficiency	MW	0	Not measured	Not measured
	Revenue step change	Payment Levels (Current consumption)	%	94.77	96	100.32
		Meter Rollout	Number	19 958	100 000	91 228
Meter Reading performance		%	78.05	95	66.6	
Losses • Technical • Non-Technical		%		14.52	30.7	
EPWP		Number		3 000	3 507	
Revenue step change programme	FBE	%	100	97	100	
Shift to low carbon economy	Improve Customer Centricity and people development	Customer Satisfaction	%	50.6	65	66.2
		Affirmative Action (all)	%	86.6	85	89.53
		Gender Equity (all)	%	23.10	24	25
		People with Disability	%	2.89	2	2.83
	Continuous Improvement of the Business	DIFR	Ratio	0.40	0.5	0.59
		ISO accreditation	Audit Report	Unqualified audit with minor findings per accreditation		Keep certificate with minor findings
		Attainment of an unqualified audit report	Audit Report	Unqualified audit with matters of emphasis		In Progress

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Section 4: Foreword: Member of the Mayoral Committee for Environment and Infrastructure Services Department, Councillor Matshidiso Mfikoe



During the year under review, City of Joburg embarked on a new spatial vision for the City, *Corridors of Freedom*. This vision is in line with the GDS 2040 Strategy, which is a long-term plan to ensure sustainable delivery of service, deal with social and economic development, involve residents in local government and promote a safe and healthy environment.

Corridors of Freedom is based on corridor transit-oriented development. The shape of the future City will consist of well-planned transport arteries – the “Corridors of Freedom” – linked to interchanges where the focus will be on mixed-use development – high-density accommodation, supported by office buildings, retail development and opportunities for leisure and recreation. Through *Corridors of Freedom* Johannesburg will make a decisive turn towards a low-carbon future with eco-efficient infrastructure that underpins a sustainable environment.

City Power has delivered on a number of important strategic areas during the year and has aligned itself to the strategies and goals of the City of Johannesburg. Progress has been made in solving metering problems and clearing billing errors, which resulted in the identification and replacement or repair of over 91 228 new and faulty meters this year. In addition, City Power installed over 30 008 solar water heaters in various areas which contributed in the reduction of electricity demand whilst providing an improved service to residents of the City.

Discussions with stakeholders within the energy sector are held regularly to ensure that City Power’s strategic direction considers the provision of alternative sources of energy in its Business model.

I thank our colleagues who serve on the City Power Board and Management team for their commitment in working with City of Johannesburg to achieve our goal of developing a world class African City.

A handwritten signature in black ink, appearing to read 'Mfikoe', written over a horizontal line.

Councillor Matshidiso Mfikoe
MMC: Environment and Infrastructure Services Department

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Section 5: Foreword: Chairperson of the Board of City Power Rev. Frank Chikane



During the year under review, City Power has continued to align itself to the strategic priorities of the City of Johannesburg, our Shareholder. From a customer perspective, we are pleased that the strategic decisions are having a positive effect, as evidenced by improved satisfaction amongst customers.

City Power has obtained an unqualified audit opinion for the year under review. This is the same as the previous year however the number of findings has decreased by 32% and was achieved by a mammoth commitment on the part of the Board and Management of City Power to constantly guide the progress with vigilance. I acknowledge the immense effort which went into implementing the action plans designed to resolve the problem areas previously raised by the Auditor-General.

Productivity and efficiencies have improved at City Power this year. As a result of the programme undertaken on behalf of our Shareholder, the City of Johannesburg, we reported increased capital expenditure.

I am confident that the Board and Management will establish, as part of the normal day-to-day-running of City Power, the measures which gave rise to an unqualified audit this year. I take this opportunity to thank our Shareholder, as well as my colleagues at City Power, for their support in leading the Organisation's journey to achieving its goals.

A handwritten signature in black ink, appearing to be 'F. Chikane', written over a horizontal line.

Rev. Frank Chikane
Chairperson of the Board
City Power Johannesburg

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Section 6: Foreword: Managing Director of City Power, Mr. Sicelo Xulu



The financial performance of City Power was mixed during the year under review. South Africans were pressured by electricity price increases, which translated into lower electricity consumption by consumers. Whilst this resulted in reduced revenue for City Power, it was important for the Country's electricity supply stability and helped to meet the goals of a lower carbon economy. We have viewed lower consumption as a call to find more innovative and cost effective ways of achieving service delivery.

During the year under review, City Power reported a number of successes against target. High voltage outages were well below the target. The number of households with access to basic electricity services were 407 234 – a decrease on the previous year's performance. In addition, customer payment targets were exceeded as a result of a number of interventions put in place by City Power.

The Revenue Step Change (RSC) Programme was introduced in the previous year to provide solutions to challenges faced by the City in terms of revenue, billing and cash collection. The next phase of this programme had been implemented and the target was to reduce losses to 10% during 2014/15. Project Go-For-7000 was also introduced to investigate LPU (Large Power Users) conversion to pre-paid.

Although theft and vandalism are on-going challenges, City Power continues to work towards mitigating the negative effects, whilst pursuing its strong commitment to environmental sustainability.

A key focus area for this year was the implementation of a broad range of controls and measures to address the issues raised in the Auditor-General's qualified audit opinion on the previous year's annual financial statements. I am pleased to report that concerns raised over Management's difficulty in stabilising the revenue control environment have now been addressed and additional measures have been instituted, to the extent that City Power has been given an unqualified audit for the period under review. This is the same as the previous year however the number of findings decreased by 32%.

This is a source of great personal pride for me in my role as MD and I must thank the Board for their guidance. I also thank the Management Team, who have embraced the challenge and worked tirelessly to change the status quo. I now call upon an additional surge of energy and commitment as we institutionalise the measures as part of City Power's "business as usual".

A handwritten signature in black ink, appearing to be 'S. Xulu', written over a horizontal line.

Mr. Sicelo Xulu
Managing Director
City Power Johannesburg

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Section 7: Statement of Responsibility

The Directors are responsible for the preparation, integrity and fair presentation of the financial statement of the Entity. The Financial Statement, presented as Annexure B, has been prepared in accordance with Generally Recognised Accounting Practice (GRAP) and includes amounts based on judgement and estimates made by the Management.

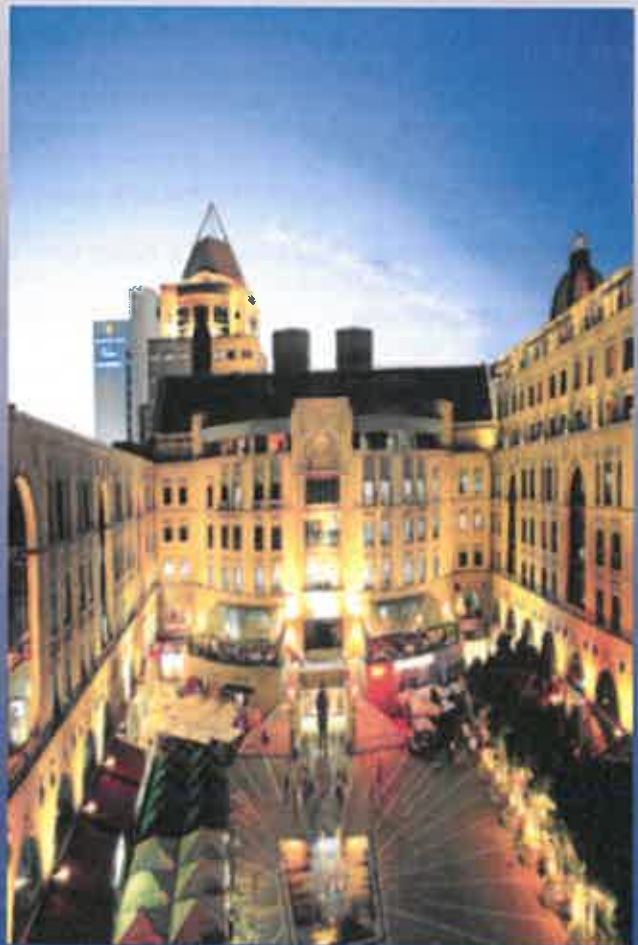
The Directors are responsible for the preparation of the other information in the annual report and are responsible for both its accuracy and its consistency with the financial statements. The going concern basis has been adopted in preparing the financial statements. The Directors have no reason to believe that the entity will not be going concerns in the foreseeable future based on the forecast and available cash resources. Refer to the Directors' report on page 22 with regard to the appropriateness of the going concern assumption for the preparation of the financial statements.

The Auditor-General, who was given unrestricted access to all financial records and related data, including minutes of all meetings of Shareholders, the Board of Directors and Committees of the Board, has audited the financial statement. The Directors believe that all representations made to the Auditor-General during their audit are valid and appropriate. The Auditor-General's Report is presented in Annexure C. The Financial Statements were approved by the Board of Directors on 28 November 2014 and was signed on its behalf by the Chairperson of the Board, Rev. Frank Chikane.

CHAPTER TWO GOVERNANCE

KEY ACHIEVEMENTS

- **Stable and strengthened Board leadership**
- **Active Fraud Prevention Initiatives**
- **Successfully underwent ISO 9001 recertification audits Unqualified report was received**
- **Successfully cleared the Six (6) ISO 14001: 2004 and OHSAS 18001: 2007 Audit findings (November 2012)**



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Section 1: Corporate Governance Statement

Ethical Leadership

Responsible leadership, characterised by the values of responsibility, accountability, fairness and transparency, has been a defining characteristic of the entity since the Company's establishment in 2001. The Board recognises the impact the Company has on the economy and society and therefore strives to ensure that there must be an ethical relationship between the Company and all its stakeholders. The Board has taken steps to entrench ethical leadership in the formulation of the Company's strategy and to ensure that there are consequences for non-adherence to these values. The Board provides effective leadership based on a principled foundation and the Company subscribes to high ethical standards. The Board has put in place structures and controls to inculcate an ethical culture.

The fundamental objective has always been to do business ethically while building a sustainable company that recognises the short- and long-term impact of its activities on the economy, society and the environment. In its deliberations, decisions and actions, the Board is sensitive to the interests and expectations of the Company's stakeholders and to ensure that the Company's decisions are grounded in the Company's values.

Corporate Governance

The Board of Directors and Executives recognise and are committed to the principles of openness, integrity and accountability advocated by the King III code on corporate governance. Through this process, the Shareholder and other stakeholders are assured that the Company is being ethically managed according to prudent risk parameters in compliance with generally accepted corporate practices. The monitoring of the Company's compliance with King III forms part of the mandate of the Audit Committee. The Company has complied with the code in all material respects during the year under review.

The Board of Directors has adopted a Board Charter, which includes matters of ethics, procedure and conduct of Members. The Charter is aligned with the CoJ Charter. Registers are kept and updated on the disclosure and declaration of interests of Directors and Senior Management. The Board and Senior Management ensure there is full material compliance to all relevant legislation. The Company Secretary has certified in terms of section 268(d) of the Companies Act that all statutory returns have been submitted to the Companies and Intellectual Property Commission (CIPC). The Board of Directors subscribes to the City of Johannesburg's corporate governance protocol (the protocol) which, *inter alia*, regulates its relationship with CoJ as its sole Shareholder and parent municipality in the interests of good corporate governance and good ethics.

City Power's practices are, in most material instances, in line with the principles set out in King III. The Board continually reviews the Company's progress to ensure improvements in corporate governance. During the review period, the Company entrenched its risk management reviews and reporting and compliance assessments were conducted in terms of the Companies Act and the Municipal Finance Management Act (MFMA).

Annual Board assessments and evaluations are conducted and an annual report for the previous year was efficiently completed in accordance with the prescripts of section 121 of the MFMA. The compilation of this annual report was guided by the same principles.

Corporate Citizenship

The Board and Management recognise that the entity is formed under a political structure. As such, it has a social and moral standing in society with all the attendant responsibilities. The Board is therefore responsible for ensuring that the entity protects, enhances and invests in the well-being of the economy, society and natural environment, and pursues its activities within the limits of social, political and environmental responsibilities outlined in international conventions on human rights. The Board has a Social and Ethics Committee which is tasked with the responsibility of ensuring that the Organisation strives to be a good corporate citizen.

Compliance with laws, rules, codes and standards

The Board is responsible for ensuring that the entity complies with applicable laws and considers adhering to non-binding rules, codes and standards. The Board has a Risk, Assurance and Compliance sub-Committee which are tasked with the responsibility of exercising oversight over compliance.

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Section 2: Board of Directors

City Power has a unitary Board, which consists of Executive and Non-Executive Directors. An annual general meeting was held on 25 February 2014 at which one new Executive Director was appointed. The three independent Audit Committee Members were retained. During the year under review three new Non-Executive Directors were appointed by the Mayoral Committee on 25 July 2013.

During the year under review, the Board was chaired by a Non-Executive Director, Rev. Frank Chikane. The Board meets regularly (at least quarterly) and retains full control over the Company. The Board remains accountable to the City of Johannesburg Metropolitan Municipality (the Company's sole Shareholder) and its stakeholders, the citizens of Johannesburg. A Service Delivery Agreement (SDA), concluded in accordance with the provisions of the Municipal Systems Act (MSA) governs the Company's relationship with the City of Johannesburg. The Board provides monthly, quarterly, bi-annual and annual reports on its performance and service delivery to its parent municipality as prescribed in the SDA, the MFMA and the MSA. Such reports are submitted within the stipulated timeframes.

Non-Executive Directors contribute an independent view to matters under consideration and add to the depth of experience of the Board. The roles of Chairperson and Managing Director of the Company are separated, with responsibilities divided between them. The Chairperson has no executive functions. Members of the Board have unlimited access to the Company Secretary, who acts as an advisor to the Board and its Committees on matters including compliance with Company rules and procedures, statutory regulations and best corporate practices.

The Board or any of its Members may, in appropriate circumstances and at the expense of the Company, obtain the advice of independent professionals. A director and peer review as well as a Board evaluation are undertaken on an annual basis.

The Articles of Association provide that the Directors of the Company will be elected by the Shareholder and appointed by the Board of Directors. The Managing Director is appointed by the Board in consultation with the Shareholder.

Attendance at meetings held during the year was as follows:

Directors	Board	HR	Risk, Assurance & Compliance	Social & Ethics	Quarterly Review	Audit
NR OF MEETINGS HELD FOR THE FINANCIAL YEAR	8	5	4	4	4	6
Rev. F Chikane	8 of 8			4 of 4	3 of 4	
Mr. NE Galawe	7 of 8		4 of 4	4 of 4		
Mr. QB Green	2 of 2	1 of 1	2 of 2	2 of 2	1 of 1	1 of 1
Ms. ZD Hlatshwayo	7 of 8			4 of 4	3 of 3	
Mr. NSA Hlubi	8 of 8				4 of 4	6 of 6
Ms. NP Mohlala	8 of 8	5 of 5		1 of 1	2 of 2	
Mr. DR Mokhobo	5 of 7	3 of 4		3 of 3		1 of 2
Mr. D Naidu	5 of 5	4 of 4	3 of 3			
Dr. Y Ndema	5 of 5		3 of 3		2 of 2	
Mr. TI Sithole	8 of 8	5 of 5	4 of 4			4 of 4
Mr. SG Xulu	8 of 8	4 of 4	3 of 4	4 of 4	3 of 4	6 of 6
Independent Audit Committee						
Ms. LJ Fosu						4 of 6
Mr. W Hattingh	1 of 1					6 of 6
Mr. H Moolla	2 of 2					5 of 6
DATES OF MEETINGS :	21 Aug '13 30 Aug '13 07 Sep '13 19 Oct '13 29 Nov '13 6 Dec '13 24 Feb '14 27 Jun '14	14 Aug '13 21 Nov '13 09 Dec '13 05 Feb '14 20 May '14	15 Aug '13 25 Nov '13 06 Feb '14 12 May '14	20 Aug '13 26 Nov '13 26 Mar '14 22 May '14	15 Jul '13 15 Oct '13 21 Jan '14 14 Apr '14	23 Aug '13 28 Aug '13 25 Nov '13 04 Dec '13 31 Jan '14 19 May '14

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Section 3: Board Committees

The Board has the following Committees to assist it in carrying out its responsibilities. Each Committee is chaired by a Non-Executive Director.

- Audit Committee
- Human Resources Committee
- Risk, Assurance & Compliance Committee
- Social and Ethics Committee
- Quarterly Review Committee

3.1 Audit Committee

The Audit Committee consists of the following Non-Executive Directors and Independent Audit Committee Members:

- Nhlanhla Hlubi (Chairperson)
- Khati Mokhobo
- Thulani Sithole
- Linky Fosu
- Waldo Hattingh
- Haroun Moolla

The role of the Audit Committee is to assist the Board by performing an objective and independent review of the functioning of the Company's finance, accounting and risk control mechanisms. It exercises its functions through close liaison and communication with Senior Management and the internal and external auditors. The Audit Committee operates in accordance with a written Charter authorised by the Board, and provides assistance to the Board with regards to:

- Ensuring compliance with applicable legislation and the requirements of regulatory authorities
- Matters relating to financial accounting, accounting policies, reporting and disclosures
- Matters relating to risk management
- Internal and external audit policy;
- Activities, scope, adequacy and effectiveness of the internal audit function and audit plans
- Reviewing and recommending the approval of external audit plans, findings, reports and fees
- Reviewing and recommending the approval of strategic risks and mitigating strategies
- Compliance with the Code of Corporate Practices and Conduct
- Compliance with the Code of Ethics; and
- Recommend and provide input into the multi-year Business Plan

The Audit Committee adequately addressed its responsibilities in terms of the Committee's Charter during the period. The Committee met seven times during the year under review.

3.2 Human Resources Committee

The Human Resources Committee consist of the following Non-Executive and Executive Directors:

- Nomaswazi Mohlala (Chairperson)
- Khati Mokhobo
- Dylan Naidu
- Thulani Sithole
- Sicelo Xulu (Executive Director)

The Committee met 5 times during the year under review.

The Human Resources Committee advises the Board on remuneration policies, remuneration packages and other terms of employment for all Directors and Senior Management. Its specific terms of reference also include recommendations to the Board on matters relating to general staff policy, remuneration, performance bonuses, Executive remuneration, Director Remuneration and fees and service contracts, performance compact, and compliance with relevant legislation and strategic alignment with the objectives of the Company.

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3.3 Risk, Assurance & Compliance Committee

The Risk, Assurance & Compliance Committee consists of the following Non-Executive and Executive Directors:

- Yondela Ndema (Chairperson)
- Nceba Galawe
- Quentin Green (Executive Director)
- Dylan Naidu
- Thulani Sithole
- Sicelo Xulu (Executive Director)

The Committee met 4 times during the year under review.

The Committee assists the Board in exercising oversight over regulatory and legislative compliance.

The Committee maintains oversight over the implementation of the Company's Supply Chain Management Policy in terms of the Local Government: Municipal Finance Management Act (56/2003): Municipal Supply Chain Management Regulations (Gazette no. 27636/ 30 May 2005), Section 6(a).

3.4 Social and Ethics Committee

The Social and Ethics Committee consists of the following Non-Executive and Executive Directors:

- Zanele Hlatshwayo (Chairperson)
- Frank Chikane
- Nceba Galawe
- Quentin Green (Executive Director)
- Khati Mokhobo
- Sicelo Xulu (Executive Director)

The Social and Ethics Committee adequately addressed its responsibilities in terms of the Committee's Charter during the period. The Committee met 4 times during the year under review.

The Social and Ethics Committee advises the Board on the institutionalisation of ethics in the internal structures, systems and processes of the Company. The Social and Ethics Committee ensures that there is strong emphasis on the responsibility of the Company towards the communities in which the Company operates, social transformation within the workplace, and the protection of the safety, health and dignity of employees.

3.5 Quarterly Review Committee

The Quarterly Review Committee consists of the following Non-Executive and Executive Directors:

- Frank Chikane (Chairperson)
- Quentin Green (Executive Director)
- Zanele Hlatshwayo
- Nhlanhla Hlubi
- Nomaswazi Mohlala
- Yondela Ndema
- Sicelo Xulu (Executive Director)

The Committee met 4 times during the year under review.

The Committee exercised oversight over the Company's performance on a quarterly basis and reviews the Quarterly Reports and Mid-year Report prior to submission to the MMC: Environment, Infrastructure and Services Delivery. These reports are used for the purpose of evaluating the performance of the Company on a quarterly basis by the Shareholder. The Performance of the Company is measured in terms of predetermined goals and strategies as set out in the Company's Business Plan.

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Section 4: Director's Remuneration.

Executive Directors' Remuneration

In terms of the provisions of the Remuneration Policy adopted by the Mayoral Committee, Group Governance is required, at least annually, to make recommendations on the Directors' fees payable to the Non-Executive Directors of the City of Johannesburg's municipal entities. In line with this requirement, Group Governance produces a report on the remuneration of Non-Executive Directors and Independent Audit Committee Members which is in line with the provisions of the Municipal Finance Management Act, 2003 (MFMA) and Municipal Systems Act, 2000 (as amended).

The most recent report concerning the latest approved fees for Non-Executive Directors and Independent Audit Committee Members of City Power was for the 2009/10 financial year. The determination applicable to the 2009/10 financial year remains in force until amended by Group Governance, or the Mayoral Committee, as the case may be. An annual retainer fee is payable to Non-Executive Directors and independent Audit Committee Members, where they qualify for the retainer to be paid (e.g. 60% or more attendance of all required meetings).

Non-Executive Directors' and Independent Audit Committee Members' fees are only paid in accordance with City Power's approved budget.

Executive Director

Name	Position	Salary R'000	Other Allowances R'000	Directors Fees R'000	Performance Bonus R'000	Travel Allowance R'000	TOTAL R'000
Mr. S Xulu	Managing Director	1 859	480	-	-	128	2 467
Mr. Q B Green (Appointed 05 Feb 2014)	Director: Finance	736	178	-	-	24	938
Total		2 595	658	-	-	152	3 405

Non-Executive Directors: Current

Name	Directors Fees R'000	Travel Allowance R'000	Other allowance R'000	TOTAL R'000
Rev. F Chikane	377	10	4	391
Mr. NE Galawe	166	4	2	172
Ms. ZD Hlatshwayo	168	2	2	172
Mr. NSA Hlubi	375	11	4	390
Ms. NP Mohlala	202	2	2	206
Mr. TI Sithole	197	6	2	205
Mr. DR Mokhobo	104	3	1	108
Mr. D Naidu	127	2	1	130
Dr. Y Ndema	142	1	2	145
Total	1 858	41	20	1 919

Independent Audit Committee Members

Name	Directors Fees R'000	Travel Allowance R'000	Other allowance R'000	TOTAL R'000
Ms. L J Fosu	52	1	1	54
Mr. W Hattingh	86	3	1	90
Mr. H Moolla	90	1	1	92
Total	228	5	3	236

Executive Committee Members (as at 30 June 2014)

Name	Position	Salary R'000	Other Allowances R'000	Performance Bonus R'000	Travel Allowance R'000	TOTAL R'000
Directors						
Mr. S G Xulu	Managing Director	2 143	196	196	128	2 663
Mr. Q B Green (Appointed 2014/02/05)	Director: Finance	841	73	-	24	938
Ms. M S Mafora	Director: Corporate Services	1 287	123	127	118	1 655
Mr. T M Nzimande (Appointed 2013/09/15)	Director: Engineering Services	1 242	111	-	-	1 353
Mr. T G Nkgoedi (Appointed 2013/10/01)	Director: Retail Services	1 395	152	88	-	1 635
Mr. D L Pleterse	Director: Engineering Operations	1 370	126	66	80	1 642
Mr. M J Smith	Company Secretary	933	63	93	93	1 182
Ms. N F Msiza (Appointed 2013/11/01)	Director: Risk and Assurance	1 177	104	-	56	1 337
Total		10 388	948	570	499	12 405

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SENIOR MANAGEMENT REMUNERATION (R'000)

SURNAME	INITIALS	POSITION	BASIC SALARY	PENSION FUND	MEDICAL AID	OTHER ALLOW	TRAVEL ALLOW	SUBSISTANCE	ENCASH OF LEAVE	GLA	PERF BONUS	OTHER	TOTAL
Gencede (Promoted 01.01.2014)	Sipho Eric	General Manager: Field Services PP South	393	50	-	13	41	-	-	-	34	-	531
Golden	RA	General Manager Remuneration Services	857	108	39	16	102	4	-	-	72	131	1 330
Govender	J	General Manager: Engineering Workshop	782	113	75	18	148	-	-	-	76	129	1 379
Hlatshwayo (Promoted 01.02.14)	Tobogo Gloria	General Manager: Nerve Centre	370	40	-	7	-	-	-	-	24	-	442
Hlongw a	NP	General Manager: Capital Programme Exec	704	97	83	16	113	-	-	-	62	105	1 180
Hubi	NR	General Manager OD	796	114	103	36	153	1	-	-	76	-	1 417
Lembede(Promoted 01.01.2014)	Xolani Prince	General Manager: Infrastructure Planning	383	51	28	11	85	-	-	-	34	-	609
Likhina(Resignation 11.04.14)	MA	General Manager: Legal & Compliance	557	71	105	13	-	-	-	-	181	51	977
Magida	LV	General Manager: Energy Management	727	102	98	16	116	20	-	-	68	65	1 214
Maropofela	K	General Manager: Employee Relations	662	89	61	25	98	-	-	-	54	107	1 095
Mesolo	CS	General Manager	821	99	39	16	50	-	-	-	66	-	1 091
Mshahatsheke	LD	General Manager: Bus. Financial Support	681	94	83	16	113	-	-	-	67	106	1 139
Mzibule	RF-B	General Manager: Field Services PP North	700	86	-	24	80	10	-	-	54	60	1 024
Mwawu	NS	General Manager Strategy	774	98	70	16	61	-	-	-	66	-	1 085
Mohalela (Promoted 01.01.2014)	Mafoni Percy	General Manager: Metering Field Services	422	50	-	15	42	-	-	-	34	-	563
Moorosi	NW	General Manager: Field Services PP North	773	101	48	37	110	-	-	-	66	108	1 240
Nakong (Promoted 01.01.14)	Benjamin	General Manager: Talent Management	367	49	28	16	55	-	-	-	33	-	549
Ngoledi (Promoted Director 01.10.2013)	TG	General Manager Customer Services	220	26	9	21	-	-	-	-	17	-	292
Nalele	NP	General Manager Assets Management	866	107	120	16	16	-	-	-	106	-	1 271
Pienaar	N	General Manager: Bus Performance Report.	832	90	-	16	-	6	-	-	57	97	1 099
Pitso	L	General Manager: Financial Reporting	769	107	73	16	148	-	-	-	72	121	1 306
Pamagaga	M	General Manager Supply Availability	665	84	26	16	88	-	-	-	54	50	994
Seabela (Promoted 01.01.2014)	Rachel Mmabore	General Manager: Data Governance & Compl	396	49	14	12	45	-	-	-	33	-	549
Seahedi	L	General Manager: Engineering Tech Service	789	98	36	18	111	-	-	-	66	113	1 212
Sheak(Promoted 01.01.2014)	Yumna	General Manager: Aide-de-Camp	402	52	-	15	60	-	-	-	35	-	564
Smith	MJ	Company Secretary	749	150	33	13	93	-	-	-	41	-	1 078
Tefu	JL	General Manager: SHEQ	605	89	127	54	93	-	-	-	57	-	1 026
Teunissen	GR	GM Learning Academy	991	118	40	23	86	-	-	-	79	142	1 447
Truter	TL	General Manager: Security Risk Managem.	628	80	-	16	98	-	-	-	81	98	978
Webb	GS	General Manager: Plant Condition Monitor	813	189	67	21	117	20	-	-	48	133	1 409
		Total	19 483	2 652	1 381	566	2 288	62	-	-	1 722	1 854	30 079

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Section 5: Company Secretarial Function

The Company Secretary is responsible for providing guidance to the Board collectively and to the Directors individually. The Directors have unlimited access to the Company Secretary who advises the Members, the Board and the sub-Committees regarding their duties and responsibilities.

The Company Secretary in conjunction with the Risk, Assurance and Compliance Group, is responsible for advising the Board of applicable legislation and regulations and ensuring the Board acts in compliance therewith including with the Company's policy and procedures. The Company Secretary is also responsible for the proper administration and good corporate governance of the Board proceedings and all matters relating to the Board.

Section 6: Risk Management and internal controls

Background

Enterprise Risk Management (ERM) is the holistic management of all risks. It is a structured, consistent and continuous process across the whole of City Power for risk identification, assessment, decision making and reporting. The Enterprise Risk Management Framework is the set of components for designing, implementing, monitoring, reviewing and continually improving risk management throughout City Power.

ERM is a process, effected by City Power's Board of Directors, Management and other personnel, applied in strategy setting and across the Business aimed at identifying potential events that may affect the Company and manage risk to be within the approved Risk Appetite and to provide reasonable assurance regarding the achievement of City Power's objectives. The Risk Management Policy, Strategy and Methodology were developed and approved by the Board in January 2014. The Policy, Strategy and Methodology are in line with:

- Municipal Finance Management Act 56 of 2003;
- King III report on Corporate Governance;
- Enterprise Risk Management and Control Framework – COSO;
- CoJ Risk Management Framework;
- COJ Group Governance Framework 2013;
- City Power Leadership Charter; and
- National Treasury Risk Management Framework.

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Risk Management Process

The Company has adopted an ISO accredited Risk Management Process of Risk Identification, Monitoring and Review, Communication and Consultation as depicted in the diagram below.

RISK MANAGEMENT PROCESS



Risk identification

On 24 February 2014, the Board approved the Risk Management Policy which included the Risk Management Strategy and Methodology. The approved policy documents provide the Company with a strong foundation for an efficient and effective ERM program. In March 2014, a risk assessment was undertaken as part of the process of

- Identifying Group Operational Risks for 2014/15;
- Identifying and assessing Strategic Risks for 2014/15; and
- Setting the risk appetite and tolerance levels

The Strategic Risk Assessment focused primarily on risks that are strategic in nature, that have an impact to the achievement of the strategic intent and value propositions as per the Business Plan.

Workshops and brainstorming techniques were implemented as part of the risk assessment process. This allowed collection, sharing of ideas and strategic discussions of the events that could impact the achievement of objectives, stakeholder expectations and key dependencies.

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Risk Assessment and Treatment

Once risks have been identified, they must then be subjected to a consistent assessment process to ensure that City Power achieves an objective and holistic result that can inform its risk profile.

Risk is measured in two ways:

- By the likelihood or frequency of the risk occurring.
- By the severity / impact on City Power of the risk occurring

The developed methodology for has a two-stage assessment process to assess and quantify the identified risks.

Stage One – Impact and likelihood

The first stage involves an assessment of the potential impact (or severity) of each risk, and then the likelihood of the event actually occurring. Each risk is scored on a scale of one to five. Table below: shows the criteria used to assess the potential Impact / Severity of each risk occurring.

THE CRITERIA USED TO ASSESS THE POTENTIAL IMPACT / SEVERITY OF EACH RISK OCCURRING

Assessment of impact / severity					
Rating		Financial	Reputation	Stakeholders	Customers
1	Not significant	Event would have little financial impact on either income or budget	Contained within individual service area. From a regulatory perspective, minor fines or penalties may have been suffered.	Employees may have suffered minor first aid injuries. Event may have resulted in localised staff morale problems.	Customers may have been minimally impacted. Event may impact minimally on achieving a performance target.
2	Minor	Event would have moderate financial impact (>2% on budget/income or >2%) on either income or budget.	Affects significant number of service areas but with likely short-term impact on public memory. From a regulatory perspective, fines or penalties >R50k may have been suffered. Customers may have been impacted resulting in complaints with media coverage (suburban newspaper).	Employees may have suffered temporary disabling injuries. Event may have resulted in staff loss causing minor to moderate consequences.	Event may impact on achieving a performance target where a major milestone was missed by more than 1 month, impacting on a client segment.
3	Moderate	Event would have serious financial impact (>4 -6% on budget/income or >4%) on either income or budget.	Regulator inquiry with medium-term impact on public memory. From a regulatory perspective, fines or penalties >R100k may have been suffered. Customers may have been impacted resulting in complaints with media coverage (local newspaper not front page).	Employees may have suffered multiple temporary disabling injuries. Event may have resulted in staff loss, causing serious consequences.	Event may impact on achieving a performance target where a major milestone was missed by more than 3 months and subsequent interruption over several days to customers.
4	Major	Event would have very serious financial impact (>8% on budget/income or >8%) on either income or budget.	Medium-term public impact with minor political implications. From a regulatory perspective, fines or penalties >R150k may have been suffered. Customers may have been impacted resulting in complaints with media coverage (national TV headlines) and loss of service >1 month.	Employees may have suffered multiple permanent disabling injuries. Event may have resulted in staff loss, causing very serious consequences.	Event may impact on achieving a performance target where a major milestone was missed by more than 6 months, resulting in a major customer impact.

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Assessment of impact / severity					
Rating		Financial	Reputation	Stakeholders	Customers
5	Catastrophic	Event would have catastrophic financial impact (>15-25% on budget/income or >15%) on either income or budget.	Long-term impact on public memory and major political implications. From a regulatory perspective, fines or penalties >R500k may have been suffered. Customers may have been impacted resulting in complaints with media coverage (national TV headlines) and loss of service >6 months.	Employees may have suffered fatalities. Event may have resulted in staff loss, causing catastrophic consequences.	Event may impact on a performance target, where a major milestone was missed by more than 8 months to over 1 year.

The table below shows the criteria used to assess the likelihood of the risk occurring:

Rating	Likelihood Descriptor	Description	Probability
5	Almost Certain	Event has occurred within the last year repeatedly.	The event is certain to occur within this financial year.
4	Likely	Event has occurred within the last financial year.	The event is likely to occur within this financial year.
3	Possible	The event has a probability of occurring at some time, in the next year.	Event has been recorded within organization as well as within the sector in the last 2 years.
2	Unlikely	Very few recorded or known incidents. Reasonable opportunity to occur or has occurred within other organizations within sector.	The event may occur at some time, within the next 2 years.
1	Rare	Event may occur in exceptional circumstances. No recorded incidents or little opportunity for occurrence.	No event recorded in the last 3 years.

The product of this stage one assessment of impact and likelihood is an "Inherent Risk Score", which can range from a minimum of 1 to a maximum of 25, by multiplying the frequency and impact scores.

Residual Risk

Residual Risk (RR) is the remaining risk after controls are put in place. In order to determine the Residual Risk Rating, Management must rate the effectiveness of their controls in mitigating the risk.

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CONTROL EFFECTIVENESS ASSESSMENT

	Qualification Criteria	Rating
Excellent	Control addresses risk, is officially documented and in operation	0.20
Good	Control addresses risk, but documentation and / or operation of control could be improved	0.40
Fair	Control addresses risk, at least partly, but documentation and / or operation could be improved	0.75
Poor	At best, control addresses risk, but is not documented or in operation; at worst control does not address risk and is neither documented nor in operation	0.90

Risk Measurement

Inherent risk and residual risk will be measured in term of the table depicted below.

MEASUREMENT

Impact X Probability = Inherent Risk

Inherent Risk X Control Effectiveness = Residual Risk

Categories of Risks

Risks will be categorized in terms of their Inherent Risk (IR) and Residual Risk (RR) risk score as per the table depicted below.

CATEGORISATION

Rating	Risk Score	Colour
Very High	17-25	Red
High	11-16	Amber
Moderate/ Medium	6-10	Yellow
Low	Below 5	Green

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Stage two – Development of Risk Drivers and Risk Casual Model

Risk drivers are those elements which tend to be the cause of the risk occurring. Risk drivers are a key process in risk management as they provide an in-depth understanding of the risk. Analysis of the drivers' lead to the effective monitoring of the risk as well as the development of control measures to mitigate or manage the risk. These will be measured and monitored as per the next phase of this project. The formulation of risk drivers is to assist with the understanding of the risk (i.e. make the risk more tangible) and in the formulation of controls, both pre- and post and to manage / minimise the risk drivers, which in turn reduces the overall headline risk. If the drivers are not identified, then the process only provides a snapshot of the risks at a point in time.

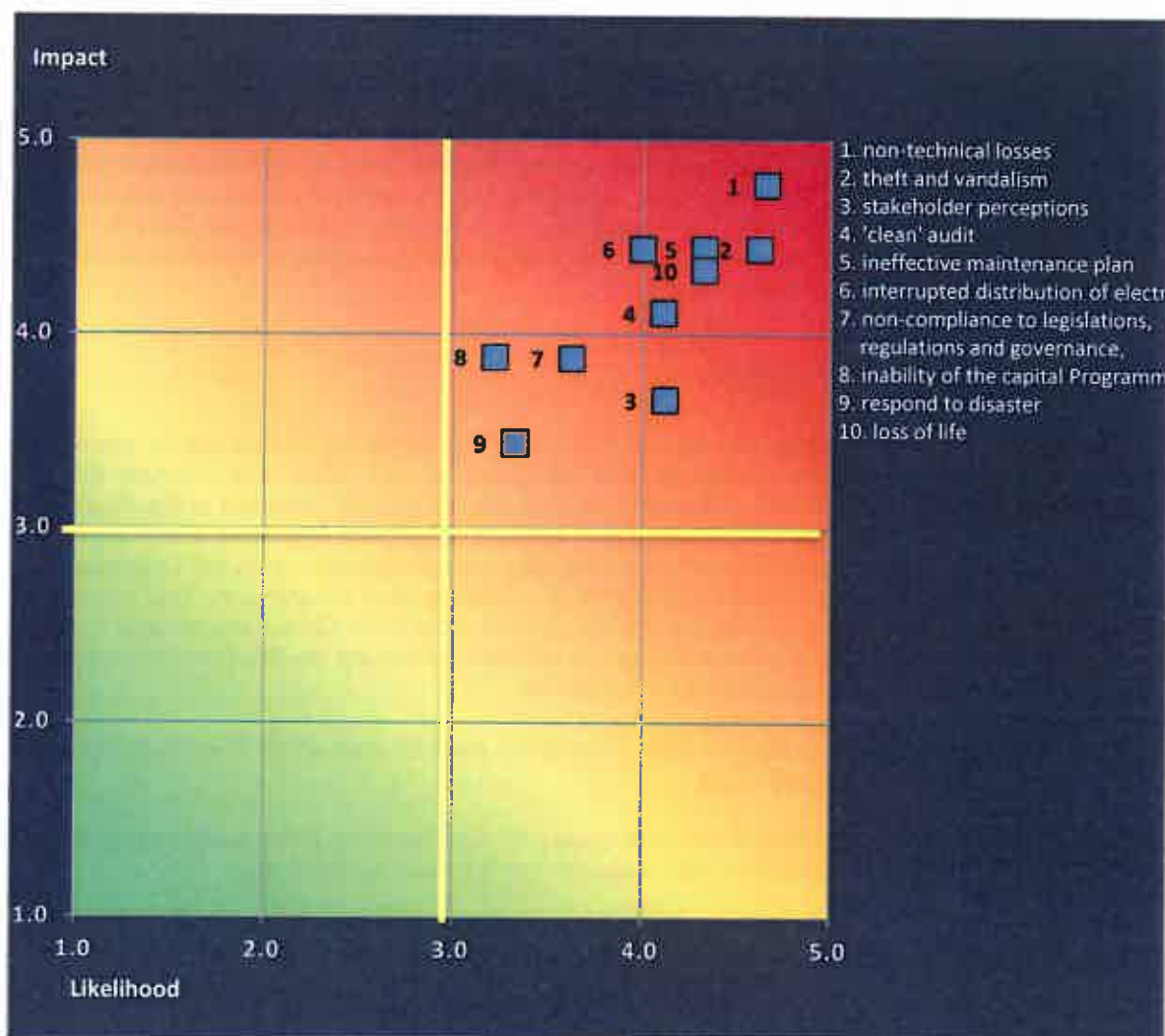
Monitoring and Reporting

Continuous monthly, quarterly and annual reporting on progress with status of action items is in place.

Auditing

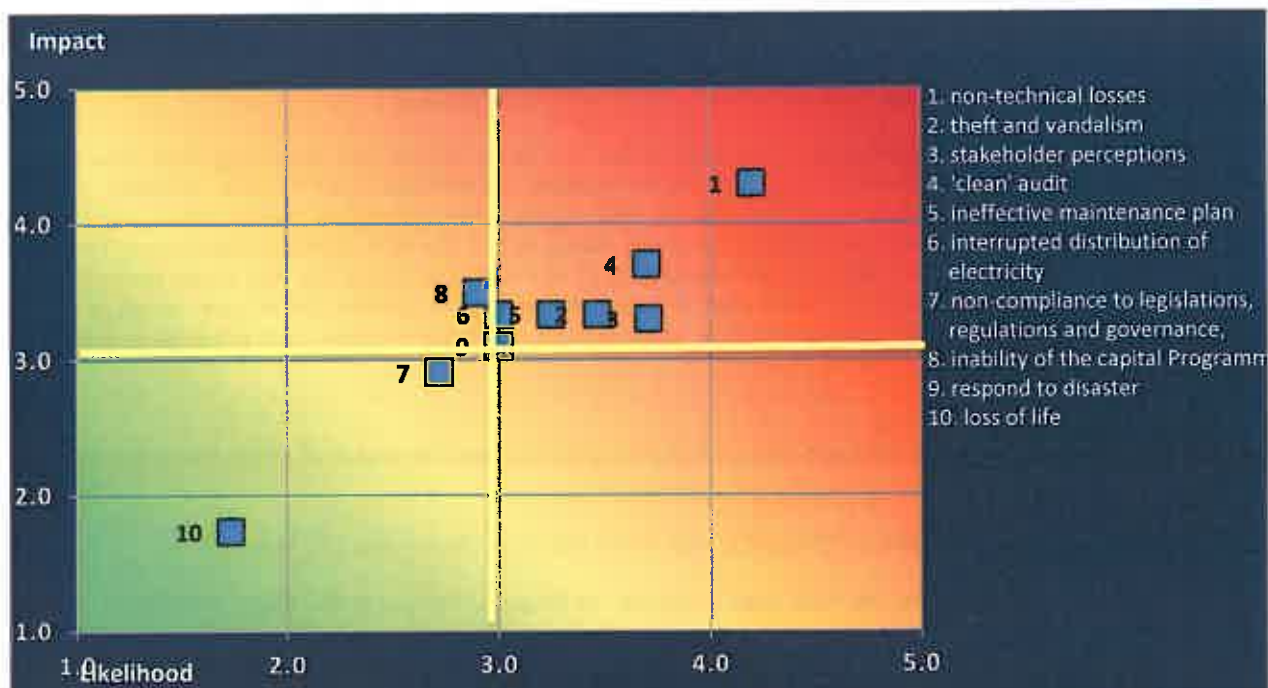
This process will be audited continuously, with a firm focus on continuous improvement.

The diagrams below depict the heat map of the top 10 Strategic risks at both inherent and residual levels.



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Heatmap Top 10 Risks - Residual



Strategic Risks Report

In line the strategic risk review process, City Power has communicated the approved Enterprise Risk Policy to the entire business, and updated the strategic risk register with updates from the respective group risk owners. Furthermore, internally City Power started the process of determining and setting risk appetite and tolerance levels for all the identified risk categories. The Security Management Department conducted the risk assessment at various City Power Substations and report has been forwarded to the RAC Director and implementing the mitigations plans.

Section 7: Internal Audit Function

The City Power' internal audit function is mandated by the Audit Committee to provide independent, objective assurance and consulting services designed to add value and improve the Organisation's Management, administration and operations. In accordance with the approval of the Audit Committee, the Internal Audit three year audit plan is based on the key company strategic risks to evaluate and improve the effectiveness of risk management, control and governance processes within the Organisation. The annual plan covered various reviews across the Company's divisions and departments. This ensures that the audit coverage is focused on and identifies areas of high risk. The Audit Committee reviews the Internal Audit's performance on a quarterly basis regarding the reviews conducted on the Company's system of internal control, risk management and governance processes.

The Internal audit authority is derived from the Internal Audit Charter which is reviewed on an annual basis and approved by the Audit Committee.

The Internal Audit function reports administratively to the Managing Director and functionally to the Audit Committee and has direct access to the chairperson of the Audit Committee.

Section 8: Corporate Ethics and Organisational Integrity

The Company has developed a Code of Conduct ('the Code') which has been fully endorsed by the Board and applies to all Directors and employees. The Code is regularly reviewed and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism.

In summary the Code requires that at all times, all Company personnel act with utmost integrity and objectivity and in compliance with the letter and spirit of both the law and Company policies. Failure by

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employees to act in terms of the Code results in disciplinary action. The Code is discussed with each new employee as part of his or her induction training and all employees are asked to sign an annual declaration confirming their compliance with the Code. A copy of the Code is available to interested parties upon request. A toll-free anonymous telephone facility exists for reporting of non-adherence to the Code or ethic related matters. Furthermore, any breach of the Code is considered a serious offence and is dealt with accordingly; as a result, this acts as a deterrent. The Directors believe that ethical standards are being met and fully supported by the ethics programme.

Section 9: Sustainability Report

A Company's performance is governed not only by its environmental and social activities, but also by its economic achievements. The continued economic success of City Power is vital for the survival of the Company and translates into job creation for employees who can, in turn, deliver positive impacts to people's livelihoods and society.

Sustainability Policies and Strategies

City Power's directive is that all policies need to be reviewed regularly to ensure that they are aligned to the Company strategies.

Material Issues

There were no material issues to be reported.

Sustainability Commitment

City Power's sustainable practices promote growth, innovation and efficiency. City Power provides solutions. These practices enhance the quality of life of the communities in which with the Company operates and they benefit our customers, our employees, stakeholders and the Shareholder.

Economic development

Providing electricity to all residents within the CoJ supply area is an integral part of City Power's supply mandate. The electrification of new areas and public lighting programs are critical components of the capital budget.

In the past year City Power has created 3,507 jobs through the EPWP (Expanded Public Works Programme) utilizing its capital projects. The Company is looking at ways to increase the EPWP job creation to ensure higher levels of sustainability.

Environmental development

City Power has an environmental management system in place, aligned with CoJ systems. Policies and procedures have been approved by the relevant governance bodies and implementation action targets have all been met. City Power has retained its accreditation for the ISO 14001-2004 Environmental Management System.

Safety

The SHEQ integrated system which comprises of ISO 9001, 14001, OHSAS 18001 has proven record for continuously improvement regarding Safety, Health, Environment and Quality. The DIFR has continued to remain below the international threshold of <1. During this period City Power did not experience any employee accidental fatality with the DIFR 0.59. The risk of tempering and illegal connection on the City Power network remains a greater challenge however continued strategies to restrain the access and educate the public regarding the safe use of electricity and the unsafe exposure of the live network and equipment's resulting in public incidents. Our integrated program ensures compliance to the relevant legal, regulatory and standard requirement as City Power continues to protect and safe guard against all risks and impact related to its activities. The quality of working life is key and conducting our business in an environmentally acceptable manner.

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Financial Sustainability

Revenue streams

The main revenue stream for City Power is electricity sales.

Financial performance

The Company's financial performance is covered in detail in the audited annual financial statements. The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern.

This basis presumes that funds will be available to finance future operations and that the realization of assets and settlements of liabilities, contingent obligations and commitments will occur in the ordinary course of business. This is also supported by financial ratios.

	2013/14	2012/13
GEARING		
Debt/Equity		
Total liabilities	7 684 973	7 350 247
Equity	7 216 804	6 066 145
Ratio:	1.06	1.21
Interest Cover		
Profit before interest and tax	1 864 113	1 779 483
Net interest	350 573	360 023
Ratio:	5.32	4.94
Current Assets	5 018 109	5 400 635
Current Liabilities:	3 639 478	3 349 278
Current Ratio:	1.38	1.61
Profit Margin		
Nett Profit/Turnover	1 150 659	1 375 075
Total Revenue	13 060 936	13 132 209
Ratio	8.81%	10.47%
Total Turnover	12 579 124	12 570 439
Average Assets	14 159 085	12 456 849
Ratio:	0.89	1.01

Financial assistance

City Power obtains financial assistance via grants from government.

Sustainability risks

The Board acknowledges its overall accountability for ensuring an effective results-driven integrated risk management process. Exco has implemented a risk control system to enable Management to respond appropriately to significant risks that could impact negatively or positively on business objectives. Risk reviews are conducted with input from divisional and functional areas. Risks are identified and ranked by divisions and groups, reviewed, and then assessed by Exco, the Audit Committee, and the Board to determine the major operational, strategic and business continuity risks.

The ratings of the risks are finalized after considering the mitigation plans, and executive accountability is assigned for each of the risks.

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Section 10: Corporate Social Responsibility Report

The ongoing development of employees in the workplace is a high priority for City Power. A great deal of emphasis is currently placed on mandatory training. The training include both technical and non-technical skills e.g. fire-fighting, first aid, rigging & slinging for Team Leader, Electrician and Artisan Assistant development as well as Microsoft Training.

City Power skills development and training also directly supports the ISO certification and re-certification initiatives.

HR has appointed a service provider that has commenced with the upgrading and renovating of the Reuven Training Centre on 10 June 2014 so as to up skill internal and external staff in new technologies.

The upgrade entails converting the mechanical workshop into an electrical training facility. All technical staff will be up skilled and retrained through various training modules. Example of the modules would be: medium voltage switchgear training, effective street light maintenance training, basic electrical protection training and meter maintenance including connection diagrams and programming. The meter maintenance programme is also aimed at smart metering systems.

The upgrade will also include the construction of new offices and training class rooms as well as the relocation of the library. The renovation programme is well on track and should be completed by the end of October 2014.

The end state is to obtain approval from EWSETA to operate the Training Centre as a fully accredited Learning Academy.

Social development

The Company is actively involved in promoting social development in terms of learnerships, internship and social responsibility programs.

Bursars

The on-going development of employees in the workplace is a priority for City Power. Attendance of technical and non-technical training interventions are monitored and assessed regularly.

Awarding bursaries to students is one of City Power's successful social contributions. Herewith a summary of the bursars:

	Gender	Race	Qualification enrolled for	Study year	Learning Institution
1	Male	African	B Sc Electrical Engineering	3 rd year	University of the Witwatersrand
2	Male	African	B Ing (Electrical & Electronic)	3 rd year	University of Johannesburg
3	Male	African	B Sc Electrical Engineering	3 rd year	University of the Witwatersrand
4	Male	African	B Ing (Electrical & Electronic)	3 rd year + 4 th year (will complete next year July)	University of Johannesburg
5	Male	African	B Ing (Electrical & Electronic)	3 rd year + 4 th year (will complete next year July)	University of Johannesburg
6	Male	African	National Diploma Electrical Engineering	S2 + S3	Vaal University of Technology
7	Female	African	Bachelor of Accounting Sciences	1 st year	University of the Witwatersrand
8	Female	African	B Sc Electrical Engineering	1 st year	University of the Witwatersrand
9	Male	African	B Eng Electrical Engineering	2 nd year	University of Pretoria
10	Male	African	B Eng Electrical Engineering	2 nd year	University of Johannesburg
11	Female	African	Advance Diploma in Accounting	4 th year (Complete next year)	University of Johannesburg
12	Female	African	Advance Diploma Financial Management	4 th year (Complete next year)	University of Johannesburg

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13	Male	African	National Diploma Electrical Engineering	S1	University of Pretoria
14	Male	African	National Diploma Electrical Engineering	S4 (Next year Jan P1)	Tshwane University of Technology
15	Male	African	B Eng Electrical Engineering	1 st year	University of Pretoria
16	Female	African	B Com in Financial Accountancy	2 nd year	North West University
17	Male	African	National Diploma Electrical Engineering	S4 (P1 next semester)	Tshwane University of Technology
18	Male	African	National Diploma Electrical Engineering	S3	University of Johannesburg
19	Male	African	B Sc Electrical Engineering	1 st year	University of Johannesburg
20	Male	African	B Sc Electrical Engineering	2 nd year	University of Johannesburg
21	Male	African	National Diploma Electrical Engineering	S1	University of Johannesburg
22	Female	African	B Com Accounting	2 nd year	University of Johannesburg
23	Male	Indian	Computer Science and Information Technology Degree	1 st year	University of Kwazulu Natal

Mentorship Planning

The term "Succession Planning" as per the HR Committee was renamed as "Mentorship Planning".

The programme started by firstly identifying employees to act as protégés. Training of the identified protégés commenced in January 2014.

The first level of training was aimed at Directors and General Managers. The next round of training included all nominated protégés.

A Mentorship Policy was approved by the Board on 27 June 2014 and the programme of mentorship planning will be rolled out during the 2014/15 Financial Year. The programme is aimed to start with General Managers to ensure that the "right skills" are in place when a Director is not available.

Matrics

	Male				Female				People with Disability				TOTAL
	A	C	I	W	A	C	I	W	A	C	I	W	
Internal (City Power) = 30	5				24	1							30
External = 56	7	2	1	3	34	6	0	2	1				56
Totals = 86	12	2	1	3	58	7	0	2	1				86

City Power is a certified examination centre and the number of matriculants that wrote the May/June 2014 matric examinations are as shown in the table above.

During the past financial year, 35 employees registered for ABET training.

Section 11: Anti-corruption and Fraud

The Company has adopted a zero tolerance approach to issues involving corruption and fraudulent activities. The Anti-corruption and Anti-Fraud Policy is reviewed on an annual basis and is approved by the Audit Committee. Various anti-corruption and anti-fraud activities have been conducted during the period under review which focused among others to preventative measures pertaining to fraud and corruption. A Whistle Blow Policy is also in place to encourage both employees and members of the public to report any fraud and corrupt activity to an independent dedicated tip off anonymous communication channel. Investigated cases involving fraud and corruption have reported to the relevant authorities as they were concluded. A quarterly report has been made to the Audit Committee regarding issues pertaining to fraud and corruption.

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CHAPTER THREE SERVICE DELIVERY PERFORMANCE

KEY ACHIEVEMENTS

- Install 30 000 Solar Water Heaters.
- Create 3 507 EPWP jobs
- Domestic Smart Meter Mass Rollout has gathered momentum with over 47 000 smart meters installed
- A total of 2 151 households have been electrified
- A total of 7 027 public lights have been commissioned

The pictures below show a jubilant Narens Farm community with the MMC (Member of Mayoral Committee) for Environment, Infrastructure & Sustainability, councillor of Naren's Farm, Mr Molotsi and officials of City Power, and a light bulb switching on for the first time in one of the households.



The pictures below show the Electrification, Public Lighting and Solar Water Heater project outcomes in Lufhereng.



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Item	Project Category (PL, Bulk, etc)	Priority	GDS Output	2013/14 Budget R'000	2014/15 Budget R'000	2015/16 Budget R'000
1	Buildings	Investment Attraction, Retention and Expansion	Financially and administratively sustainable and resilient city	R 18 220	R 0	R 30 000
2	Bulk Infrastructure	Investment Attraction, Retention and Expansion	Financially and administratively sustainable and resilient city	R 410 699	R 893 226	R 1 347 292
3	DSM Load Management	Smart City	A Smart City JHB that is able to provide quality services to its citizens in an efficient and reliable manner	R 5 400	R 5 000	R 5 000
4	Electrification	Sustainable human settlements	Sustainable human settlements	R 46 380	R 51 000	R 70 000
5	Fire and Security	Smart City	A Smart City JHB that is able to provide quality services to its citizens in an efficient and reliable manner	R 40 000	R 30 000	R 25 000
6	Information Technology	Smart City	A Smart City JHB that is able to provide quality services to its citizens in an efficient and reliable manner	R 54 450	R 42 392	R 38 500
7	Meters	Smart City	A Smart City JHB that is able to provide quality services to its citizens in an efficient and reliable manner	R 700 000	R 731 473	R 560 000
8	Network Development	Investment Attraction, Retention and Expansion	Financially and administratively sustainable and resilient city	R 6 000	R 8 000	R 12 000
9	Operating Capital	Investment Attraction, Retention and Expansion	Financially and administratively sustainable and resilient city	R 21 660	R 20 000	R 20 000
10	Protection	Smart City	A Smart City JHB that is able to provide quality services to its citizens in an efficient and reliable manner	R 27 571	R 27 000	R 30 000
11	Public Lighting	Safer City	A safe and secure City	R 79 234	R 30 000	R 18 000
12	Scada	Smart City	A Smart City JHB that is able to provide quality services to its citizens in an efficient and reliable manner	R 10 650	R 10 000	R 10 000
13	Service Connections	Investment Attraction, Retention and Expansion	Financially and administratively sustainable and resilient city	R 66 730	R 157 115	R 158 015
14	Support Services	Investment Attraction, Retention and Expansion	Financially and administratively sustainable and resilient city	R 6 000	R 5 000	R 5 000
15	Telecoms	Smart City	A Smart City JHB that is able to provide quality services to its citizens in an efficient and reliable manner	R 15 000	R 15 000	R 15 000
17	Upgrade of Electrical Network	Investment Attraction, Retention and Expansion	Financially and administratively sustainable and resilient city	R 219 733	R 191 556	R 345 969

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City Power is still on track to meet the Company's set targets for the IDP until the 2015/16 financial year, this is however dependent on budget allocation in line with the budget requirements that have been identified.

City Power successfully executed a number of service delivery initiatives and projects in the 2013/14 financial year, the five key projects are listed below:

- Installation of 7 027 Public Lighting in a number of areas including Tshepisoong West, Soweto and Diepsloot
- Electrification of 2 151 households in a number of areas including Rabie Ridge, Tshepisoong and Alexandra
- Installation of 130km of Arial Bundled Conductor to replace Bare Conductors (to reduce outages and minimise electricity theft)
- Installation of 30 008 Solar Water Heaters in a number of areas including Devland, Lufhereng, Leratong Village, Alexandra, Vlaktefontein and Tshepisoong
- City Power created in excess of 3 507 job opportunities through the Expanded Public Works Programme (EPWP)

Section 2: Financial Performance

The South African economic environment experienced a year of stability, with inflation a level within the Reserve's Bank's range of 3-6%. Interest rates remained stable and the Rand remained strong despite lower interest rates. The Company was resilient and was able to deliver an improved level of service to the community.

2.1 Revenue

The Company posted revenue of R13,024 million for the year, a decrease of 1% over the previous year. The result is due to decrease in units sold due to billing and meter errors, this has been offset by the tariff increase of 7%.

2.2 Results of Operations

Operational costs decreased by 1,41% on the previous year to R165 million during this period (2013: R11 713 million). Fleet costs exceed prior year expense due to additional vehicles(generators) Stores and material exceed the prior year expense by R96 million as solar water heaters are now accounted for in the stores and material account. Bad debts have decreased by R579 million against the prior year, as a result of the decrease in revenue.

The Company posted a surplus of R899 million for the period under review, against a surplus of R1,386 million for the previous year.

2.3 Statement of Financial Position

Fixed assets increased by a net R2,144 million. This increase was due to the replacement of aging and obsolete equipment.

The ability of the Company to meet its financial obligations increased over the previous year, with the current ratio test decreasing to 1, 38: 1 (2013 = 1, 61: 1). This was largely due to the increase in trade payables. The net current asset base has however improved from R6 066 million to R7 217 million at year-end.

The increase in the Trade and Other Receivables at year-end was as a direct result of the increased Capex programme undertaken by the Company on behalf of the Shareholder, the City of Johannesburg Metropolitan Municipality. This was also evident by the increase in Trade Payables over the previous year, as the Company merely acts as a conduit through which the Shareholder realises infrastructure developments.

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Section 3: Capital Projects

The revised approved City Power Capital budget for the 2013/14 financial year is R1,7 billion. This approved budget is inclusive of R57 million worth of loans, R1,1 billion own funding, R60 million DSM funding, R200 million Engineering Services contribution and the remaining R164 million is made up of grants and public contributions. Although the Revised approved budget amounts to R1,7 billion it should be noted that there has been additional funding of R257 million received from the City of Johannesburg in the month of May 2014.

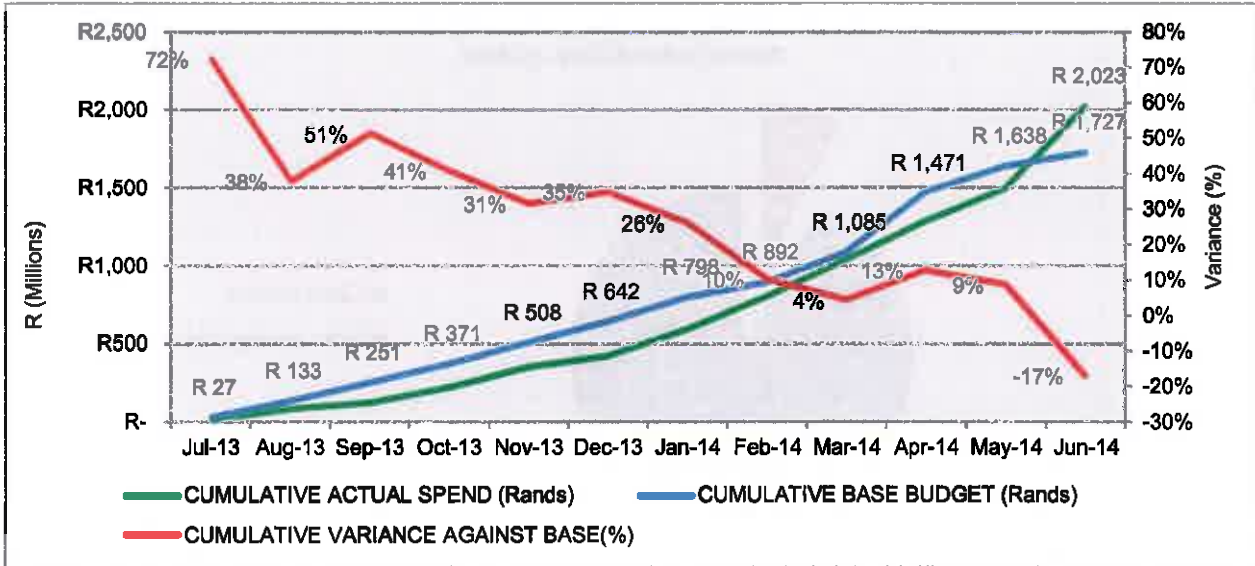
The expenditure for the year amounted to R2 billion compared to the full year revised budget of R1,7 billion. Although this reflects overspending of R290 million, it should be noted that the overspending will be accommodated by the additional R257 million allocated by the City during the month of May 2014. The overspending is also as a result of the non-controllable component as a result of public contributions. The reason for the over expenditure was necessitated by the performance of the network and the winter season in terms of unplanned outages due to equipment and cable failure.

Project Detail	Original Annual Budget (R'000)	Revised Annual Budget (R'000)	Expenditure to Date (R'000)	Full Year Variance (R'000)
Electrification	61 380	46 380	71 005	-24 625
Service Connections	120 730	66 730	67 333	-603
Upgrading of Electrical Network	128 861	219 733	283 430	-63 697
Network Development	6 000	6 000	4 694	1 306
Building Alterations/Construction	60 220	18 220	6 787	11 433
Office Equipment	617	617	934	-317
Computer	3 450	3 450	3 718	-268
Computer Software	41 000	51 000	36 322	14 678
Tools and Loose Gear	9 488	9 488	5 074	4 414
Plant and Machinery	24 110	15 110	26 682	-11 572
Telecommunication	15 000	15 000	-	15 000
Fire & Security	20 000	40 000	37 853	2 147
Meters	620 400	700 000	880 866	-180 866
Load Management	5 400	5 400	4 737	663
Scada	10 000	10 650	-	10 650
Protection	28 221	27 571	50 398	-22 827
Furniture	1 775	1 775	1 689	86
Public Lighting	27 715	79 234	74 230	5 004
Refurbishment of Bulk Infrastructure	542 691	410 699	466 748	-56 049
Insurance	-	-	588	-588
TOTAL	1 727 058	1 727 058	2 023 089	-296 031

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Actual vs Projections:

All projects have forecasts for expenditure and progress. These will be used to report and track progress in order to ensure successful execution of the capital programme. The graph below depicts the recovery path in expenditure. The figures shown are based on individual projects which are then rolled up to categories. The graph below indicates actual spend against the base projections, including the variance between Actual and Budget:



Capex Performance against the Recovery Plan:

Due to the slow capital expenditure during the first quarter of the year, a recovery plan was instituted. The table below provides a view of the overall Capex status, for the performance realised against the revised mid-year projections as per the recovery plan:

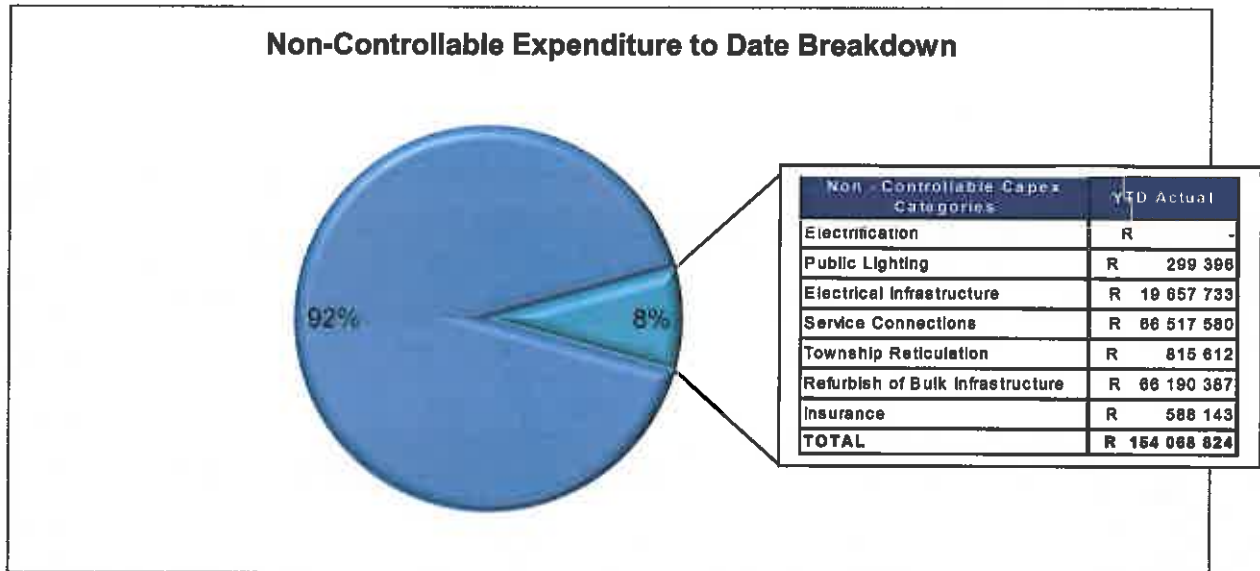
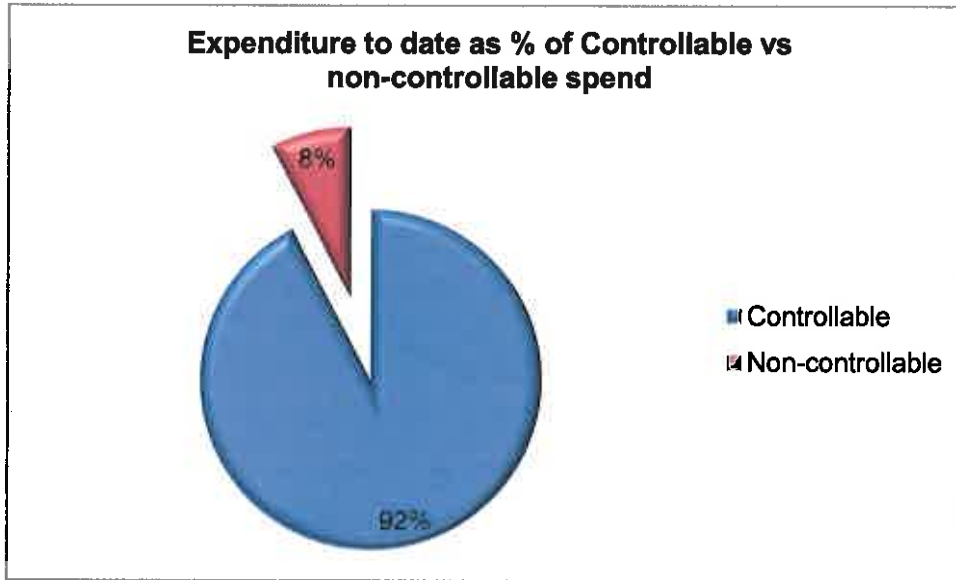
ACTUAL VS FORECAST								OVERALL STATUS
	Jan-14 R'000	Feb-14 R'000	Mar-14 R'000	Apr-14 R'000	May-14 R'000	Jun-14 R'000	TOTAL BALANCE R'000	
FORECAST	R77 742	R245 078	R343 249	R385 728	R167 276	R90 305	R1 309 378	
	6%	19%	26%	29%	13%	7%	100%	
ACTUAL	R171 887	R211 391	R236 653	R246 760	R211 628	R231 059	R1 309 378	
	13%	16%	18%	19%	16%	18%	100%	
DIFFERENCE	R94 145	R33 687	R106 596	R138 968	R44 352	R140 754	R0	
	7% OVER	3% UNDER	8% UNDER	10% UNDER	3% OVER	11% OVER	0%	
							100% CAPEX	

From the table above, Engineering Services has successfully spend all R1,309 million remaining in the last 6 months of the 2013/14 financial year.

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Controllable and Non-Controllable Spend

Controllable Capital Projects include projects which are funded from COJ loans, DSM levy, Grant funding, own cash and Adopt-a-Light funding. Non-controllable capital projects are projects which are funded by public contributions. The graphs below depict the breakdown of the R2,023 million spent to date, in terms of controllable & non-controllable spend. 92% (R1,869m) of expenditure to date is funded by controllable Capex, while the remaining 8% (R154m) is funded from non-controllable Capex.

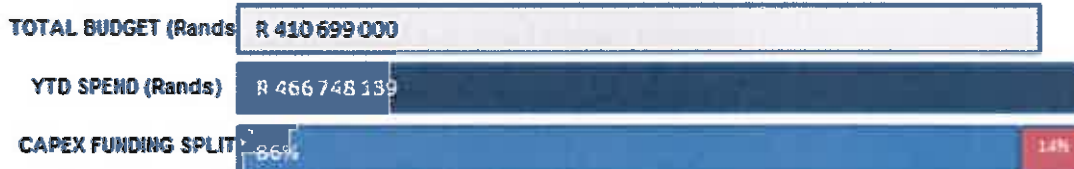


Controllable and non-controllable spend are jointly funding two common categories – Public Lighting and Refurbishment of Bulk Infrastructure.

As shown below, the Refurbishment of Bulk Infrastructure spend is split as 86% & 14% between controllable & non-controllable funding sources respectively:

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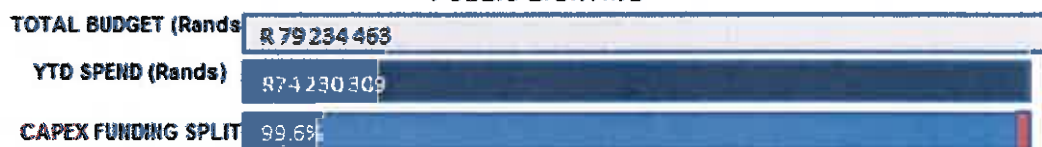
REFURB OF BULK INFRASTRUCTURE



	Total Budget (R'000)	Actual Spend (R'000)	Actual Spend - Controllable Portion (R'000)	Actual Spend - Non Controllable Portion (R'000)	Controllable	Non Controllable
Refurbishment of Bulk Infrastructure	R 410 699	R 466 748	R 400 577	R 66 190	85.8%	14.2%

As shown below, the Public Lighting spend is split as 99.6% & 0.4% between controllable & non-controllable funding sources respectively:

PUBLIC LIGHTING



	Total Budget (R'000)	Actual Spend (R'000)	Actual Spend - Controllable Portion (R'000)	Actual Spend - Non Controllable Portion (R'000)	Controllable	Non Controllable
Public Lighting	R 79 234	R 74 230	R 73 930	R 299	99.60%	0.40%

Overview of Capex Initiatives

The table below provides a high level interim view of some of the initiatives that enabled the realisation of spending all allocated Capex in the 2013/14 financial year.

Project Category	Description
Bulk Infrastructure	<p>The projects underway comprises a number of major substations (aggregate amount of R177m) that commenced in this financial year:</p> <ul style="list-style-type: none"> • Sebenza • Roodepoort • Lufhereng • Longlake • Cydna • Observatory • Nirvana • Industria <p>Other substation projects in the SCM process include Pennyville, Tshepisong, Cleveland and Quattro.</p> <p>Major risks realized are related the acquisition of servitudes and land rights.</p>

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Project Category	Description
Electrification	<p>Electrification projects are being rolled out in Fleurhof, Tshepisoong, Lehae, Rabie Ridge and Alexander. The electrification programme also included Narens Farm, is a settlement situated in private land.</p> <p>A total of 534 connections have been completed during the fourth quarter, resulting in 2151 completed connections year-to-date.</p> <p>Target from City was 2000 service connections and that target was exceeded by 151 connections.</p>
Meters	<p>The Prepaid meters project is underway; this includes the projects in Alexander Township with a budget of R112 million. The Tshepisoong Metering project is completed claiming 9148 commissioned meters. Major challenges have been experienced at Alexander and Rabie Ridge. To date, approximately 91 293 meters have been installed to date including prepaid and smart meters.</p> <p>The auditing of LPU meters was completed and the technical audit and normalisation of prepaid meters is on-going.</p> <p>The identified inaccessible meters and meters not read for long periods are being prioritized for normalization.</p>
Fire and Security	<p>The following projects are underway; Man-hole Locking, Mini Sub Alarms and Pylon Vibrations. Phase 3 of the Security System project is awaiting Exco's approval. The total value for all these projects is R20m.</p>
Protection	<p>This category has about five projects currently in the execution phase, the rest of the projects are either in the commercial stage or planning phase.</p> <p>The five projects underway include Relay Replacement of Sub-station, Sentraal Protection Upgrade, Fordsburg Protection and Scada Upgrade, Kloofendaal Protection Upgrade and Battery and Charger Replacement projects. These account for approximately R27.5m.</p> <p>Protection projects include:</p> <ul style="list-style-type: none"> • Fordsburg (bus zone and tap change commissioning outstanding) • Sentraal (bus zone outstanding) sub stations, resulting in intelligent network fault analysis, and preventative measures. • Luna Sub (Lenasia) • Hurlingham (Randburg) • Bryanston Temporary Sub • Country View Property (Midrand) • Halfway House Extension 11
Public Lighting	<p>A year-to-date figure of 7027 has been attained, against target of 7000. The project teams geared up and aggressively rolled out public lights. Major challenges in this category include:</p> <ul style="list-style-type: none"> • Wayleave process between JRA and City Power • Outstanding Eskom supply points
Telecommunications	<p>This project is in the commercial stage, and the value of the project is R15m. The telecommunication strategy has been presented to the technical evaluation committees. In addition, the last mile telecommunications solution is being investigated, to allow for connectivity to domestic, LPU's as well as ring main units and BMK's.</p>
Upgrade of Electrical Network	<p>This includes Mini Substations, RMU's and underground cable circuits. All risks in this category can be effectively managed by the Execution team.</p>

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Section 4: Performance against IDP and City Scorecard

Within the strategy map, value propositions are linked to key balanced scorecard perspectives. This section outlines these value propositions, key performance areas, indicators and actual performance for the financial year 2013/14 from financial, customer, internal and learning and growth perspectives.

The report analyses the performance of the entity in terms of the SDBIP scorecard, measuring performance in terms of both the entity's impact and its financial and resource management.

Performance that met or exceeded target is highlighted green and below target performance is highlighted in red.

PIP	CP IDP Programme	Impact on Community	KPI	Unit	YTD	
					Target	Actual
Sustainable Human Settlements	Improve Network performance and quality of supply	improved restoration times, reduction in unplanned Outages, improved network health	CAIDI	Minutes	279.71	314.00
Smart City			CAIFI	Number	5.65	6.07
Resource Sustainability			SAIDI	Minutes	1 337	1 652.65
			SAIFI	Number	4.78	5.26
			Investment attraction, retention and expansion	Planned: Unplanned Maintenance	%	70.00
Green Economy			HV Outages: NPR	Number	78.00	59.00
			Maintain High Quality of Service Levels (NRS 047 Index %)	%	90.00	75.77
			Maintain High Quality of Supply Levels (NRS 048 Index %)	%	95.00	99.12

The organization is using CAIDI, CAIFI, SAIDI and SAIFI to measure customer and system interruption. These KPI's were monitored and measured in the last 3 years to create a Company baseline, while benchmarking with other distributors. Therefore the targets were revised during the third quarter. The SAIDI, SAIFI and CAIDI performance is adversely impacted by theft and vandalism, damage by external parties, traffic congestion and a largely underground system. City Power is actively working on mitigating the T&V situation. However, unless this is curtailed at a societal level, it will remain to be a huge Organisational challenge, and will adversely affect SAIDI. The target setting for SAIDI and its related counterparts will be recalculated via a network reliability study to ensure that the targets set are achievable based on the current network infrastructure.

Faults restoration within the specified time frame as a percentage of total number of faults reported is one on the NRS047 KPIs that City Power has to comply with. City Power has attained two (2) of the four (4) restoration time categories (3.5; and 24 hours) however this is a decline compared to the last financial year. What makes the 1,5 hour KPI difficult for City Power to attain is the time of the outage and the traffic congestion within City of Johannesburg.

The planned: unplanned maintenance target for the year has not been attained even though the Organisation has improved on previous year's performance through the utilisation of condition based monitoring.

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NRS047 is a regulatory standard used for the monitoring of quality of service in the South African electricity industry. Meeting and reporting on these targets is imperative for the well-being of City Power's license. The following KPI's are managed by R&CRM as an agent for City Power:

- Total number of calls answered in 30 seconds as a percentage of calls received
- Number of customer complaints/queries resolved per total queries received SAP CRM
- Average time taken for City Power to resolve queries that are referred to them that require investigations (NRS 047)

City Power is working closely with R&CRM to attain performance improvement on these KPIS.

NRS048 is a regulatory standard used for the monitoring of quality of supply in the South African electricity industry. This standard acknowledges that quality of supply requirements differ between customer categories and per network type. City Power has attained these KPIs.

PIP	CP IDP Programme	Impact on Community	KPI	Unit	YTD	
					Target	Actual
Sustainable Human Settlements	Refurbishment of ageing infrastructure	improved restoration times, reduction in unplanned Outages, improved network health	Average age of infrastructure (HV)	Years	45	39
Smart City						
Resource Sustainability	Expansion and Strengthening of Network	More people with access to electricity, Economic	Additional Capacity	MVA	90	0
			Electrification	Number	2 000	2 151
			Provision of public Lights	Number	7 000	7 027
Investment attraction, retention and expansion	Demand Side Management	Climate Change & Energy Diversification	Improve After Diversity Maximum Demand	KvA	0.3	0.0
			Improve Energy Mix (MW)	%	Proj	0.00
Solar Water Heaters Installed			Number	30 000	30 008	
Reduction in Green House Gases			%	-	0.00	
Green Economy						

PIP	CP IDP Programme	Impact on Community	KPI	Unit	YTD	
					Target	Actual
Sustainable Human Settlements	Revenue step change programme	Relief in Tariffs, Smart City, reduction in accounted for electricity	Payment Levels	%	96.00	100.32
			Meter Reading performance	%	96.00	66.00
Meter Roll Out			Number	100 000	91 228	
Losses (Technical/ & Non-Technical)			%	14.50	30.73	
% of ESP customers with FBE provided			%	97.00	100.00	
Active engaged citizenry						
Resource Sustainability						

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Non-technical losses continue to be a challenge, due to increased theft and vandalism.

Impact on City Power Non –Technical losses

- The accounts/installations not billed and resolved at the end of a month leads to unrecognised revenue units in the system. As at 30 June 2014, there were 1 321.
- Installations with consumption but with no business partners are not linked and the consumption is not recognised. 1 779 installations had no business partners as at 30 June 2014.
- The number of meters requested for readings by the City of Jhb is declining on a monthly basis, declining from 250 232 in March 2014 to 246 321 in June 2014.

PIP	CP IDP Programme	Impact on Community	KPI	Unit	YTD	
					Target	Actual
Financial resilience and sustainability Smart City Resource Sustainability	Improve Customer Centricity and people development Development Service Delivery	Improved services	EPWP	Number	3 000	3 507
			50% black owned companies	%	8.00	11.97
			30% black woman owned company	%	5.00	4.86
			Customer / stakeholder satisfaction index	%	65.00	66.00
			Filling of vacancies aligned to agreed Affirmative Action (AA) targets	%	85.00	89.53
			Filling of vacancies aligned to agreed Gender Equity (GE) targets	%	24.00	25.00
			Filling of vacancies aligned to agreed People with Disabilities (PWD) targets	%	2.00	2.83
	Continuous Improvement of the business	Improved services	DIFR	Ratio	1.00	0.59
			ISO accreditation	Audit report	3 = Unqualified Audit report	Keep certificate with minor findings
			Unqualified Audit	Audit report	3	2 = Unqualified audit with matter of emphasis and other matters

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The Company has attained and exceeded performance on all of the KPIs that are information technology related, BEE Spend, Filling of vacancies AA as well as gendered equity (GE), and ISO Management System Compliance.

Customer Satisfaction Index is a survey for consolidated COJ customers which are neither electricity nor City Power specific. City Power is looking at having its own survey that will be electricity specific in the City Power areas of supply in the next Financial Year.

Job opportunities created as per EPWP (Expanded Public Works Program) have been exceeded. The Company has a plan in place to ensure the attainment of unqualified audit report.

Contact with electrical network often results in serious incidents, resulting in permanent and or partial and temporary disability, sometimes into fatalities. For the period under review there has been no employee fatality and 13 (Controllable (3) and (10) Non-Controllable) public fatalities recorded. The *Public Fatalities: Controllable* KPI refers to the number of public fatalities due to electricity related incidents caused by City Power. In an effort to maintain low controllable public fatalities, City Power conducts staff and contractor training. On the 29th April 2014 the Business celebrated the Worker's Day event as an integral part of the awareness campaign, supported by Exco and all relevant departments. *Public Fatalities: Uncontrollable* KPI refers to the number of public fatalities that are mainly due to electrocution as a result of various factors such as customer negligence, tampering with electricity installations, attempted theft of infrastructure, etc. In an endeavour to educate our customers and communities, City Power is conducting awareness campaigns to ensure greater within communities of the danger of electricity.

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Section 5: Assessment of Arrears on municipal taxes and service charges

5.1 Assessment of Municipal Taxes and Service Charges owed to the entity

Total Debt	Current	30 days	60 days	90 days	Above 90 days
4,276,939,027	505,532,877	573,767,214	244,115,208	260,315,725	2,693,208

An amount of R 704 million was written off, for the financial year 2013/14

5.2 Amounts owed by entity for service charges

Name of Entity	Amount Owed	Status	Comments
City Power	R 21 795.590	Amount provided for in the entity's books	Amount to be collected

5.3. Assessment of Directors' and Senior Managers' municipal accounts

Directors' municipal accounts				
Name	Designation	Municipality	Municipality account number	Account status
Mr. S Xulu	Managing Director	Ekurhuleni Municipality	BML OF025C1	Current
Mr. Q. Green	Director: Finance	City of Johannesburg	552694502	Current
Ms. S Mafora	Director: Human Resources	City of Johannesburg	MDM0001A	Current
Mr. M. Nzimande	Director: Engineering Services	City of Tshwane	5008371864	Current
Mr. T Nkgoedi	Director: Retail Services	City of Johannesburg	505490974	Credit
Mr. L Pleterse	Director: Engineering Operations	Ekurhuleni Municipality	2101015625	Current
Mr. M Smith	Company Secretary	City of Johannesburg	300949880 301192578	Current
Ms. F. Mtsha	Director: RAC	City of Tshwane	5008663383	Current

Section 6: Statement on amounts owed by Government Departments and Public Entities

Account Number	Name	Balance
220068999	JOHANNESBURG HOSPITAL	57,083,365.69
220004811	NUWE LANDROS GEBOU	20,188.76-
221211031	DEPT OF ROADS AND TRANSPORT	414,566.78
220017137	SOUTH RAND HOSPITAL	2,623,997.84
220052075	SAP FLATS / Yvonne	191,616.81-
221087497	Gauteng Shared Service Centre	2,286,877.55
221092105	Sizwe Tropical Disease Hospital	859,996.75

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Account Number	Name	Balance
220091003	JHB HOSPITAL	1,592,804.80
220028442	DIEPKLOOF PRISON P W D	1,506,805.32
221211024	DEPT OF ROADS AND TRANSPORT	258,715.76
220010501	EDUCATION MODEL C SCHOOLS 87369371	1,117,440.33
220022970	DIE STREEKSVERTEENWOORDIGER	1,440,930.53
221165106	DEPARTMENT OF PUBLIC TRANSPORT&WORKS	141,413.74
220047364	ODIN-PARK PRIMARY	23,459.24
220007153	SAP BARRAKKE MAINWEG	581,111.25
220055421	SOUTHVIEW SECONDARY SCHOOL	1,166,426.50
220024991	FOREST HIGH SCHOOL	997,780.73
220057193	MODEL PRIMARY SCHOOL	75,556.79-
220003751	DEPT. PUBLIC WORKS & LAND AFFAIRS	368,179.86
220058550	PNEUMOCONIOSIS RESEARCH PWD	173,193.65
221038725	EDENVALE HOSPITAL	739,270.32-
220092208	HILLCREST PRIMARY SCHOOL	226,374.71-
220042510	R S A PUBLIC WORKS	255,066.57
220028410	DIEPKLOOF MILITARY CAMP	471,630.92
220025000	HOERSKOOL DIE FAKKEL	558,768.34
220059151	SAP DODEHUIS EN KWARTIERE PWD	502,586.81
220057299	GREYVILLE PRIMARY SCHOOL	68,293.85
220055534	LENASIA SOUTH SECONDARY	52,577.71
221167015	DEPT. OF PUBLIC TRANSPORT/ ROADS & WORKS	91,238.14
220057179	ALPHA PRIMARY SCHOOL	31,934.74-
220059120	SAP DODEHUIS EN KWARTIERE PWD	34,492.64
220061150	NANCEFIELD LAERSKOOL	34,373.98
220068100	JHB HOSPITAL	442,948.76
220078845	R S A OPENBAREWERKE&GRONDSAKE	344,950.07
220058937	TRINITY SECONDARY SCHOOL	3,170.78
220091388	SA DEFENCE QUEENS HIGH	322,593.98
220080386	SA POLICE FLATS (TRIOMF)	104,821.41
220061009	DEPT HOUSING AND LOCAL GOVT	1,504,008.86
220061030	SILVER-OAKS SEKONDERE SKOOL	463,448.44
220057355	M H JOOSUB TECHNICAL	210,881.79-
220058944	IMPALA CRESCENT PRIMARY	83,954.90-
221087673	KIASHA PARK PRIMARY	63,606.21
220055453	PARKSIDE PRIMARY SCHOOL	28,525.26-
221515061	NATIONAL DEPARTMENT OF PUBLIC WORKS	79,545.87
220092173	MALVERN HIGH SCHOOL	248,571.93
220093787	OPENBARE WERKE EN GRONDSAKE	51,885.07
220091356	KENSINGTON SECONDARY SCHOOL	244,137.11-
220061023	WILLOW CRESCENT HOERSKOOL	46,155.43-
221387003	NATIONAL DEPT OF PUBLIC WORKS	225,178.26
220057274	SAP LENASIA	130,409.92
220093794	ALEXANDRIA POLICE STATION	93,639.13
220006865	P W D WERKSWINKEL & STORE	25,830.78
220069512	JEPPE POLICE STATION	322,571.89
221442060	NATIONAL DEPARTMENT OF PUBLIC WORKS	50,810.70
220028435	SAP MOTOR WERKSWINKEL	223,680.92

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Account Number	Name	Balance
220078806	SAP RADIO STATION	126,025.19
220000253	BRAMLEY PRIMARY SCHOOL	169,530.29
220056954	HOSPITAL HILL POLICE STATION	167,893.02
220035859	R S A PUBLIC WORKS & LAND	43,723.82
221087401	SA.POLICE ELDORADO PARK	120,365.99
221192163	GAUTENG PROVINCIAL GOVERNMENT	33,159.43
220055573	SIERRA NEVADA PRIMARY	71,006.11-
220008118	DEPT OF JUSTICE	132,352.71
220079207	NORTHCLIFF HIGH SCHOOL	57,826.47
220079334	R S A DEPT OF PUBLIC ROADS ATT: STELLA	51,425.42
221449041	GAUTENG PROVINCIAL GORVERMENT	161,777.90-
220008816	DIE HOOFDIREKTEUR/ Stella	67,114.57
220075925	JHB Secondary School	113,777.00
220009104	DIE STREEKSVERTEENWOORDIGER	413,549.18
220079197	SOPHIATOWN S.A.P.S	178,271.64
220078676	GEN.CHRISTIAAN DE WET SKOOL	31,765.79
220056993	SAP SAM HANCOCK STR	1,330.23
220027946	DEPT.PUBLIC WORKS&LAND AFFAIRS	190,579.49
220028700	PHILIP KUSHLICK SCHOOL	13,420.42
220047406	ENNERDALE SECONDARY SCHOOL	340,243.74-
221019218	NATIONAL DEPARTMENT OF PUBLIC WORKS	83,782.42
220062002	SAP LAW COURTS LENASIA	14,162.38-
220083813	EAST BANK HIGH SCHOOL	293,796.46
220069696	PARKVIEW SENIOR SCHOOL	54,919.52-
220055608	AZARA SECONDARY SCHOOL	36,062.63
220065596	CYRILDENE PRIMARY SCHOOL	20,473.51
220059120	SAP DODEHUIS EN KWARTIERE PWD	34,492.64
220010332	DIE STREEKSVERTEENWOORDIGER	55,211.98
220100709	RIVERLEA LAERSKOOL	521,028.67-
221068046	NATIONAL DEPT OF PUBLIC WORKS	41,178.07
220025770	DEPT OF PUBLIC TRANSPORT,ROADS & WORKS	36,141.49-
220057098	SA NEVHUHULWI	1,674.72
220903752	DEPT. PUBLIC WORKS & LAND AFFAIRS	76,868.25
220092430	7TH DIV HEADQUARTERS PWD	78,972.98
220057080	SAP SAM HANCOCK STR (PWD)	2,085.31
220028957	S A POLICE STATION HONEYDEW	7,299.14
220088177	BEREA PRIMARY SCHOOL	141.59-
221141137	INKULULEKO YESIZWE PRIMARY SCHOOL	78,658.77-
220933683	SAP STATION BOOYSENS	6,384.82
220057027	SAP SAM HANCOCK	2,239.22
220056986	LS MODISE	7,715.35-
220057041	SAP SAM HANCOCK	1,178.66
220057010	SAP SAM HANCOCK	1,767.83

74,957,864.67

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Section 7: Recommendation and Plans for next financial year

The approved budget for the 2014/15 financial year is outlined in the table below:

	2014-2015
Turnover	13 573 620
Sales to Eskom	
Cost of Sales	(9 124 840)
Gross Margin	4 448 780
Gross margin %	32.78%
Other Income	145 667
Grants & DSM	584 065
Net Operating Income	5 178 512
Operating overheads	3 090 337
Employee Related Costs Salaries	(817 242)
Gen.exp - Other	(1 030 816)
Repairs and maintenance	(511 877)
Contribution bad debts	(452 544)
Depreciation and amortisation	(277 857)
Operating Profit before Interest and taxes	2 088 175
Interest Payable	(463 515)
Interest Receivable	160 131
Profit before taxation	1 784 791
Taxation	(499 741)
Profit after tax	1 285 050

Key Focus Areas for the 2014/15 financial year

City Power Priorities for the next 3 to 5 years are:

Mayoral Priorities	City Power Flagship Programmes	City Power STEP Targets S – Service Delivery, T – Transformation, E – Excellence, P – Performance
Financial Resilience and Sustainability Safer Cities	Integrated Loss Management	<ol style="list-style-type: none"> 1. Attaining an Clean audit in a sustainable manner 2. Reduce losses to 10% by December 2015 3. Achieving 98% meter reading by June 2014 (100% Compliance to the by-law) 4. Achieving 100% payment level for key and LPU customer by June 2014 5. Achieving 90% data accuracy by 2015 6. Achieving full compliance to NRS 047 and 048 immediately 7. Accelerated Visible Service Delivery (eg.100% compliance to the SLA, electrification, PL)
Resource Sustainability Sustainable Human Settlements Smart City	Infrastructure Plan and Maintenance	<ol style="list-style-type: none"> 1. Reduce losses to 10% by December 2015 2. Installing 110 000 SWH by December 2016 3. Achieving full compliance to NRS 047 and 048 immediately 4. Achieving 90:10 Planned: Unplanned maintenance ratio by December 2015 5. Accelerated Visible Service Delivery (eg.100% compliance to the SLA, electrification, PL) 6. Innovative Product Pricing (Introduction of Domestic Time of Use and Green Tariffs) by 2015

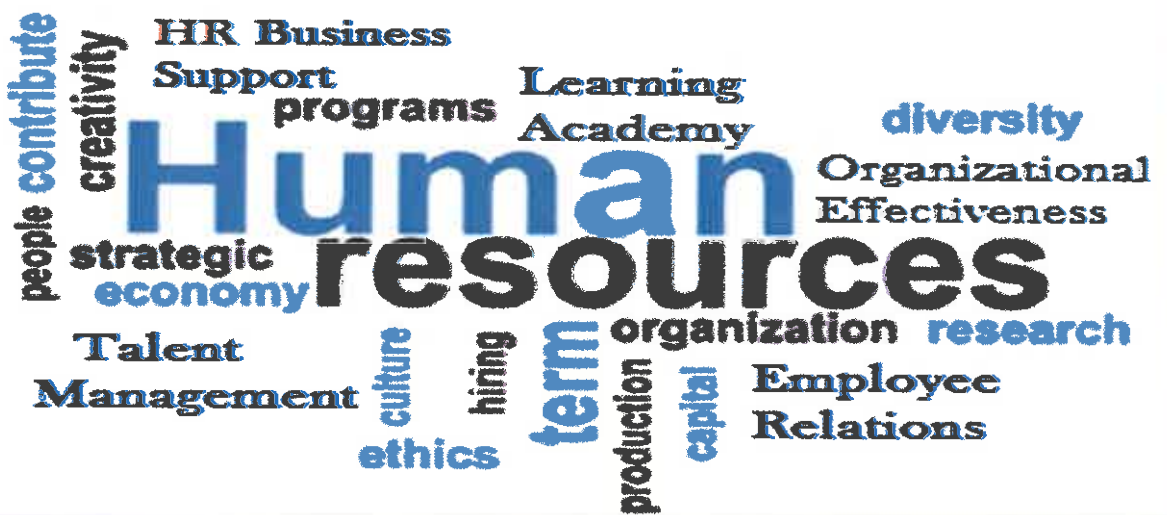
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Mayoral Priorities	City Power Flagship Programmes	City Power STEP Targets S – Service Delivery, T – Transformation, E – Excellence, P – Performance
Active Engaged Citizenry	Stakeholder Engagement Plan	<ol style="list-style-type: none"> 1. Achieving 90% data accuracy by 2015 2. Accelerated Visible Service Delivery (eg.100% compliance to the SLA, electrification, PL) 3. Innovative Product Pricing (Introduction of Domestic Time of Use and Green Tariffs) by 2015 4.
SMME and Entrepreneur Development and Support	Developmental Service Delivery/ Jozi@work	<ol style="list-style-type: none"> 1. Accelerated Visible Service Delivery (eg.100% compliance to the SLA, electrification, PL)
Green Economy	Energy Management	<ol style="list-style-type: none"> 1. Reduce losses to 10% by December 2015 2. Installing 110 000 SWH by December 2016 3. Innovative Product Pricing (Introduction of Domestic Time of Use and Green Tariffs) by 2015
Resource Sustainability Financial Sustainability	Data Management	<ol style="list-style-type: none"> 1. Achieving 90% data accuracy by 2015
Financial Resilience and Sustainability	Clean Audit	<ol style="list-style-type: none"> 1. Attaining an Clean audit in a sustainable manner

CHAPTER FOUR HUMAN RESOURCES & ORGANISATIONAL MANAGEMENT

KEY ACHIEVEMENTS

- Various HR policies were approved by the City Power Board
- Finalisation of the Organisational Structure for all levels in line with the LLF Agreement adopted on 30 May 2013
- The Company awarded bursaries to 17 new students in January 2014.
- A 2 x 12 shift system has been implemented within identified departments with effect from 1 February 2014



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KEY ACHIEVEMENTS

- The following HR Policies were approved by the City Power Board on 24 February 2014 :
 - Talent Acquisition and Selection Policy and Procedure
 - Integrated Performance Management Policy (IPMP).
 - Apprenticeship, Experiential Learning, Internship and Learnership Policy and Procedural Guidelines.
 - Training and Development of Engineers-in-training and Engineering Technicians-in-training Policy.
- The following HR Policies were approved by the City Power Board on 27 June 2014 :
 - Bursary Policy
 - Sexual Harassment Policy
 - Travel, Accommodation and Subsistence Allowance
 - Mentorship Planning Policy
 - Organisational Re-assignment Policy
- The Employee Educational Assistance Policy and Procedures for Under- and Post Graduate Studies and Scholarships (Subsidized Education) was approved by the HR Committee on 20 May 2014 as mandated by the Board of 24 February 2014.
- Finalisation of the Organisational Structure for all levels in line with the LLF Agreement adopted on 30 May 2013.
- Trained new Team Leaders on Performance Management and provided desktop manuals.
- Practical Audits were done with all groups and depots to ensure that employees have compacts.
- The Employee Satisfaction Survey exceeded CoJ requirements by more than 100% in terms of expected population sample; and is reflective of City Power's demographics, groups and depots.
- Implementation of the reviewed Tools of Trade allowances to eligible employees in line with the LLF Agreement of 30 May 2013.
- The Workplace Skills Plan 2011-2012 and the Annual Training Report 2010-2011 were approved by the EWSETA on 27 September 2013
- The South African Institute for Electrical Engineers (SAIEE) in conjunction with the South African Institute for Civil Engineers (SAICE) awarded 10 of the Company's graduates with training and mentorship programs. This is in alignment with the creation of employment opportunities for the youth.
- An enhanced bonus formula that takes into account the Company's gatekeepers, i.e. Clean Audit and Company Score was developed and approved by the Board on 19 October 2013.
- As part of the revamping of the Training Centre, a public auction to dispose obsolete equipment took place on 28 November 2013. This process raised R371 000.
- The positions of Director: Retail, Engineering Services, Risk, Assurance and Compliance as well as Finance were filled in the months of September, October and November 2013 and February 2014 respectively in an effort to stabilize the structure at the leadership level.
- The Company awarded bursaries to 17 new students in January 2014.
- A 2 x 12 shift system has been implemented within identified departments with effect from 1 February 2014
- Operationalisation of Shifts:
 - All Placement Letters have been distributed.
 - Work and pay rules have been aligned with the payroll system.
 - Work and pay rules for paid / unpaid meal breaks have been reviewed by a Special LLF on 14 March 2014 and adopted at LLF on 27 March 2014. The payroll system was aligned accordingly.
 - The implementation of shifts has brought overtime into compliance levels.
- The data and qualification collection exercise was completed before the due date of 30 June 2014 - all employee qualifications are on record (personal file and SAP HCM).
- Skills transfer on Grading and Moderation was conducted to identified internal Committee Members including Shop Stewards.

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Structural Alignment Programme

Resulting from strategic introspection sessions and the recognition that City Power is at a strategic inflection point, several bold decisions were made by the Business which culminated in the decision to re-design the Business in its entirety. This was a purposeful effort to align the Organisational Structure and processes so as to make City Power more effective. This initiative is referred to as the Structural Alignment Programme.

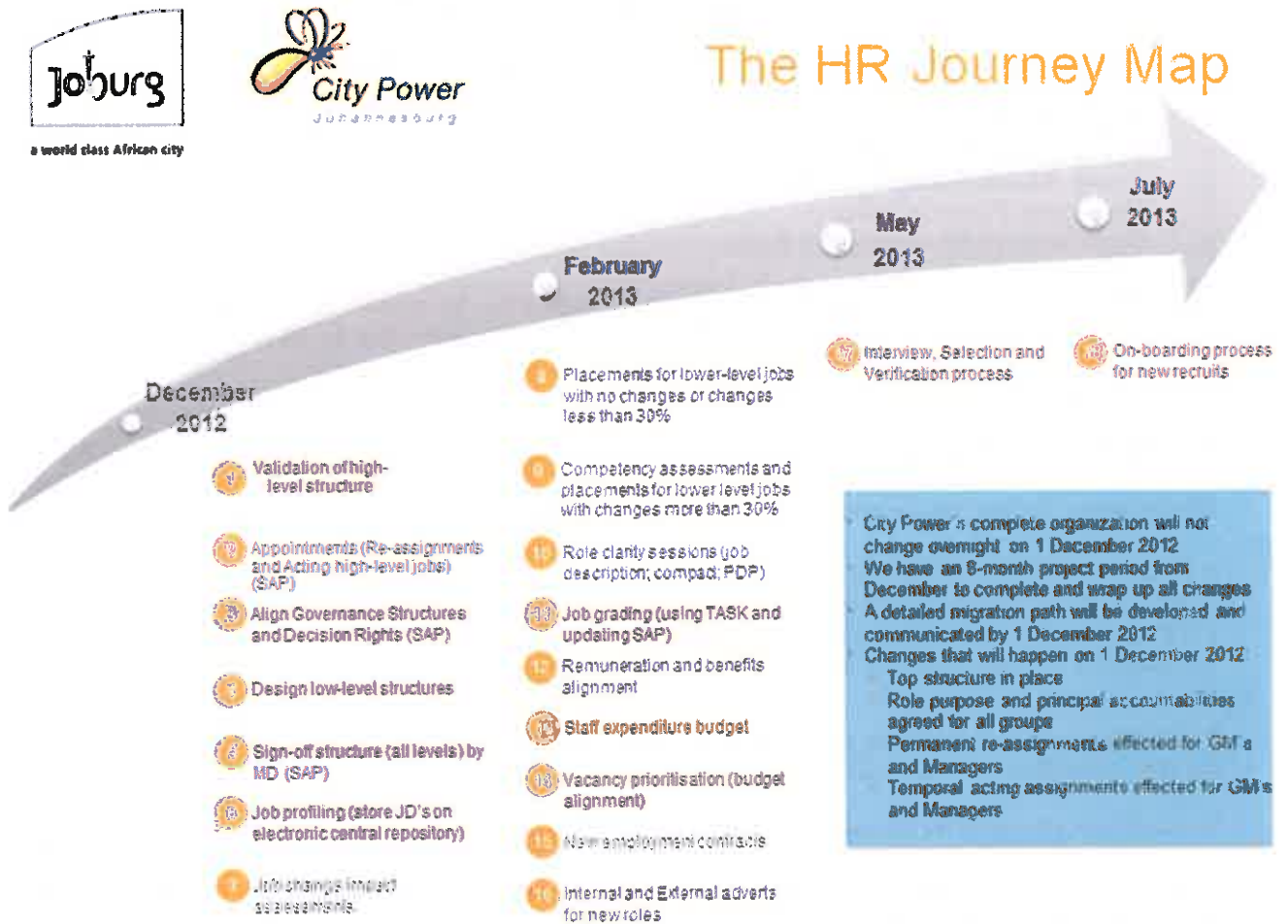
The Structural Alignment Programme is a planned change from a deliberate decision to alter the current state, improve Business performance and enhance service delivery. The organization re-design initiative (structural alignment) which really began to be felt and be visible with effect from 1 December 2012 broadly covered and is expected to finally address the key aspects as depicted by the framework below:



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For 2013/14 the strategic partner role of HR was to focus on aligning the Organisation Structure to the Organisation strategy as outlined in the action plan which was put in place. Human Resources expertise had a vital role in the quest to ease organizational change. It is for this reason that at City Power, HR has to be an integral part of the organization’s strategic planning and implementation which will have a huge effect on business performance.

In operationalization of the City Power Organizational Realignment in relation to the mandate approved by the Board, all structures-related deliverables were achieved as mapped on the Journey Map as at 31 July 2013. These are:



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Section 1: Human Resource Management

Human Resources' overall objective, supported by its Board approved policies, is to ensure that the Company's employment practices motivate and retain talented employees and create an attractive environment for all employees.

During the 2013/14 financial year, Human Resources focussed on reviewing its policies to ensure that it remains relevant and practical for the changing needs of current and potential employees.

As highlighted under HR's achievements above the following HR Policies were approved by the City Power Board on 24 February 2014:

- o Talent Acquisition and Selection Policy and Procedure
- o Integrated Performance Management Policy (IPMP).
- o Apprenticeship, Experiential Learning, Internship and Learnership Policy and Procedural Guidelines.
- o Training and Development of Engineers-in-training and Engineering Technicians-in-training Policy.

The following HR Policies were approved by the City Power Board on 27 June 2014:

- o Bursary Policy
- o Sexual Harassment Policy
- o Travel, Accommodation and Subsistence Allowance
- o Mentorship Planning Policy
- o Organisational Re-assignment Policy

The Employee Educational Assistance Policy and Procedures for Under- and Post Graduate Studies and Scholarships (Subsidized Education) was approved by the HR Committee on 20 May 2014 as mandated by the Board of 24 February 2014.

Section 2: Employment Equity

HR endorses the four key areas of employment equity identified by the Employment Equity Act:

- elimination of discrimination in decision-making;
- promotion of employee diversity;
- reduction of barriers to advancement of the disadvantaged; and
- introduction of measures and procedures for transformation.

The Employment Equity Policy and the Employment Equity Plan were recommended for Board approval by the HR Committee on 25 July 2014.

The staff complements for the reporting period is 1 624 which includes permanent and contract employees.

The Company's target for Affirmative Action is 83%. The Company achieved 89.53% for all levels and 80.62% for Supervisory and above levels.

The Company's target for Gender Equity is 24%. The Company achieved 25% for all levels and 30.90% for Supervisory and above levels.

Section 3: Skills Development and Training

The entity is committed to the maintenance of standards by supporting and training staff through its world-class skills development programme. This programme aims to develop both technical and people skills required for the Company to conduct its business on an effective basis. Our skills development programmes are in line with the requirements of the Skills Development Act and our workplace plan (WSP) is aligned to our Business Plan and focus is placed on occupational specific programmes, Management development and legally required training.

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Training in Electrical Safety, Safe Operating Procedures and Electrical Switching is done on a continuous basis for internal staff and external companies at the Roodepoort Training Centre.

Training in cable terminations and cable jointing is done at the Cable School at Reuven.

A total of 1120 employees attended training courses

- Number of staff trained versus costs:

Training Statistics - July 2013 - Dec 2013	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Totals
Number of employees trained	111	103	40	139	102	13	508
Costs	R 576 986.19	R 737 951.46	R 179 106.54	R 823 563.10	R 807 736.44	R 91 332.24	R 3 216 675.97
Training Statistics - Jan 2014 - Jul 2014	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Totals
Number of employees trained	46	42	367	36	84	37	612
Costs	R 191 749.22	R 300 566.11	R 799 711.03	R 257 945.15	R 460 713.10	R 136 796.12	R 2 147 480.73

In the 2014/15 financial year, training will focus on the development of specific competencies relating to the future strategy of the Company i.e. project management, risk management, quality assurance, supply chain management, financial management, including technical development such as high voltage operators, cable jointing and electrical trade test preparation. Information on the requirements for specific training is obtained from submitted Personal Development Plans by the employees. Compliance to legislation in terms of the Occupational Health and Safety Act is obtained via or Mandatory Training Courses that are presented on an as and when required basis.

Renovation of the Reuven Training Centre

The present focus on staff development is aimed to improve performance of technical staff. In order to achieve this, the Reuven Training Centre had to be upgraded first. The proposal to renovate the Training Centre was approved and is now in the construction phase.

The area shown in the picture is part of the training area which is in the process of being upgraded / renovated.



Before renovation



During renovation.

Training Instructors will need to be appointed to fully utilise the "new" training centre.

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Section 4: Performance Management

The Integrated Performance Management Policy was reviewed and approved by the Board on 24 February 2014. The policy will ensure that individual and group performance is aligned to the Company Strategy and the balanced scorecard i.e. Financial, Customer, Internal Processes and Learning & Growth Perspectives.

The revised policy includes the Group and Central Moderation Committees for quality assurance.

The process consists of two reviewing cycles i.e. March and September and two scoring cycles i.e. June and December. HR is currently in the process of performing practical audits to confirm if the scores submitted for the June 2014 scoring cycle corresponds with the scores signed by both the Manager and the incumbent and also to confirm if compacts are in place and readily available.

HR is currently also in the process of training staff on the new approved Balance Scorecard Compact template up to manager level. Progress thus far is as follows:

- Since the Balanced Score Card training is now a certifiable course through the Balanced Score Card Institute, the Supply Chain Process to obtain a certified and registered Service Provider was commenced and a Service Provider was appointed in May 2014.
- The Service Provider has since made a Balanced Score Card overview to City Power EXCO on 30 May 2014.
- The training sessions for Directors and General Managers have been scheduled to take place during the month of July 2014, as the purpose is to introduce Senior Management to the concept of cascading performance requirements from the Company to Groups and eventually to Teams and Individuals.
- The Managers' sessions with GMs – along Value Chains and within Groups - will commence soon thereafter. The plan is to train the rest of the Company below Manager level, throughout the 2014/15 financial year, with the aim of reaching even the lowest worker in the hierarchy in order for the Performance Management process to be rolled out along the Balanced Score Card basis.
-

Section 5: HIV/AIDS on the Workplace

The management of HIV epidemic is a challenge facing every organisation in our country. City Power is aligning itself with the National Strategic Plan NSP 2014 – 2019, health protocols and it is in the process of implementing SANS 16001: 2013. The entity has determined that HIV will have an impact on the following risk areas: operations, target market risk, supplier risk, legal risk and health risk. Whilst all these risks are under further investigation, and has adopted the following core principles as a basis for its HIV policy:

COMPREHENSIVE DISEASE MANAGEMENT PROGRAMME

- Continuously assess the risks posed by HIV on the Business e.g. by conducting HIV Counselling and Testing (HCT).
- HIV Diagnosis
- Efficient provision of ARV's;
- Reduce the number of new infections among employees and their partners;
- Reduce and monitor HIV co- infections e.g. TB.
- Ensure non-discrimination of employees living with HIV.
- Employee are continuously made aware of their HIV rights and that their rights are respected and protected;
- Provide care and support to employees living with HIV and their core family members
- Counselling is provided for employees and their nuclear families.

INFORMATION, EDUCATION and COMMUNICATION

- Prevention programmes, health campaigns and health screening are conducted according to the International and National health calendar.eg WORLD AIDS DAY commemoration.
- Employees are kept abreast with the latest health matters.
- Employees are encouraged to conduct their lifestyle audit e.g. KABP analysis.
- Communication is done via the internal communication's department targeting all employees.

EVALUATION and MONITORING

- Identification of gaps is done for continual improvement.
- Operational plans, targets, objectives and indicators are evaluated on quarterly basis or as and when.

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Section 6: Employee Benefits

The Company is a participating employer in the various retirement benefit schemes through which the City of Johannesburg Metropolitan Municipality and its associated Utilities, Agencies and Companies (UACs) provide employment benefits to all their permanent employees through the following four (4) Defined Contribution Funds and one (1) Defined Benefit Fund:

- E-Joburg Retirement Fund
- City Power Retirement Fund
- Municipal Gratuity Fund
- City of Johannesburg Pension Fund
- Municipal Employees Pension Fund

Each of these funds utilises the services of actuaries to give credibility to the information and to assess the levels of funding as required.

City Power employees can also belong to any of the following five (5) Company-approved medical aids:

- Bonitas
- Discovery
- LA Health
- Key Health
- SAMWUMED

Section 7: LLF Agreement

On 30 May 2013 the Local Labour Forum adopted an agreement entered into between the Company and Samwu on 28 May 2013.

The agreement comprised of the following issues:

- Travel Allowance
- Cell Phone Allowance
- Data Allowance
- Hot Skills Allowance
- Overtime
- Structural Re-alignment
- Acting Allowance
- 50th Percentile
- Rules of Engagement
- Essential Services
- Shift Policy
- Annual Leave
- Gratuity

In June 2013, the Managing Director established the HR Steering Committee to oversee the implementation of the LLF Agreement of 30 May 2013. The HR Steering Committee takes place on a regular basis. Organised Labour, HR and EXCO are members of the HR Steercom.

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To ensure buy-in, HR shares the reports with Organised Labour prior to the HR Steercom meetings.

Table 1: Status of issues:

LLF Agreement	Status	Impact
Travel Allowance	HR developed the criteria for a top up to ensure common understanding	Consistent application of travel allowance. Clean Audit of the implemented travel allowance.
Cell phone Allowance	HR developed the qualifying criteria and communicated to Business to ensure common understanding:	Consistent application of cellphone allowance. Clean Audit of the implemented cellphone allowance.
Data Card Allowance	HR developed a qualifying criteria and communicated to Business to ensure common understanding	Consistent application of data card allowance. Clean Audit of the implemented data card allowance.
Hot Skills Allowance	Hotskill allowance was discontinued on 1 June 2013 in line with the LLF Agreement	Discontinued hotskill allowance with effect from 1 June 2013.
Structural Re-Alignment	<p>All structures - related deliverables were achieved as mapped in the HR Journey Map. These include :</p> <ul style="list-style-type: none"> • Validation of high-level structure • Appointments (Re-assignments and Acting high-level jobs on SAP HR) • Aligned the Governance Structures and Decision Rights (on SAP HR) • Designed low-level structures • Re-aligned and signed-off structures were uploaded on SAP HR <p>The up-loading of the signed-off structures on SAP HR and the completeness thereof was confirmed to be 100% as at 31 July 2013. All employees, below Manager level, received placement letters to the newly aligned Organisational Structures. These letters are equal to and form the basis for an employees' contract of employment</p>	Structures developed in line with the guiding principles. Clean Audit i.e right people in the right place on SAP: HCM
Acting Allowance	An addendum to the acting provisions, clarifying the qualifying periods, was signed by all parties in February 2014	Compliance to Conditions of Service. Clean Audit regarding the implementation acting allowance.
50 th Percentile / Pay Progression	<p>Following several consultative sessions with Organised Labour and Management, City Power is now in good position to introduce pay/salary progression.</p> <p>The framework, principles, criteria, methodology have been finalised with all key stakeholders.</p> <p>The tenure and qualifications have been uploaded on SAP HCM</p>	Well understood criteria of pay progression and implemented within the Board approved principles with minimal grievances lodged.

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Essential Services / Rules of Engagement	The Rules of Engagement have been finalised. A decision was, however, taken at the LLF and HR Steercom that it be signed in tandem with the Essential Services Agreement. An Agreement has been drafted and all parties are in agreement with the context. The only outstanding matter is around the agreement on essential services numbers	Continued service delivery in the event of the protected strike action.
Shift Policy / Overtime	A decision was taken to adopt a 2 x 12 shift system	Implemented shift policy within the approved principles.
Accumulated Annual Leave	Leave plans are drawn up by all Groups for employees with accumulated leave. The progress regarding leave taken versus leave planned is reported to HR Steercom on a monthly basis	Accumulated leave taken in compliance to the LLF Agreement.
Gratuity / Performance Management	The IPMP policy was reviewed and approved by the Board on 24/2/2014.	Performance Bonus implemented in line with the IPMS policy with minimal grievances lodged.

Section 7: Supply Chain Management and Black Economic Empowerment

7.1 Accreditation of Black Economic Empowerment in respect to both the supplier and contractor

Accreditation of suppliers and contractors is completed on an on-going basis by the BEE unit and reviewed regularly to ensure validity and correctness of information on the database. Suppliers and contractors are required to submit BEE certificates which will show their contribution levels, thus enabling reporting on BEE spend.

7.2 BEE spend in respect of suppliers and contractors

The YTD spend on 50% Black Owned companies amounted to R1,583m which is 12% of the procurement spend and is above the set target of 5%. Procurement spend on 30% Black Women Owned companies amounted to R643m, which equates to 5% of the total procurement spend and is above the set target of 2%.

7.3 Status of the implementation of the COJ Integrated Supply Chain Management Policy

City Power Supply Chain Management Policy is in line with COJ Integrated Supply Chain Management Policy.

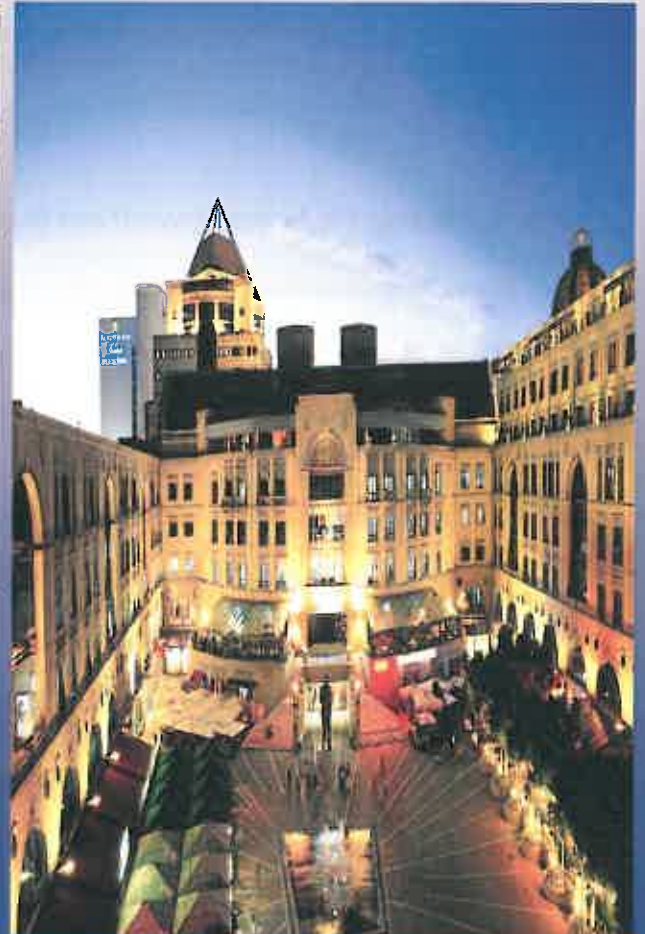
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CHAPTER FIVE FINANCIAL PERFORMANCE

Attach signed Audited Financial Statements by Auditor- General

KEY ACHIEVEMENTS

- Net assets increased by R1 150 659
- Operating cost is 3.9% less than budget



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(Audited Financial Statements – 2013/2014)

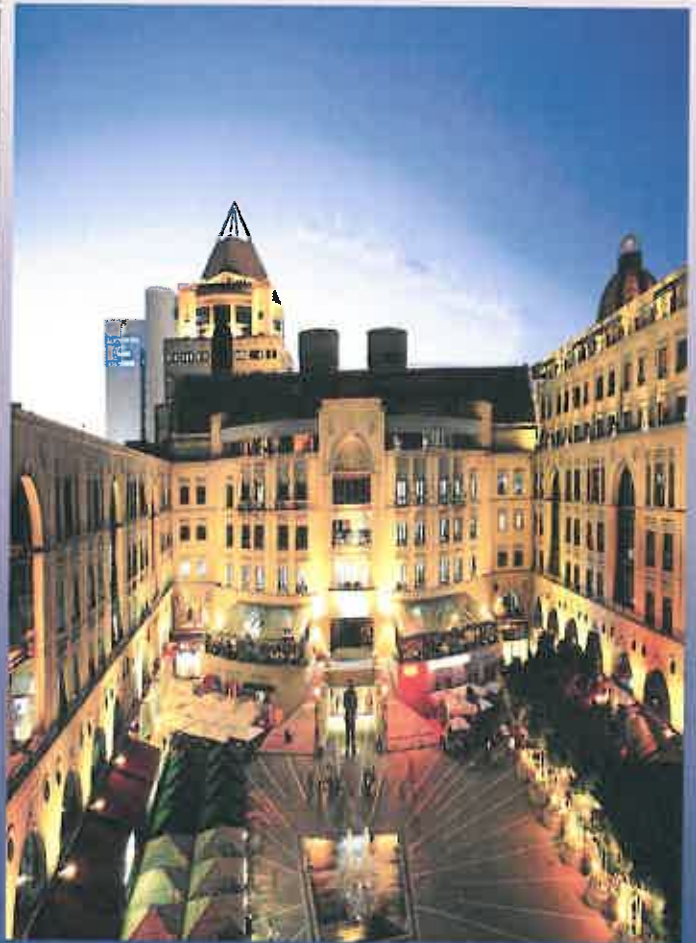
See Annexure B

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CHAPTER SIX AUDITOR-GENERAL AUDIT FINDINGS

KEY ACHIEVEMENTS

- Progress made on resolving historical audit findings
- Decrease in number of findings



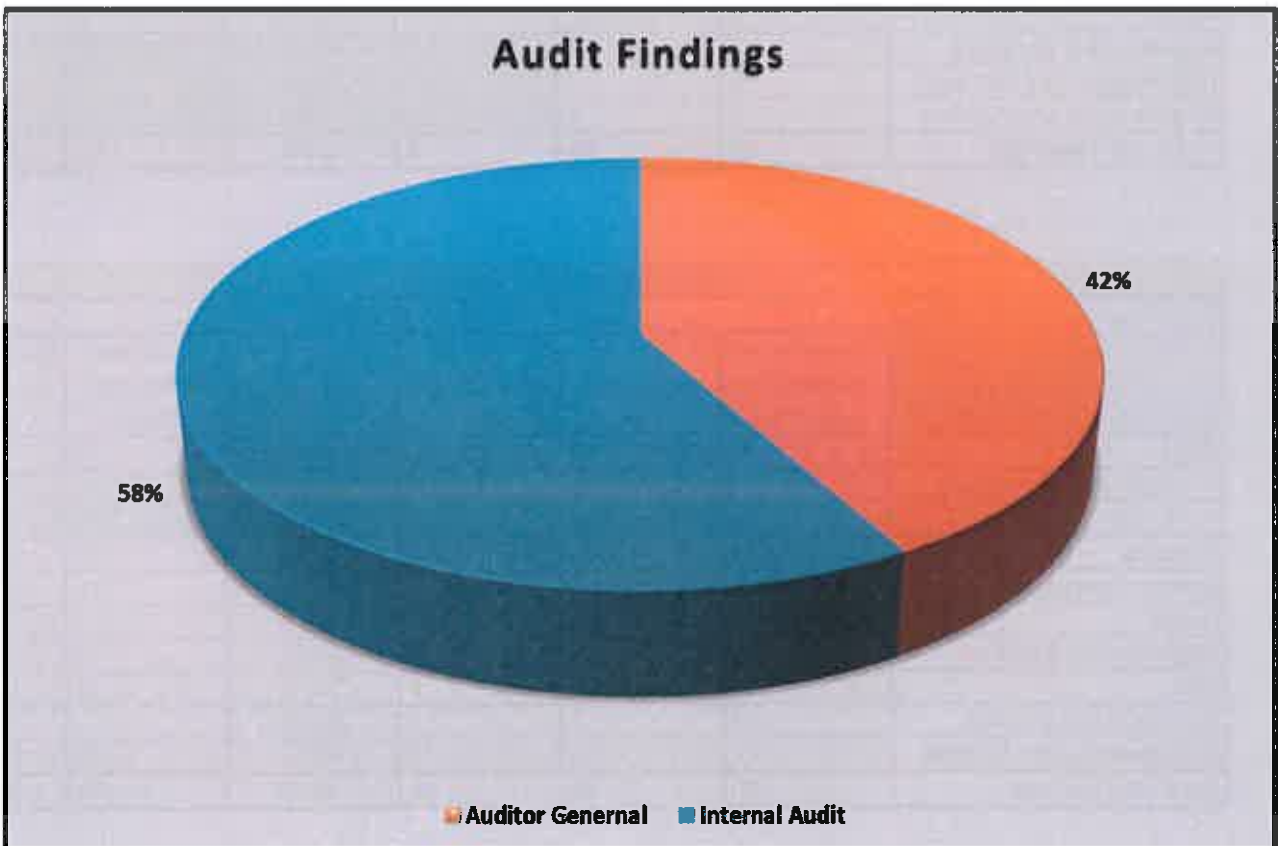
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Section 1: Auditor-General's Report for the Current Year

See Annexure C

	2010/11	2011/12	2012/13	2013/14
Audit Opinion	Unqualified	Qualified	Unqualified	Unqualified

Section 2: Historical Audit Findings and Remedial Action



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AG AUDIT FINDINGS						
Group	Current Week					
	Number of items to be resolved	Resolved	Unresolved	% Unresolved	Accepted by Internal Audit	% Accepted by Internal Audit
Supply Chain	6	6	-	0.0%	6	100.0%
Management Accounting	3	3	-	0.0%	3	100.0%
Financial Accounting	36	34	2	5.6%	33	91.7%
Budget and Cost Accounting	1	1	-	0.0%	1	100.0%
Asset Management	6	6	-	0.0%	6	100.0%
Finance	52	50	2	3.8%	49	94.2%
Human Resources	4	4	-	0.0%	4	100.0%
Retail	5	3	2	40.0%	3	60.0%
Engineering Services	5	5	-	0.0%	5	100.0%
Information Technology	2	2	-	0.0%	2	100.0%
Engineering Operations	2	2	-	0.0%	2	100.0%
Total AG Findings*	70	66	4	5.7%	65	92.9%

INTERNAL AUDIT FINDINGS						
Group	Current Week					
	Number of items to be resolved	Resolved	Unresolved	% Unresolved	Accepted by Internal Audit	% Accepted by Internal Audit
SCM	10	10	-	0.0%	7	70.0%
Management Accounting	6	6	-	0.0%	6	100.0%
Asset Management	19	19	-	0.0%	19	100.0%
Finance	35	35	-	0.0%	32	91.4%
Human Resources	13	13	-	0.0%	11	84.6%
Retail	3	1	2	66.7%	-	0.0%
Engineering Services	11	8	3	27.3%	8	72.7%
RAC	12	10	2	16.7%	9	75.0%
Energy Management	2	1	1	50.0%	-	0.0%
Engineering Operations	21	19	2	9.5%	18	85.7%
Total IA Findings	97	87	10	10.3%	78	80.4%

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Analysis of outstanding Audit Findings

Area	Findings O/S	Comments
Retail	2	<p>1 finding currently is currently being resolved by City Power directly with the assistance of the EY team. (Disregarded meter readings and unreasonable estimates)</p> <p>The process is on going and will be completed when smart meter project is completed by 2016 .</p> <p>To date 33 549 meter change records have been received from EPG and 33 549 have been updated on SAP. (Smart meters)</p> <p>There are 1 500 prepaid meters that will not be finalized pending the outcome of an investigation which needs to be completed. (Stolen prepaid meters). Of these meters, investigations have been completed for a total of 749 and normalisation is in progress.</p> <p>All the meters are tracked for readings on a monthly basis and exceptions are forwarded to Engineering Services.</p> <p>Final adjustments to reverse revenue on accounts with prepaid meters has been calculated and Journal will be processed as part of the year end adjustments. (Double billing)</p> <p>Recons in respect of deleted readings have been completed up until 30 June 2014. City Power will then engage with the City in order to determine the relevant adjustments required to ensure that revenue is accurately reflected. <u>THIS ISSUE IS THE MOST SIGNIFICANT QUALIFICATION RISK</u></p>

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Area	Findings O/S	Comments
Retail continued		<p>1 finding relating to credit balances relates to Revenue/Debtors at the City, these findings form part of the items being looked at by the COJ RSSC team. (No proof of overpayment for credit balances)</p> <p>The Group CFO has been made aware of all findings which appear in the City Power Management Report which actually relate to items which need to be followed up by the COJ. (email submitted on 20 June 2014)</p> <p>Intercompany templates submitted through to the City on 19 August 2014 (Justus Naude) clearly indicated that the resolution of this finding is dependent on the City implementing the necessary preventative / corrective actions.</p> <p>To date no feedback has been received by City Power with regards to the progress which has been made.</p> <p><u>THE CITY AND NOT CITY POWER HAS TO RESOLVE THIS ISSUE</u></p>

Area	Findings O/S	Comments
Finance Financial Accounting	2	<p><u>1 finding relating to misstatements identified in the testing of VAT output transactions –</u></p> <p>This finding resides with Revenue at COJ.</p> <p>This item has been communicated through to the Group CFO as part of the listing of items which are required to be followed up by the City. Intercompany templates submitted through to the City on 19 August 2014 (Justus Naude) clearly indicated that the resolution of this finding is dependent on the City implementing the necessary preventative / corrective actions.</p> <p>To date no feedback has been received by City Power with regards to the progress which has been made.</p> <p><u>THE CITY AND NOT CITY POWER HAS TO RESOLVE THIS ISSUE</u></p>

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Area	Findings O/S	Comments
Finance Financial Accounting (continued)		<p><u>No controls over revenue from street pole adverts –</u></p> <p>The contract relating to street pole advertising was entered into by the City, thus the management of this contract falls outside of City Powers Control.</p> <p>An email was sent through to Helen Botes at the JPC requesting her assistance in following up on this matter. Email sent on 10 July 2014 and to date no response has been received. (Follow up email sent on 14 July 14)</p> <p>Response received from JPC indicating that the receipt of money from century media should be halted as this is in contravention of a mayoral council committee decision which cancelled the contract with century media.</p> <p>At the instruction of the CFO, City Power will draft a letter to Century Media informing them of the MMC decision to terminate the contract. Simultaneously City Power will request the JMPD to remove all billboards which are in cotravention of the applicable by-laws. From November 2014 onwards City Power will return any payments received from Century Media.</p> <p><u>THE CITY AND NOT CITY POWER HAS TO RESOLVE THIS ISSUE</u></p>

Total

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APPENDIXES AND ANNEXURES

ANNEXURE A

PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2014

BALANCE SCORECARD WITH KEY PERFORMANCE AREAS AND INDICATORS

GDS Balance scorecard

PJP	CP-IDP Programme	Impact on Community	KPI	Unit	Total Target	Quarter 1		Quarter 2		Quarter 3		Quarter 4		YTD			
						Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual		
Sustainable Human Settlements	Improve Network performance and quality of supply	Improved restoration times, reduction in unplanned Outages, improved network health	CAIDI	Minutes	279.71	279.71	308.40	279.71	504.29	327.34	279.71	412.06	279.71	314.00	279.71	314.00	
Smart City			CAIFI	Number	5.65	5.65	2.11	5.65	2.26	2.41	5.65	2.79	5.65	6.07	5.65	6.07	
						SAIDI	Minutes	1 337	352.80	1 337	399.58	1 337	736.42	1 337	1 632.44	1 337	1 632.44
						SAIFI	Number	5	1.14	4.78	1.23	1.22	4.78	1.79	4.78	5.28	4.78
Resource Sustainability			Planned: Unplanned Maintenance	%	70.00	70.00	74.64	70.00	82.63	68.07	70.00	82.16	70.00	68.00	68.00		
Investment attraction, retention and expansion			HV Outages: NPR	Number	78.00	19.50	10.00	19.50	20.00	8.00	19.50	15.00	78.00	78.00	58.00		
Green Economy			Maintain High Quality of Service Levels (NRS 047 Index %)	%	86.05	90.00	72.09	90.00	78.90	80.98	90.00	88.79	90.00	75.77	75.77		
			Maintain High Quality of Supply Levels (NRS 048 Index %)	%	33.33	99.44	99.44	99.33	98.62	95.00	98.37	95.00	95.00	95.00	99.12		

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PIP	CP IDP Programme	Impact on Community	KPI	Unit	Total Target	Quarter 1		Quarter 2		Quarter 3		Quarter 4		YTD	
						Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
Sustainable Human Settlements Smart City	Refurbishment of ageing infrastructure	Improved restoration times, reduction in unplanned Outages, improved network health	Average age of infrastructure (HV)	Years	45	45	39	45	39	45	39	45	39	45	39
						90	90	90	90	90	90	90	90		
						2 000	300	500	142	500	675	500	2 000	2 151	
Resource Sustainability	Expansion and Strengthening of Network	More people with access to electricity, Economic	Provision of public Lights	Number	7 000	1 750	458	1 750	326	1 750	3 335	1 750	7 000	7 027	
						0.3	0.0	0.3	0.0	0.3	0.3	0.3	0.3	0.0	0.0
Investment attraction, refention and expansion	Demand Side Management	Climate Change & Energy Diversification	Improve After Diversity Maximum Demand (MW)	%	Proj	Proj	0.00	Proj	0.00	Proj	0.00	Proj	0.00	0.00	0.00
						30 000	1 765	7 500	6 516	7 500	5 131	7 500	14 808	30 509	
Green Economy			Reduction in Green House Gases	%	-	0.00	-	0.00	-	0.00	-	0.00	-	0.00	0.00

PIP	CP IDP Programme	Impact on Community	KPI	Unit	Total Target	Quarter 1		Quarter 2		Quarter 3		Quarter 4		YTD	
						Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
Sustainable Human Settlements	Revenue step change programme	Relief in Tariffs, Smart City, reduction in accounted for electricity	Payment Levels	%	96.00	96.00	89.30	96.00	105.00	96.00	92.91	96.00	118.28	96.00	100.32
						95.75	70.98	96.00	66.96	96.00	78.00	95.75	96.00	96.00	96.00
Active engaged citizenry			Meter Roll Out	Number	100 000	25 000	9 750	25 000	19 984	25 000	12 296	25 000	49 218	100 000	91 228
						17.21	38.43	19.70	19.70	12.67	30.04	25.41	30.73	14.50	30.73
Resource Sustainability			% of ESP customers with FBE provided	%	97.00	43.78	97.00	100.00	97.00	97.00	97.00	97.00	97.00	97.00	100.00

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PJP	CP IDP Programme	Impact on Community	KPI	Unit	Total Target	Quarter 1		Quarter 2		Quarter 3		Quarter 4		YTD				
						Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual			
Financial resilience and sustainability Smart City Resource Sustainability	Improve Customer Centricity and people development Development Service Delivery	Improved services	EPWP	Number	3,000	750	215	750	340	750	1,895	750	1,257	3,000	3,537			
			50% black owned companies	%	5.00	8.00	9.78	8.00	10.62	8.00	12.12	8.00	16.50	8.00	11.37			
			30% black woman owned company	%	8.00	5.00	3.00	5.00	4.14	5.00	5.88	5.00	7.35	5.00	4.86			
			Customer / stakeholder satisfaction index	%	65.00	65.00	66.00	65.00	65.00	65.00	65.00	65.00	65.00	65.00	65.00	65.00	65.00	
			Filling of vacancies aligned to agreed Affirmative Action (AA) targets	%	85.00	85.00	89.03	85.00	89.10	85.00	89.37	85.00	89.53	85.00	89.53	89.53		
			Filling of vacancies aligned to agreed Gender Equity (GE) targets	%	24.00	24.00	23.31	24.00	23.36	24.00	24.34	24.00	24.94	24.00	25.00	24.00	25.00	
			Filling of vacancies aligned to agreed People with Disabilities (PWD) targets	%	2.00	2.00	2.98	2.00	2.98	2.00	2.83	2.00	2.83	2.00	2.83	2.00	2.83	
			DIFR	Ratio	1.00	1.00	0.35	1.00	0.35	1.00	0.51	1.00	0.51	1.00	0.69	1.00	0.59	
			ISO accreditation	Audit report	3 = Unqualified Audit report	3 = Unqualified Audit report	3 = Unqualified Audit report	3 = Unqualified Audit report	3 = Unqualified Audit report	3 = Unqualified Audit report	3 = Unqualified Audit report	3 = Unqualified Audit report	3 = Unqualified Audit report	3 = Unqualified Audit report	3 = Unqualified Audit report	3 = Unqualified Audit report	3 = Unqualified Audit report	3 = Unqualified Audit report
			Unqualified Audit	Audit report	3	3	3	3	3	3	3	3	3	3	3	3	3	3

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BOARD Balance Scorecard

PIP Alignment	Value Propositions	Key Performance Area	Key Performance Indicator	Unit	2012/13				Quarter 1		Quarter 2		Quarter 3		Quarter 4		Year to Date	
					Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target
					2012/13		2012/13		2012/13		2012/13		2012/13		2012/13		2012/13	
Financial Resilience and Sustainability	Optimise Profit Margin	Gross Profit %: Sales/Cost of Sales	%	27.65	17.95	2.20	40.20	40.20	43.24	34.54	24.96	20.52	30.53	23.00				
	Sustainable Value Creation	Improve Net Cash Generated from Operating Activities	Rbn	2.71	2.03	1.50	2.10	2.38	2.47	2.24	2.42	2.24	2.42	2.49				
	Reduce Losses	Total Losses %	%	17.21	38.43	30.43	19.70	13.70	12.87	30.09	25.41	32.90	14.50	30.73				
	Optimise Capex Spend	Total Capex Spend as % of Targeted Capex Spend	%	100.00	100.00	40.59	100.00	75.92	100.00	139.84	100.00	107.24	100.00	100.00				
Customer	Active Engaged Citizenry	Improved Customer / Stakeholder Experience	Satisfaction Index %	73.10	73.70	70.30	73.70	72.50	73.70	73.40	73.70	73.20	73.70	73.70	73.70	73.70	73.70	73.70
	Sustainable Human Settlements	Quality Supply and Availability	Maintain High Quality of Service Levels (NRS 047 Index %)	80.69	90.00	72.40	90.00	76.80	90.00	80.90	90.00	88.79	90.00	90.00	90.00	90.00	90.00	75.77
			Maintain High Quality of Supply Levels (NRS 048 Index %)	100.00	95.00	94.44	95.00	99.43	95.00	98.52	95.00	98.37	95.00	95.00	95.00	95.00	95.00	99.12

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(c) Internal		Value Propositions		Key Performance Area		Key Performance Indicator		Unit								
PIP Alignment	Value Propositions	Key Performance Area	Key Performance Indicator	Unit	2012/13 Actual	2012/13 Target	Quarter 1 Actual	Quarter 1 Target	Quarter 2 Actual	Quarter 2 Target	Quarter 3 Actual	Quarter 3 Target	Quarter 4 Actual	Quarter 4 Target	Year to Date Actual	Year to Date Target
Resource Sustainability	Manage Core Value Chains	Monitor and Improve Compliance and Assurance	Compliance and Assurance Index	Status	1.5	3.0	2.5	3.0	2.5	3.0	2.5	3.0	3.0	2.5	3.0	2.5

(d) Learning and Growth		Value Propositions		Key Performance Area		Key Performance Indicator		Unit								
PIP Alignment	Value Propositions	Key Performance Area	Key Performance Indicator	Unit	2012/13 Actual	2012/13 Target	Quarter 1 Actual	Quarter 1 Target	Quarter 2 Actual	Quarter 2 Target	Quarter 3 Actual	Quarter 3 Target	Quarter 4 Actual	Quarter 4 Target	Year to Date Actual	Year to Date Target
Resource Sustainability	High Performing Teams	Improve Team Performance	High Performance Team Index	%	58.5	65.5	65.5	65.5	67.5	65.5	80.1	65.5	65.5	65.5	65.5	79.7

City Power 2013/14 Annual Report

ANNEXURE B

AUDITED ANNUAL FINANCIAL STATEMENTS 2013/2014



City Power Johannesburg (SOC) Limited (Registration
number 2000/030051/30)

Trading as City Power

Annual financial statements for the year ended
June 30, 2014



a world class African city



City Power Johannesburg (SOC) Limited

(Registration number 2000/030051/30)

Financial Statements for the year ended June 30, 2014

General Information

COUNTRY OF INCORPORATION AND DOMICILE	South Africa
NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES	The principal activity of the entity is the distribution of electricity to industries, businesses and households in Johannesburg within its area of supply
DIRECTORS	Rev F Chikane- Chairperson Mr NE Galawe Ms ZD Hlatshwayo Mr NSA Hlubi Ms NP Mohlala Mr TI Sithole Mr SG Xulu - Executive Mr QB Green - Executive Mr DR Mokhobo Mr D Naidu Dr Y Ndema
REGISTERED OFFICE	40 Heronmere Road Reuven Johannesburg Gauteng 2016
BUSINESS ADDRESS	40 Heronmere Road Reuven Johannesburg Gauteng 2016
POSTAL ADDRESS	PO Box 38766 Booyseis Johannesburg Gauteng 2016
CONTROLLING ENTITY	The City of Johannesburg Metropolitan Municipality
BANKERS	ABSA Limited Standard Bank Limited
AUDITORS	The Auditor General of South Africa
SECRETARY	Mr MJ Smith
COMPANY REGISTRATION NUMBER	2000/030051/30

City Power Johannesburg (SOC) Limited

(Registration number 2000/030051/30)

Financial Statements for the year ended June 30, 2014

Index

The reports and statements set out below comprise the financial statements presented to the provincial legislature:

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
NPC	Non Profit Company
SOC	State Owned Company

City Power Johannesburg (SOC) Limited

(Registration number 2000/030051/30)

Financial Statements for the year ended June 30, 2014

Directors' Responsibilities and Approval

The directors are required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the directors to ensure that the financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and were given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the directors sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the entity's cash flow forecast for the year to June 30, 2015 and, in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The board of directors is primarily responsible for the financial affairs of City Power (SOC) Ltd (herein referred to as the entity).

The external auditors are responsible for independently auditing and reporting on the entity's annual financial statements.

The financial statements set out on pages 4 to 61, which have been prepared on the going concern basis, were approved by the board of directors on 29 August 2014.


Rev. F. Chikane - Chairperson

City Power Johannesburg (SOC) Limited

(Registration number 2000/030051/30)

Financial Statements for the year ended June 30, 2014

Directors' Report

The directors have pleasure in submitting their report, including the unaudited annual financial statements for the year ended June 30, 2014.

1. INCORPORATION

The entity was incorporated on 30 November 2000 and obtained its certificate to commence business on 1 January 2001.

The Companies Act, 2008 (Act 71 of 2008) became effective on 1 May 2011 and applies to annual financial periods beginning after 1 May 2011 as per proclamation R.32 published in Government Gazette 34239 on 26 April 2011. The Companies Act, 2008 repealed the whole of the Companies Act, 1973 (Act 61 of 1973), except for Chapter 14 in as far as it deals with the liquidation and winding-up of insolvent companies.

In terms of section 4(1)(c) of Schedule 5 (transitional arrangement) to the Companies Act, 2008, the entity is deemed to have amended its Memorandum of Incorporation as of the general effective date to have changed its name in so far as required to comply with section 11(3).

Therefore, as from 1 May 2011, the name of the entity is City Power Johannesburg (SOC) Ltd.

All references to the Companies Act in these annual financial statements are to the Companies Act, 2008, unless otherwise indicated.

2. REVIEW OF ACTIVITIES

Main business and operations

The entity is a municipal owned entity. The principal activity of the entity is the distribution of electricity to industries, businesses and households in Johannesburg. The entity operates principally in areas of supply in Johannesburg, South Africa.

The operating results and state of affairs of the entity are fully set out in the attached annual financial statements.

Net surplus of the entity was R 1,150,659 (2013: R 1,375,075), after taxation of R 362,881 (2013: R44,385).

3. GOING CONCERN

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This 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.

4. SUBSEQUENT EVENTS

The directors are not aware of any other matter or circumstance arising since the end of the financial year, not otherwise dealt with within the financial statements that would affect the operations or results of the entity significantly.

5. DIRECTORS' PERSONAL FINANCIAL INTEREST

The directors of the entity did not have any personal interest in contracts entered into by the entity during the current financial year.

6. ACCOUNTING POLICIES

The financial statements are prepared in accordance with South African Standards of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board as the framework prescribed by The National Treasury.

City Power Johannesburg (SOC) Limited

(Registration number 2000/030051/30)

Financial Statements for the year ended June 30, 2014

Directors' Report

7. SHARE CAPITAL AND SHARE PREMIUM

There were no changes in the authorised or issued share capital of the entity during the year under review.

The entire shareholding of the entity is held by the City of Johannesburg Metropolitan Municipality.

Unissued ordinary shares are under the control of the City of Johannesburg Metropolitan Municipality.

8. BORROWING LIMITATIONS

All external funding is managed under the auspices of the City of Johannesburg Metropolitan Municipality Asset and Liability Committee and Treasury Department.

9. NON-CURRENT ASSETS

There were no major changes in the physical nature of non-current assets of the entity during the year.

10. DIVIDENDS

No dividends were declared or paid to the shareholder during the year.

11. DIRECTORS

The directors of the entity during the year and to the date of this report are as follows:

Name	Nationality	Changes
Rev F Chikane- Chairperson	South African	
Mr NE Galawe	South African	
Ms ZD Hlatshwayo	South African	
Mr NSA Hlubi	South African	
Ms NP Mohlala	South African	
Mr TI Sithole	South African	
Mr SG Xulu - Executive	South African	
Mr QB Green - Executive	South African	Appointed Tuesday, February 25, 2014
Mr DR Mokhobo	South African	Appointed Thursday, July 25, 2013
Mr D Naidu	South African	Appointed Thursday, July 25, 2013
Dr Y Ndema	South African	Appointed Thursday, July 25, 2013

12. SECRETARY

The entity secretary is Mr MJ Smith.

Business address

40 Heronmere Road
Reuven
Johannesburg
Gauteng
2016

Postal address

PO Box 38766
Boysens
Gauteng
2016

City Power Johannesburg (SOC) Limited

(Registration number 2000/030051/30)

Financial Statements for the year ended June 30, 2014

Directors' Report

13. CORPORATE GOVERNANCE

13.1 General

The entity confirms and acknowledges its responsibility to total compliance with King III Report on Corporate Governance for South Africa. The directors (executive director) discuss the responsibilities of management in this respect, at board meetings and monitors the entity's compliance with the code during the year .

The salient features of the entity's adoption of the Code is outlined below:

13.1 Board of directors

The board:

- retains full control over the entity, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the entity;
- is a unitary structure comprising:
 - Nine non-executive directors, all of whom are independent directors as defined in the Code of Corporate Practices and Conduct ("the code") laid out in the King III Report on Corporate Governance for South Africa:
 - and
 - two executive directors; Accounting officer and Chief financial officer.

Chairperson and chief executive

The chairperson is a non-executive and independent director.

The roles of chairperson and managing director are separate, with responsibilities divided between them, so that no individual has unfettered powers of discretion.

13.3 Remuneration

The remuneration of the managing director is determined by the board of directors within the parameters set by the City of Johannesburg Metropolitan Municipality as provided for in section 89 of the MFMA.

City Power Johannesburg (SOC) Limited

(Registration number 2000/030051/30)

Financial Statements for the year ended June 30, 2014

Directors' Report

13.4 Board of directors meetings

The board has met on 8 separate occasions during the financial year. The board schedules to meet a minimum of four times per annum.

Non-executive directors have access to all members of management of the entity.

Name	Board meeting	Risk, Assurance & Compliance committee meeting	Quarterly & Review committee meeting	Social & Ethics committee meeting	HR & Remuneration committee meeting	Audit committee meeting	AGM & Workshops
Total meetings	8	4	4	4	5	6	4
Rev F Chikane-Chairperson	8 of 8	4 of 4	3 of 4	4 of 4			4 of 4
Mr NE Galawa	7 of 8	4 of 4		4 of 4			4 of 4
Mr Q Green	2 of 2	2 of 2	1 of 1	2 of 2	1 of 1	1 of 1	3 of 3
Mr ZD Hlatshwayo	7 of 8		3 of 4	4 of 4		1 of 1	3 of 4
Mr NSA Hlubi	8 of 8		4 of 4			6 of 6	4 of 4
Mr NP Mohlala	8 of 8		2 of 2	1 of 1	5 of 5		4 of 4
Mr DR Mokhobo	5 of 7			3 of 3	3 of 4	1 of 2	
Mr D Naidu	5 of 5	3 of 3			4 of 4		4 of 4
Dr Y Ndema	5 of 5	3 of 3	2 of 2				4 of 4
Mr TI Sithole	8 of 8	4 of 4			5 of 5	4 of 4	4 of 4
Mr SG Xulu	8 of 8	3 of 4	3 of 4	4 of 4	4 of 4	6 of 6	4 of 4
Ms LJ Fosu						4 of 6	
Mr W Hattingh	1 of 1					6 of 6	1 of 1
Mr H Moolla	2 of 2					5 of 6	1 of 1

City Power Johannesburg (SOC) Limited

(Registration number 2000/030051/30)

Financial Statements for the year ended June 30, 2014

Directors' Report

13.5 Audit committee

The Audit committee consists of 3 non-executive directors and 3 independent members. The committee met 6 times during the 2013/2014 financial year to review matters necessary to fulfill its role.

In terms of Section 166 of the Municipal Finance Management Act no 56 of 2003 (MFMA), the City of Johannesburg Metropolitan Municipality, as a parent municipality, must appoint members of the audit committee. Notwithstanding that non-executive directors appointed by the parent municipality constituted the entity's audit committee, National Treasury policy requires that parent municipalities should appoint further members of the entity's audit committees who are not directors of the entity onto the audit committee. The independent members are:

- Ms LJ Fosu
- Mr W Hattingh
- Mr H Moolla

The audit committee has fulfilled its responsibilities as provided for in section 166 of the Municipal Finance Management Act.

INTERNAL AUDIT

The entity's internal audit function is performed internally and assisted by outside service providers in areas where internal capacity is inadequate. This is in compliance with the Municipal Finance Management Act, 2003.

14. CONTROLLING ENTITY

The entity's parent is the City of Johannesburg Metropolitan Municipality.

15. BANKERS

ABSA Limited and Standard Bank Limited.

The management of the treasury function within the municipal entity is managed under the auspices of the City of Johannesburg Metropolitan Municipality Assets and Liabilities Committee and Treasury department.

16. AUDITORS

The Auditor General of South Africa performs the audit in terms of section 92 of the MFMA.

City Power Johannesburg (SOC) Limited

(Registration number 2000/030051/30)

Financial Statements for the year ended June 30, 2014

Company Secretary's Certification

Declaration by the company secretary in respect of Section 88(2)(e) of the Companies Act

In terms of Section 88(2)(e) of the Companies Act 71 of 2008, as amended, I certify that the entity has lodged with the Commissioner all such returns as are required of a public company in terms of the Companies Act and that all such returns appear to be true, correct and up to date.



Mr MJ Smith
Company Secretary

Place of Signature
Friday, August 29, 2014

City Power Johannesburg (SOC) Limited

(Registration number 2000/030051/30)

Financial Statements for the year ended June 30, 2014

Statement of Financial Position as at June 30, 2014

Figures in Rand thousand	Note(s)	2014	2013 Restated*
ASSETS			
Current Assets			
Inventories	3	78,717	142,030
Loans to shareholder	4	2,241,193	2,705,337
Trade and other receivables from exchange transactions	5	595,473	763,598
Consumer receivables	6	2,102,696	1,789,628
Cash and cash equivalents	7	30	42
		5,018,109	5,400,635
Non-Current Assets			
Property, plant and equipment	8	9,677,310	7,786,793
Intangible assets	9	206,358	228,964
		9,883,668	8,015,757
Total Assets		14,901,777	13,416,392
LIABILITIES			
Current Liabilities			
Loans from shareholder	4	430,853	428,960
Finance lease obligation	10	4,778	3,351
Trade and other payables from exchange transactions	11	2,973,192	2,582,570
VAT payable	12	181,320	286,294
Provisions	13	49,335	48,103
		3,639,478	3,349,278
Non-Current Liabilities			
Loans from shareholders	4	2,237,931	2,628,118
Finance lease obligation	10	15,680	3,593
Employee benefit obligation	14	24,463	27,595
Deferred income	15	23,236	11,345
Deferred tax	16	1,472,094	1,109,213
Consumer deposits	17	272,091	221,105
		4,045,495	4,000,969
Total Liabilities		7,684,973	7,350,247
Net Assets		7,216,804	6,066,145
NET ASSETS			
Share capital and share premium	18	112,466	112,466
Accumulated surplus		7,104,338	5,953,679
Total Net Assets		7,216,804	6,066,145

* See Note

City Power Johannesburg (SOC) Limited

(Registration number 2000/030051/30)

Financial Statements for the year ended June 30, 2014

Statement of Financial Performance

Figures in Rand thousand	Note(s)	2014	2013 Restated*
Revenue			
Service charges	21	12,579,124	12,570,439
Government grants	22	192,004	168,909
Other income	23	96,328	218,255
Fees earned		31,794	13,687
Rental income		287	312
Interest income		161,399	160,607
Total revenue		13,060,936	13,132,209
Expenditure			
General expenses	24	(1,057,598)	(881,853)
Employee related costs	25	(741,987)	(694,132)
Administration	26	(76,584)	(122,813)
Bad debts	27	(109,684)	(689,011)
Depreciation and amortisation	29	(274,549)	(332,488)
Finance costs	30	(350,573)	(360,023)
Repairs and maintenance		(556,186)	(419,778)
Bulk purchases	33	(8,380,255)	(8,212,651)
Total expenditure		(11,547,396)	(11,712,749)
Operating surplus		1,513,540	1,419,460
Surplus before taxation		1,513,540	1,419,460
Taxation	31	362,881	44,385
Surplus for the year		1,150,659	1,375,075

* See Note

City Power Johannesburg (SOC) Limited

(Registration number 2000/030051/30)

Financial Statements for the year ended June 30, 2014

Statement of Changes in Net Assets

Figures in Rand thousand	Note(s)	Share capital & Premium	Accumulated surplus	Total equity
Opening balance as previously reported		112,466	4,898,199	5,010,665
Adjustments				
Prior year adjustments		-	(319,595)	(319,595)
Balance at July 01, 2012 as restated		112,466	4,578,604	4,691,070
Changes in net assets				
Surplus for the year		-	1,375,075	1,375,075
Total changes		-	1,375,075	1,375,075
Balance at July 01, 2013		112,466	5,953,679	6,066,145
Changes in net assets				
Surplus for the year		-	1,150,659	1,150,659
Total changes		-	1,150,659	1,150,659
Balance at June 30, 2014		112,466	7,104,338	7,216,804

City Power Johannesburg (SOC) Limited

(Registration number 2000/030051/30)

Financial Statements for the year ended June 30, 2014

Cash Flow Statement

Figures in Rand thousand	Note(s)	2014	2013 Restated*
Cash flows from operating activities			
Receipts			
Sale of goods and services		13,950,722	12,093,654
Other income		27,902	33,408
Grants received		200,829	144,210
		14,179,453	12,271,272
Payments			
Employee costs		(735,335)	(683,707)
Suppliers		(11,235,772)	(8,609,391)
Finance costs			
		(11,971,107)	(9,293,098)
Net cash flows from operating activities	34	2,208,346	2,978,174
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(2,144,337)	(1,118,446)
Purchase of other intangible assets	9	(1,685)	(70,374)
Movement in sweeping		464,144	(1,514,746)
Interest Income		161,399	160,607
Finance costs		(350,572)	(360,023)
Net cash flows from investing activities		(1,871,051)	(2,902,982)
Cash flows from financing activities			
Repayment of borrowings		(388,293)	(17,486)
Movement in consumer deposits		50,986	(57,694)
Net cash flows from financing activities		(337,307)	(75,180)
Net increase/(decrease) in cash and cash equivalents		(12)	12
Cash and cash equivalents at the beginning of the year		42	30
Cash and cash equivalents at the end of the year	7	30	42

* See Note

City Power Johannesburg (SOC) Limited

(Registration number 2000/03001/10)

Annual Financial Statements for the year ended June 30, 2014

Statement of Financial Position: Budget vs Actual

	Actual Balance (000's)	Budget (000's)	Variance (000's)	Revised Budget (000's)	Variance (000's)	
ASSETS						
Current Assets						
Inventories	78,717	78,884	(23)	148,858	70,841	Solar payers in stock.
Loans to Shareholders	2,241,199	2,025,200	(215,993)	2,835,800	294,607	
Trade and other receivables	595,473	831,554	36,081	315,888	(278,005)	Sales to Eskom and Inter company
Consumer receivables	2,102,898	3,018,188	915,490	2,048,523	(64,173)	Revised accruals
Cash and cash equivalents	30	30		30		
	5,018,109	5,753,864	735,555	5,849,579	31,478	
Non-Current Assets						
Property, Plant and equipment	9,877,310	9,281,780	(395,530)	9,278,736	(398,574)	Capex over expenditure
Intangible assets	208,358	137,041	(69,317)	197,498	(8,862)	
	9,883,668	9,418,821	(464,847)	9,476,234	(407,436)	
TOTAL ASSETS	14,901,777	15,172,685	270,708	14,825,811	(375,868)	
LIABILITIES						
Current Liabilities						
Loan from shareholders	430,853	470,782	(39,930)	470,782	(39,930)	
Finance lease obligation	4,778	0	4,778		(4,778)	No budget for finance lease
Trade and other payables	2,873,192	2,833,484	39,708	2,340,134	633,058	Increase in accruals
VAT payable	181,316	887,295	(715,979)	348,882	(187,598)	Outstanding vat refunds
Provisions	49,335	47,794	1,541	47,784	1,541	
	3,839,474	4,049,365	(409,891)	3,897,882	429,538	
Non-Current Liabilities						
Loans from shareholders	2,237,831	2,141,687	96,244	2,141,687	96,244	
Finance lease obligation	15,880	0	15,880	8,453	8,227	Increase in finance leases.
Employee benefit obligation	24,463	0	24,463	38,418	(13,955)	Revised actuarial valuations
Deferred income	23,236	0	23,236	0	23,236	Projects not yet undertaken
Deferred tax	1,472,094	1,116,800	358,494	1,116,800	358,494	Reduction in assessed taxation loss
Consumer deposits	272,891	323,518	(51,627)	323,518	(51,626)	Decrease in consumer deposits.
	4,048,495	3,880,905	464,590	3,825,774	416,721	
Total Liabilities	7,884,969	7,930,270	54,699	6,833,358	842,057	
NET ASSETS	7,216,808	7,542,215	325,407	7,892,495	475,647	
Share capital and share premium	112,488	112,488		112,488		
Accumulated surplus	7,104,398	7,429,748	325,411	7,879,988	475,651	Decrease in revenue
Total Net assets	7,216,804	7,542,215	325,411	7,892,495	475,631	

City Power Johannesburg (SOC) Limited

(Registration number 20003000103)
Annual Financial Statements for the year ended June 30, 2014

Statement of Financial Performance comparison: Budget vs Actual

	Actual Balance (R00's)	Budget (R00's)	Variance (R00's)	Revised Budget (R00's)	Variance (R00's)	
Revenue						
Service charges	12,579,125	13,958,858	(1,279,734)	13,165,048	(685,824)	Under billing due to possibility of fraud
Other income	481,812	689,823	(188,011)	872,227	(180,415)	Lower income for DSM levy and Engineering fees
Total Operating Income	13,060,937	14,628,682	(1,467,745)	13,837,276	(716,336)	
Administration and management fees						
Administration and management fees	76,584	76,584		73,798	(2,785)	
Advertising	10,261	10,447	186	10,447	186	
Assessment rates & municipal charges	10,843	3,513	(7,130)	3,513	(7,130)	Due to in appropriate budgeting.
Auditors remuneration	4,228	4,200	(28)	4,200	(28)	
Bad debts	109,684	438,782	324,118	609,480	399,816	Increase in payment levels
Bank charges	442	273	(169)	273	(169)	Due to in appropriate budgeting.
Billing and meter reading charges	24,713	34,680	9,977	36,448	10,732	
Bulk purchases	8,380,256	9,248,890	868,735	8,611,290	(231,035)	Decrease in demand
Cleaning	657	657		657		Full time employees were appointed
Conventions paid	32,008	31,900	(108)	33,000	992	
Conferences and seminars	5,853	3,128	(2,837)	3,128	(2,837)	Increase in seminars and conferences attended
Consulting and professional fees	108,793	84,386	(24,387)	78,386	(32,387)	More consultants than originally budgeted for
Depreciation, amortisation and Impairments	274,548	258,478	(16,078)	258,478	(16,078)	Reassessment of useful life of assets
Donations	2,559	2,559		2,559		
Employee costs	741,987	798,088	54,111	798,088	54,111	Vacancies not filled
Entertainment	2,392	2,046	(346)	2,046	(346)	Increased cost due to additional meetings held
Material issues	185,473	110,814	(84,659)	110,814	(84,659)	Due to installation of solar water heaters
Fuel and oil		22	22	22		
Insurance	41,588	1,914	1,914	1,914	1,914	Due to in appropriate budgeting.
Disposal of fixed asset - Loss (Gain)	3,581	50,000	54,112	50,000	54,112	Lower premiums than expected
Lease rentals on operating lease	388,835	58,780	(32,288)	78,534	72,873	
Leases	6,455	411,823	22,288	821,365	(88,270)	Higher vehicle and generator usage
Car off fees	27,408	3,142	(3,813)	3,142	(3,813)	
Magazines, books and periodicals	59	149	90	149	90	Increased credit control measures
Motor vehicle expenses	50,472	29,447	(21,025)	29,447	(21,025)	Less material was purchased than expected
Electricity	3,778	3,808	27	3,808	27	Increased in fuel utilized due to electrical outages
Postage and courier		50	50	50		
Printing and stationery	2,059	4,864	2,811	4,864	2,811	Due to in appropriate budgeting.
Repairs and maintenance	556,186	482,646	(103,540)	452,646	(103,540)	Cost saving initiative
Security	66,403	50,216	(16,188)	55,180	(11,243)	Unplanned and emergency work due to theft and vandalism
Security expenses	323	1,180	857	1,180	857	Additional security due to theft and vandalism
Software expenses	23,288	18,139	-5,165	18,139	857	Expenses incurred less than anticipated
Staff welfare	228	5,854	5,628	5,854	5,628	Increase in Microsoft and Oracle license fees
Subscriptions and membership fees	628	700	72	700	72	Adversarial gains on post retirement benefit
Telephones and fax	15,722	18,763	4,031	18,763	4,031	Lower than expected request for subscription to professional bodies
Training	6,460	8,100	1,631	8,100	1,631	Expenses incurred less than anticipated
Transport and freight		424	424	424		Delay in implementing PDP program
Travel - local	6,424	10,957	4,533	10,957	4,533	No subsidised transport
Travel - overseas	460	807	147	807	147	Fewer trips being taken
Utilities	15,080	21,378	6,318	21,378	6,318	Fewer trips being taken
						Less expenditure incurred on free printing
Total Operating Costs	11,198,823	12,282,830	1,086,007	11,883,088	486,216	
Operating Profit	1,864,114	2,236,652	(371,738)	2,184,237	(320,123)	
Finance costs	350,673	340,708	(9,865)	340,708	(9,865)	
Net Income Before Tax	1,513,541	1,895,144	(381,603)	1,843,528	(329,868)	
Taxation	362,861	530,841	167,760	479,020	116,139	Based on revised assessed losses
Net surplus for the year	1,150,680	1,364,303	(213,643)	1,364,508	(448,127)	

City Power Johannesburg (SOC) Limited

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Accounting Policies

1. Presentation of annual financial statements

The 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 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These 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.

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These financial statements are presented in South African Rand, which is the functional currency of the entity. All figures are rounded to the nearest thousand rand.

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:

Valuation of loans and receivables

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

The allowance for impairment is measured as the difference between the asset's carrying amount and the present value of estimated future cash flow discounted at the effective interest rate computed at initial recognition.

Impairment testing of non-financial assets

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions made may change which may then impact management's estimations and may then require a material adjustment to the carrying value of tangible assets.

The entity reviews and tests the carrying value of cash generating units and individual 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. They are significantly affected by a number of factors including economic factors.

Management used the fair value less cost to sell to determine the recoverable amount of intangible assets with an indefinite useful life and identifying assets that may have been impaired.

Provisions

Provisions are raised based on management determined estimates based on the information available. Additional disclosure of these estimates of provisions are included in note 13 - Provisions.

Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

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Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Post retirement benefits

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 liability include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The entity determines the appropriate discount rate 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 pension obligations. In determining the appropriate discount rate, the entity considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Effective interest rate

The entity used the City of Johannesburg Metropolitan Municipality borrowing market rate as a basis for discounting financial instruments.

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The entity recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The entity recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the entity to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the entity to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

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, 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 but includes non-refundable taxes.

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.

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Accounting Policies

1.3 Property, plant and equipment (continued)

Costs include costs incurred initially to acquire or construct 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.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

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

Item	Average useful life
Land	Infinite
Buildings	40 - 60 years
Plant and machinery	
• Transformers	55 years
• Transmission cables	61 - 85 years
• Mini-substations	55 years
Furniture and fixtures	6 - 20 years
Finance leases	
• Motor vehicles	3 - 5 years
IT equipment	3 - 9 years

The residual value, and the useful life and depreciation method of each asset is reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

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 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 intangible asset is an identifiable non-monetary asset without physical substance.

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Accounting Policies

1.4 Intangible assets (continued)

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from the 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 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 is attributable to the asset will flow to the entity; and
- the cost or fair value of the asset can be measured reliably.

The entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

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.

Expenditure on research (or on the research phase of an 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	Useful life
Additional capacity rights	10 years
Computer software	3-9 years

Intangible assets are derecognised:

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

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Accounting Policies

1.5 Financial Instruments

Classification

The entity classifies financial assets and financial liabilities into the following categories:

- Financial assets at amortised cost
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition.

Initial recognition and measurement

Financial instruments are recognised initially when the entity becomes a party to the contractual provisions of the instruments.

The entity classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at amortised cost, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

The entity recognises financial assets using trade date accounting.

Subsequent measurement

Financial asset at amortised costs are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Impairment of financial assets

At each end of the reporting period the entity assesses all financial assets to determine whether there is objective evidence that a financial asset (or group of financial assets) has been 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.

Impairment losses are recognised in surplus or deficit.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

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Accounting Policies

1.5 Financial instruments (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, 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 measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents are classified as loans and receivables.

Gains and losses

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

Derecognition

Financial assets

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 assets
 - recognises separately any rights and obligations created or retained in the transfer.

The carrying amount of the transferred asset is allocated between the rights or obligations retained and those transferred on the basis of their amortised cost at the transfer date. Newly created rights and obligations are measured at their amortised cost 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 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. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

1.6 Research and development expenditure

Expenditure on research is recognised as an expense when it is incurred.

An asset arising from development 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.

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Accounting Policies

1.6 Research and development expenditure (continued)

- the expenditure attributable to the asset during its development can be measured reliably.

1.7 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.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting surplus or deficit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit 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 or deficit 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 profit will be available against which the unused tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Current tax and deferred taxes are recognised in net assets if the tax relates to items that are credited or recognised, in the same or a different period, to net assets.

1.8 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.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Finance leases - lessee

Finance lease assets are recognised 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 implicit in the lease.

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.

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Accounting Policies

1.8 Leases (continued)

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

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or the right to use the asset.

Finance leased assets are depreciated over the useful life of the asset.

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.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis over the lease term.

Any contingent rent is recognised separately as an expense when paid or payable and is not straight-lined over the lease term.

1.9 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for:

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the entity incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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Accounting Policies

1.10 Budget information

A reconciliation between the statement of financial performance and the budget has been disclosed in the annual financial statements as determined by The National Treasury. The annual financial statements and the budget are reported on the accrual basis of accounting.

The approved budget has been revised through an adjustment budget in line with the stipulation of section 28 of the MFMA. The adjustment budget takes into account the change in trading conditions and the performance of the business.

The approved budget covers the fiscal period from 7/1/2013 to 6/30/2014.

1.11 Capital Commitments

Items are classified as commitments where the entity commits itself to future transactions that will normally result in the outflow of resources.

Capital commitments are not recognised in the Statement of financial position as a liability but are included in the disclosure note in the following cases:

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where expenditure has been approved and the contract is yet to be awarded or is awaiting finalisation at the reporting date.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.

1.12 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 under the control of City of Johannesburg Metropolitan Municipality are considered to be related parties.

Key management are those persons responsible for 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.

1.13 Impairment of cash-generating assets

Cash-generating assets are those assets held by the entity with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

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1.13 Impairment of cash-generating assets (continued)

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the entity; or
- the number of production or similar units expected to be obtained from the asset by the entity.

Identification

The entity assesses at each reporting date whether there is any indication that an asset or cash-generating unit may be impaired. If any such indication exists, the entity estimates the recoverable amount of the asset.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the entity applies the appropriate discount rate to those future cash flows.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

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.

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.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the entity determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the entity uses management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

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1.13 Impairment of cash-generating assets (continued)

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Reversal of Impairment loss

The entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, 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.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occurs when there is clear evidence that such a redesignation is appropriate.

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1.14 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted when the effect is not material.

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 expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

The entity provides gratuities for qualifying staff members in terms of the relevant conditions of employment. The expenditure is recognised in the statement of financial performance when the gratuity is payable.

Post-employment benefits: Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed retirement benefit schemes (or state plans) are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Post-employment benefits: Defined benefit plans

For defined benefit plans, the cost of providing the benefits is determined using the projected unit credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to the end of the reporting period where the interim valuation is performed at an earlier date.

In measuring its defined benefit liability the entity recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

In measuring its defined benefit liability the entity recognises past service cost as an expense in the reporting period in which the plan is amended.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognised when the entity is committed to curtailment or settlement.

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.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation.

Any asset is limited to the present value of available refunds and reduction in future contributions to the plan.

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Accounting Policies

1.14 Employee benefits (continued)

Other post retirement obligations

The entity provides post-retirement health care benefits and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The entity also provides a gratuity and medical aid subsidy on retirement to certain employees. An annual charge to expenditure is made to cover both these liabilities.

1.15 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 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.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

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.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 36 - Contingencies.

1.16 Revenue from exchange transactions

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 amortised cost of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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1.16 Revenue from exchange transactions (continued)

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;
- 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 services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

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.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Revenue estimation

Consumers are invoiced based on estimates of consumption where no meter reading has taken place during the billing period. These invoices are best estimates based on historical customer's average consumption and enable revenue to be measured reliably. On an annual basis the actual consumption is compared to the estimated consumption in order to provide additional assurance that significant adjustments are not required to reverse excessive estimates. In the event that significant adjustments are identified, these adjustments are treated as changes in estimates in terms of GRAP 3 and are recognised in surplus or deficit in the period of the change.

Interest

Interest is recognised on a time proportion-basis using the effective interest rate method.

1.17 Revenue from non-exchange transactions

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.

1.18 Prior year errors

When the presentation or classification of items in the financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

Where accounting errors have been identified in the current financial year the correction is made retrospectively as far as it is practical and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as it is practical and the prior year comparatives are restated accordingly.

1.19 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

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1.19 Unauthorised expenditure (continued)

All expenditure relating to unauthorised 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 the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.20 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

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 was 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.

1.21 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA:

- expenditure incurred by an entity or municipality entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170;
- expenditure incurred by a municipality or municipality entity in contravention of, or that is not in accordance with, a requirement of the municipality System Act, and which has not been condoned in terms of this Act;
- expenditure incurred by a municipality or municipality entity in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No.20 of 1998); or

expenditure incurred by a municipality or municipality entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-law giving effect to such policy, and which has been condoned in terms of such policy or by-law but excludes expenditure by municipality which falls within the definition of "unauthorised expenditure".

Irregular expenditure that was incurred and identified during the current financial period and which was condoned before year end and/or before finalisation of financial statements must be recorded appropriately in the irregular expenditure register. In such an instance, the note to the financial statement must be updated to reflect this.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such person is liable in law. Immediate steps must be thereafter be taken to recover the amount from the person concerned. If recovery is not possible, write off of the amount must be considered.

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

1.22 Value added tax

The entity registered with SARS for VAT on the payment basis, in accordance with sec 15(2)(a) of the Value Added Tax Act No 89 of 1991.

1.23 Going concern

The financial statement have been prepared on the basis of accounting policies applicable to a going concern. This 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.

1.24 Income Tax

The entity is liable for tax and is registered with SARS for income tax.

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Accounting Policies

1.25 Expenses - Administration expenses, repairs and maintenance and general expenses

Expenses are measured reliably at amortised cost of the consideration payable, exclusive of value added tax.

1.26 Bulk Purchases

Bulk purchases represent the cost of electricity purchased for onwards selling to consumers. The expense is recognised in relation to the income earned.

Expenses are measured reliably at the amortised cost of the consideration payable, exclusive of value added tax.

1.27 Share Capital

The entire shareholding of the entity is held by the City of Johannesburg Metropolitan Municipality.

Unissued ordinary shares are under the control of the City of Johannesburg Metropolitan Municipality.

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2. New standards and interpretations

2.1 Standards and interpretations not yet effective

Entities may not early adopt Standards of GRAP if the Minister of Finance has not determined an effective date for that standard. The following standards of GRAP have been issued but not yet effective:

- GRAP 20 - Related party disclosures
- GRAP 25 - Employee benefit
- GRAP 105 - Transfer of functions between entities under common control
- GRAP 106 - Transfer of functions between entities not under common control
- GRAP 107 - Mergers
- GRAP 32 - Service concession arrangements
- GRAP 108 - Statutory receivables
- GRAP 18 - Segment reporting

There will be no impact of the initial adoption of the standards and interpretations on the entity's financial statements.

3. Inventories

Consumable stores	97,550	164,058
	97,550	164,058
Inventory (write-downs)	(18,833)	(22,028)
	78,717	142,030

Inventory pledged as security

No inventories were pledged as security during the year.

4. Loans to / (from) shareholder

City of Johannesburg Metropolitan Municipality - Capex loans	(2,043,991)	(2,432,285)
Sweeping account	2,241,193	2,705,337
City of Johannesburg Metropolitan Municipality - Shareholder loans	(624,793)	(624,793)
	(427,591)	(351,741)

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4. Loans to / (from) shareholder (continued)

Capex loans

Capex loan granted in 2004. The original loan is unsecured and the loan is repayable in equal quarterly installments over the 10 year loan term. The loan bears interest at 12.42% which is compounded monthly and has been repaid in full in the current reporting period.

Capex loan granted in 2005. The original loan is unsecured and the loan is repayable in equal quarterly installments over the 10 year loan term. The loan bears interest at 10.20% which is compounded monthly.

Capex loan granted in 2006. The original loan is unsecured and the loan is repayable in equal quarterly installments over the 10 year loan term. The loan bears interest at 10.20% which is compounded monthly.

Capex loan granted in 2007. The original loan is unsecured and the loan is repayable in equal quarterly installments over the 10 year loan term. The loan bears interest at 9.00% which is compounded monthly.

Capex loan granted in 2008. The original loan is unsecured and the loan is repayable in equal quarterly installments over the 10 year loan term. The loan bears interest at 9.00% which is compounded monthly.

Capex loan granted in 2009. The original loan is unsecured and the loan is repayable in equal quarterly installments over the 10 year loan term. The loan bears interest at 12.21% which is compounded monthly.

Capex loan granted in 2010. The original loan is unsecured and the loan is repayable in equal quarterly installments over the 10 year loan term. The loan bears interest at 10.9% which is compounded monthly.

Capex loan granted in 2011. The original loan is unsecured and the loan is repayable in equal quarterly installments over the 10 year loan term. The loan bears interest at 10.9% which is compounded monthly.

Capex loan granted in 2012. The original loan is unsecured and the loan is repayable in equal quarterly installments over the 10 year loan term. The loan bears interest at 10.9% which is compounded monthly.

Capex loan granted in 2013. The original loan is unsecured and the loan is repayable in equal quarterly installments over the 10 year loan term. The loan bears interest at 10.9% which is compounded monthly.

Capex loan granted in 2014. The original loan is unsecured and the loan is repayable in equal quarterly installments over the 10 year loan term. The loan bears interest at 9.65% which is compounded monthly.

Shareholder's loans

The loan is unsecured and interest is payable at 17.5% per annum. The shareholder has agreed to subordinate as much of its loan account as necessary as would enable the claims of other payables to be paid in full.

Current assets	2,241,193	2,705,337
Non-current liabilities	(2,237,931)	(2,628,118)
Current liabilities	(430,853)	(428,960)
	(427,591)	(351,741)

Sweeping account

Loans at beginning of the year	2,705,337	1,190,591
Movement during the year	(464,144)	1,514,746
	2,241,193	2,705,337

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4. Loans to / (from) shareholder (continued)		
Capex Loans		
Loans at beginning of the year	(2,003,325)	(2,060,254)
Loans raised	(58,228)	(399,014)
Repayments	15,562	26,983
Less amount payable within 12 months	430,853	428,960
	(1,613,138)	(2,003,325)
Shareholder loans movement for the year		
Loans at beginning of the year	(624,793)	(624,793)
Interest charged	(109,616)	(109,616)
Interest paid	109,616	109,616
	(624,793)	(624,793)
Non-current liabilities		
Capex loans	(1,613,138)	(2,003,325)
Shareholder's loans	(624,793)	(624,793)
	(2,237,931)	(2,628,118)
Current liabilities		
Loans outstanding at the beginning of the year	(428,960)	(389,517)
Transfer from long term loans	(430,853)	(428,960)
Less amounts paid during the year	428,960	389,517
	(430,853)	(428,960)
5. Trade and other receivables from exchange transactions		
Deposits	68	68
Sundry receivables	129,387	109,139
Related party receivables	466,018	654,391
	595,473	763,598

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6. Consumer receivables		
Gross balances		
Electricity	5,290,491	5,185,337
The increase in consumer receivables comparative to the prior year is due to the lower than expected collection levels from customers.		
Less: Allowance for impairment		
Electricity	(3,187,795)	(3,395,709)
Net balance		
Electricity	2,102,696	1,789,628
Electricity		
Current (0 - 30 days)	1,362,491	1,597,483
31 - 60 days	477,161	13,302
61 - 90 days	189,238	50,858
91 - 120 days	44,269	43,089
121 - 365 days	29,537	52,060
> 365 days	-	32,836
	2,102,696	1,789,628
Reconciliation of allowance for impairment		
Balance at beginning of the year	(3,395,709)	(3,234,086)
Contributions to allowance	(125,017)	(785,829)
Debt impairment written off against allowance	332,931	626,759
Reversal of allowance	-	(2,553)
	(3,187,795)	(3,395,709)

Credit quality of consumer receivables

The credit quality of consumer receivables that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Trade receivables

Consumer receivables past due but not impaired

As at June 30, 2014, R 714,502 (2013: R 421,667) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	477,161	242,838
2 months past due	163,535	50,876
3 months past due and older	73,806	127,853

Consumer receivables impaired

As of June 30, 2014, consumer debtors of R 3,187,795 (2013: R 3,395,709) were impaired and provided for.

3 to 6 months	830,099	626,602
Over 6 months	2,357,696	2,769,107

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7. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	30	42
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Cash is reflected at the carrying value which approximates fair value. There is no credit risk attached to the instrument.

The municipal entity has a sweeping arrangement with the City of Johannesburg Metropolitan Municipality whereby all cash is swept on a daily basis to the City of Johannesburg Metropolitan Municipality's bank account. Petty cash is reflected as being on hand. The cash owed to the entity by the City of Johannesburg Metropolitan Municipality is reflected as an amount due from the shareholder.

The entity has the following bank accounts:

4055151157	ABSA	Third party payments
4055151238	ABSA	Electricity deposits
4054799051	ABSA	On site collections
4054799564	ABSA	Unpaid collections
4054394728	ABSA	Direct deposits
4054394760	ABSA	Unpaid cheques
4055418357	ABSA	Prepaid account
4054636689	ABSA	Sundry revenue account
4054394744	ABSA	Bank charges
4054394752	ABSA	Salaries
405439473	ABSA	Main cheque
198641	Standard Bank Limited	Bank charges account
198684	Standard Bank Limited	Sundry account
198714	Standard Bank Limited	Main account
198757	Standard Bank Limited	Prepaid account
198854	Standard Bank Limited	Electronic collections account

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8. Property, plant and equipment

	2014			2013		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	10,888	-	10,888	10,888	-	10,888
Buildings	370,381	(161,361)	209,020	369,308	(157,327)	211,981
Finance leased assets	28,516	(8,861)	19,655	12,170	(5,644)	6,526
Plant and machinery	9,020,459	(1,462,921)	7,557,538	8,238,441	(1,234,783)	7,003,658
Furniture and fixtures	24,175	(15,146)	9,029	21,889	(12,231)	9,658
Motor vehicles	1,336	(7)	1,329	-	-	-
IT equipment	58,586	(49,838)	8,748	54,429	(44,176)	10,253
Capital work in progress	1,861,103	-	1,861,103	533,829	-	533,829
Total	11,375,444	(1,698,134)	9,677,310	9,240,954	(1,454,161)	7,786,793

Motor vehicles included above were acquired in previous financial years. It is not practical to adjust for the acquisition in previous reporting periods and therefore is being reflected as a current year addition.

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	10,888	-	-	-	-	10,888
Buildings	211,981	1,072	-	-	(4,033)	209,020
Leasehold property	6,526	20,309	-	-	(7,180)	19,655
Plant and machinery	7,003,658	36,284	(3,553)	751,608	(230,459)	7,557,538
Furniture and fixtures	9,658	2,287	(1)	-	(2,915)	9,029
Motor vehicles	-	1,336	-	-	(7)	1,329
IT equipment	10,253	4,167	(8)	-	(5,664)	8,748
Capital work in progress	533,829	2,078,882	-	(751,608)	-	1,861,103
	7,786,793	2,144,337	(3,562)	-	(250,258)	9,677,310

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	3,544	257	-	7,087	-	10,888
Buildings	137,741	2,037	-	76,476	(4,273)	211,981
Leasehold property	10,765	-	-	-	(4,239)	6,526
Plant and machinery	6,316,209	4,373	(8,949)	967,879	(275,854)	7,003,658
Furniture and fixtures	25,924	513	-	(13,624)	(3,155)	9,658
IT equipment	43,907	3,457	-	(20,384)	(16,727)	10,253
Capital work in progress	443,454	1,107,809	-	(1,017,434)	-	533,829
	6,981,544	1,118,446	(8,949)	-	(304,248)	7,786,793

Pledged as security

No items of property, plant and equipment are pledged as security.

Borrowing costs capitalised

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8. Property, plant and equipment (continued)

No interest was capitalised during the year.

A register containing the information required by section 63 of the MFMA is available for inspection at the registered office of the entity.

9. Intangible assets

	2014			2013		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Additional capacity rights	235,867	(43,417)	192,450	234,182	(36,000)	198,182
Computer software	101,311	(87,403)	13,908	101,311	(70,529)	30,782
Total	337,178	(130,820)	206,358	335,493	(106,529)	228,964

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
Additional capacity rights	198,182	1,685	(7,417)	192,450
Computer software	30,782	-	(16,874)	13,908
	228,964	1,685	(24,291)	206,358

Reconciliation of intangible assets - 2013

	Opening balance	Additions	Amortisation	Total
Additional capacity rights	142,621	62,977	(7,416)	198,182
Computer software	44,209	7,397	(20,824)	30,782
	186,830	70,374	(28,240)	228,964

Pledged as security

No intangible assets are pledged as security.

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10. Finance lease obligation		
Minimum gross lease payments due		
- within one year	6,398	4,897
- In second to fifth year inclusive	19,145	7,673
- later than five years	426	32
	25,969	12,602
less: future finance charges	(5,511)	(5,658)
Present value of minimum lease payments	20,458	6,944
Present value of minimum lease payments due		
- within one year	4,779	3,351
- in second to fifth year inclusive	15,309	3,593
- later than five years	370	-
	20,458	6,944
Non-current liabilities	15,680	3,593
Current liabilities	4,778	3,351
	20,458	6,944

It is the entity policy to lease certain property, motor vehicles and equipment under finance leases.

11. Trade and other payables from exchange transactions

Trade payables	2,121,847	1,846,743
Accrual service bonus	6,698	6,566
Deposits received	5,217	-
Accrual for leave pay	79,282	75,822
Consumer debtors with credit balances	710,509	607,314
Related party creditor	49,639	46,125
	2,973,192	2,582,570

12. VAT payable

Value added tax	181,320	286,294
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All VAT returns were submitted timeously during the current financial year in terms of the Value Added Tax Act.

Vat refunds totalling R67 552 944 has not yet been received from Sars. The company has been submitting vat returns on a payments basis. The completion of the vat returns are based on an approval received in 2002 from Sars. An audit was conducted by Sars for the returns submitted in August and September 2012 that gave rise to a query on the vat status of entity. Proof of approval for submission of vat returns was lodged with Sars. The legal department of Sars has confirmed that the entity can continue to complete vat returns on a payments basis subject to the entity reapplying for registration on a payments basis. The re application is in progress. The refund to the entity is not in doubt.

City Power Johannesburg (SOC) Limited

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13. Provisions

Reconciliation of provisions - 2014

	Opening balance	Additions	Utilised during the year	Total
Bonus provision	48,103	45,966	(44,734)	49,335

Reconciliation of provisions - 2013

	Opening balance	Additions	Utilised during the year	Reversed during the year	Total
Bonus provisions	44,955	48,103	(16,791)	(28,164)	48,103

The provision relates the performance bonuses that the entity expects the pay to qualifying employees. The amount is based on the performance of the financial year under review which is still to be determined. The provision is management's best estimate of the entity's liability at reporting date.

14. Employee benefit obligations

Defined benefit plan

	2014	2013
Post-retirement liability		
Post-retirement medical aid plan	(2,115)	(2,031)
Post-retirement gratuity plan	(22,348)	(25,564)
Balance at end of year	(24,463)	(27,595)

The entity has obligations to subsidise medical aid contributions in respect of certain qualifying staff and pensioners and their surviving spouses. Only pensioners and employees who were aged 50 or older and were members of LA Health and Munimed are included.

The above liability is unfunded. However, the City of Johannesburg Metropolitan Municipality has undertaken to cover such portion of the liability for the staff of the entity who are entitled to benefit that relates to their service with the City of Johannesburg Metropolitan Municipality since the entity was established.

Movement for the year

	2014	2013
Opening balance	(2,031)	(11,505)
Interest charged	(162)	(984)
Actuarial gains or (losses)	116	10,458
Benefits paid	50	-
Current service cost	(88)	-
Balance at end of the year	(2,115)	(2,031)

Net expense recognised in the statement of financial performance

	2014	2013
Current service cost	(88)	-
Interest cost	(162)	(984)
Actuarial gains or (losses)	116	10,458
	(134)	9,474

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14. Employee benefit obligations (continued)

Key assumptions used

Assumptions used on last valuation on 30 June 2014. The discount rate was set as the yield of the R209 South African bond at valuation date.

Discount rates used	8.94 %	7.89 %
Expected rate of return on assets	5.09 %	5.09 %
Health care cost inflation rate	8.05 %	6.67 %
Rate of increase in employer post-retirement medical contribution subsidy payments	8.05 %	6.67 %

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14. Employee benefit obligations (continued)

Post-retirement gratuity plan

The entity provides gratuities on retirement or on death to certain qualifying employees who have service with the City of Johannesburg Metropolitan Municipality or the municipal entity when they were not members of one of the retirement funds and who meet certain service requirements in terms of the City of Johannesburg Metropolitan Municipality's conditions of employment. The gratuity amount is based on one month's salary per year of nonretirement funding service.

The above liability is unfunded. However, the City of Johannesburg Metropolitan Municipality has undertaken to cover such portion of the liability for the staff of the entity who are entitled to benefits that relate to their service with the City of Johannesburg Metropolitan Municipality since the entity was established.

The plan is a post-retirement gratuity benefit plan.

Movement for the year	2014	2013
Opening balance	(25,564)	(24,631)
Benefits paid	1,241	-
Interest charged	(1,862)	(2,160)
Actuarial gains or (losses)	3,837	1,227
Balance at end of year	(22,348)	(25,564)

Net expenses recognised in the statement of financial performance

Interest charged	(1,862)	(2,160)
Actuarial gains or (losses)	3,837	1,227
Total included in employee benefit expense	1,975	(933)

Key assumptions used

Assumptions used on last valuation on June 30, 2014. The discount rate was set as the yield of the R209 South African bond at valuation date.

Sensitivity Analysis

In order to illustrate the sensitivity of the valuation results the following assumptions have been used:

- 1% increase/decrease in the medical and salary inflation rate assumptions used.

The effect of these assumptions are as follows:

	-1% In medical/salary inflation	Valuation assumption	+1% In medical/salary inflation
Post retirement Medical aid subsidies	2,072,000	2,115,000	2,134,000
Retirement gratuities	21,739,000	22,348,000	22,977,000
	23,811,000	24,463,000	25,111,000

Defined contribution plan

The entity provides post-employment benefits to all their permanent employees through defined contribution funds.

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15. Deferred Income		
Unspent conditional grants and receipts comprises of:		
Income in advance		
Public contributions: service connections	23,236	11,345
Movement during the year		
Balance at the beginning of the year	11,345	-
Additions during the year	255,345	180,254
Income recognition during the year	(243,454)	(168,909)
	23,236	11,345
16. Deferred tax		
The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows:		
Reconciliation of deferred tax asset \ (liability)		
At beginning of year	(1,109,213)	(987,976)
Taxable temporary differences	(39,270)	(243,146)
Utilised assessed loss	(323,611)	155,618
Other	-	(33,709)
	(1,472,094)	(1,109,213)
Deferred tax analysis		
Fixed assets	(1,683,044)	(1,642,473)
Leased assets	224	(1,827)
Lease Liability	-	1,944
Discounting accounts receivable	-	3,694
Discounting accounts payable	-	740
Provisions	21,340	22,043
Income in advance	9,508	3,178
Deferred expenditure	(36,507)	(36,508)
Doubtful debt	-	-
Assess loss	216,385	539,996
	(1,472,094)	(1,109,213)
17. Consumer deposits		
Electricity	272,091	221,105

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Figures in Rand thousand	2014	2013
18. Share capital and share premium		
Authorised		
10 000 Ordinary shares of R1 each	10	10
Reconciliation of number of shares issued:		
Reported as at beginning of year	10	10
Issue of shares – ordinary shares	-	-
Reported as at end of year	10	10
Issued		
Share premium	112,466	112,466

Issued share capital consists of 1 issued share of R1 nominal value.

19. Financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

2014

	Amortised cost	Total
Loans to shareholder	2,241,193	2,241,193
Consumer receivables	2,102,696	2,102,696
Trade and other receivables	595,473	595,473
Cash and cash equivalents	30	30
	4,939,392	4,939,392

2013

	Amortised cost	Total
Loans to shareholder	2,705,337	2,705,337
Consumer receivables	1,789,628	1,789,628
Trade and other receivables	763,598	763,598
Cash and cash equivalents	42	42
	5,258,605	5,258,605

20. Financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

2014

	Financial liabilities at amortised cost	Total
Loans from shareholder	430,853	430,853
Trade and other payables from exchange transactions	2,973,192	2,973,192
	3,404,045	3,404,045

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20. Financial liabilities by category (continued)		
2013		
	Financial liabilities at amortised cost	Total
Loans from shareholder	428,960	428,960
Trade and other payables from exchange transactions	2,582,570	2,582,570
	3,011,530	3,011,530
21. Revenue		
Sale of electricity	12,415,584	12,465,283
New service connections	163,540	105,156
	12,579,124	12,570,439
22. Other revenue		
Fees earned	31,794	13,687
Rental income - third party	287	312
Other income	96,328	218,255
Government grants	192,004	168,909
	320,413	401,163
Source of government grants:		
Municipal infrastructure grant	105,038	88,000
Department of Energy	37,815	41,914
Engineering fees contributions	47,001	33,164
COJ Housing projects	-	5,831
Skills development grant	2,150	-
	192,004	168,909
Grants are received to finance capital projects in respect of the electrification of under developed areas.		
All conditions of these grants at reporting date have been met.		
23. Other income		
Cut off fees	10,541	14,714
Demand side management levy	65,461	184,266
Disposal of obsolete materials	904	5,138
Cash discount received	239	-
Street pole advertising	13,536	9,729
Tender administration fees	5,647	4,408
	96,328	218,255

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Figures in Rand thousand	2014	2013
24. General expenses		
Advertising	10,281	9,742
Assessment rates & municipal charges	10,643	12,139
Auditors fees	4,228	3,987
Bank charges	442	1,448
Commission paid	32,008	26,989
Consulting and professional fees	108,793	84,833
Donations	2,658	222
Entertainment	2,392	2,646
Insurance	41,588	29,817
Conferences and seminars	5,963	3,620
Lease rentals on operating lease	389,635	268,330
Levies	6,455	5,957
Magazines, books and periodicals	59	115
Motor vehicle expenses	50,472	38,899
Postage and courier	-	6
Printing and stationery	2,053	2,386
Security expenses	66,403	50,335
Software expenses	23,298	17,551
Staff welfare	226	(8,518)
Subscription fees	628	567
Telephone and fax	15,722	14,950
Training	6,469	3,856
Travel - local	6,424	8,699
Travel - overseas	460	200
Refuse	-	5
Tree pruning	15,060	14,671
Meter readings	24,713	27,469
Loss on disposal of assets	3,561	8,949
Cut off fees	27,409	25,598
Material issues	195,473	221,756
Sundry expenses	323	269
Eskom free electricity costs	3,779	2,360
	1,057,598	881,853

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Figures in Rand thousand	2014	2013
25. Employee related costs		
Salaries and wages	452,027	412,386
Gratuities	207	-
Membership fees	855	93
Bursary grants	1,374	453
Protective clothing	4,229	4,696
Overtime payments	85,014	107,961
Bonus	45,966	19,938
Unemployment Insurance Fund	2,765	2,637
Workmen's Compensation	4,462	4,323
Leave pay charge	6,652	10,425
Pension fund contributions	14 53,460	50,420
Group Life Assurance	14,908	13,181
Long-service awards	5,702	4,758
13th cheques	10,216	10,094
Acting allowances	21,004	22,155
Car allowances	27,071	26,674
Cellphone allowances	6,526	3,037
Termination benefits	(251)	901
	741,987	694,132
The remuneration of staff is within the upper limits of the SALGA Bargaining Council determinations.		
26. Administrative expenditure		
Administration and management fees - related party	76,584	122,813
27. Bad debts		
Increase in allowance for doubtful debt	109,664	689,011
28. Interest revenue		
Interest earned - City of Johannesburg banking	128,866	99,117
Interest earned - outstanding receivables	28,331	55,935
Fair value adjustments - discounting	-	5,555
Interest earned - Post Retirement benefit asset	4,202	-
	161,399	160,607
29. Depreciation and amortisation		
Property, plant and equipment	274,549	332,488
30. Finance costs		
Group companies	346,406	355,419
Finance lease interest	2,099	913
Interest on Post Retirement obligation	2,068	3,691
	350,573	360,023

Total interest expense, calculated using the effective interest rate, on financial instruments not at fair value through surplus or deficit amounted to R - (2013: R -).

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31. Taxation

Major components of the tax expense

Current

Income tax - prior year	-	(76,852)
Local income tax - recognised in current tax for prior periods	-	-
	-	(76,852)

Deferred

Under/(over) provision prior year	352,405	(216,548)
Under/(over) provision current year	10,476	337,785
	362,881	121,237
	362,881	44,385

Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate.

Income tax charge to the statement of financial performance	24.67 %	3.26 %
Non-taxable income	3.60 %	13.80 %
Non-deductible expenditure	(0.33)%	(0.02)%
Under/over provision in prior year	0.06 %	17.70 %
Tax refund	- %	6.30 %
Temporary difference	- %	(13.04)%
	28.00 %	28.00 %

32. Auditors' fees

Fees	4,228	3,987
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33. Bulk purchases

Electricity	8,380,255	8,212,651
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Included in bulk purchases are the following:

Technical losses for the year amounts to R742 442: (2013: R754 332)

Non-Technical losses for the year amounts to R1 573 988: (2013: R1 390 439)

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Figures in Rand thousand	2014	2013
34. Cash generated from operations		
Surplus	1,150,659	1,375,075
Adjustments for:		
Depreciation and amortisation	274,549	332,488
Interest income	(161,399)	(160,607)
Movements in retirement benefit assets and liabilities	(3,132)	(8,541)
Movements in provisions	1,232	3,148
Annual charge for deferred tax	362,880	44,385
Finance cost	350,573	360,023
Tax receipts	-	76,852
Loss on disposal	3,561	8,949
Changes in working capital:		
Inventories	63,313	(13,088)
Trade and other receivables from exchange transactions	168,125	334,111
Consumer debtors	(313,068)	125,947
Trade and other payables from exchange transactions	390,622	639,585
VAT	(104,974)	(147,514)
Deferred income	11,891	11,345
Finance lease	13,514	(3,984)
	2,208,346	2,978,174

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Figures in Rand thousand	2014	2013
35. Commitments		
Commitments in respect of capital expenditure:		
Authorised and not yet contracted for		
• Property, plant and equipment	2,145,445	1,685,721
Authorised and contracted for		
• Property, plant and equipment	76,317	41,336
This expenditure will be financed from:		
External Loans	891,030	56,827
Government Grants	221,795	549,110
Internal cash	1,108,937	1,121,120
	2,221,762	1,727,057
Operating leases - as lessee		
Avis Fleet Services		
<p>The entity currently leases 315 non specialised vehicles from Avis Fleet Services. These vehicles are leased through an agreement which was concluded by The City of Johannesburg with Avis Fleet Services on 13 November 2012. In terms of the agreement, all rentals due on vehicles leased are payable monthly in arrears and are linked to the prime overdraft rate. Furthermore the agreement places restrictions on maximum number of kilometers which can be travelled over the lease term and specifies the rate at which excess kilometers will be billed.</p>		
Minimum lease payments due		
- within one year	23,212	14,551
- in second to fifth year inclusive	51,380	20,150
	74,592	34,701
Operating leases – as lessee		
Kelvin Power		
Minimum lease payments due		
- within one year	514,880	390,868
- in second to fifth year inclusive	1,750,313	1,563,472
- later than five years	932,420	1,174,745
	3,197,613	3,129,085

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36. Contingencies

Contingent liabilities

The entity has an ongoing legal action instituted by a supplier for the entity to absorb its employees in term of section 197 of the LRA. The applicants appeal was dismissed with costs by the Appeal Court. An application has been made for leave to appeal to the Constitutional Court. The potential liability is estimated at R750 000.

A supplier has launched legal action against the entity on the basics of an irregular award of a tender. It is alleged that the consultant appointed by the entity interfered with the tender process to the detriment of the applicant. An agreement between the winning bidder and the applicant is currently being negotiated. No monetary value was attached to the claim.

City Power is currently claiming consumer debtor impairment at 100% as a tax deduction. South African Revenue Services has approved a deduction of 25%. City Power is appealing the decision of the Receiver.

A summons was issued in favour of a customer for a refund amounting R357k that was paid out. The matter is being defended and the trial date has been set for 16th April 2015.

A supplier is claiming a sum of R17 100 k from the entity and other defendants. The matter is at a pleading stage.

City Power is currently in a dispute with a supplier regarding data and voice cellphone charges. The supplier is claiming a sum of R10 640 719.

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37. Related parties

Relationships

Controlling entity

Other members of the group

The City of Johannesburg Metropolitan Municipality
 City Housing Company (SOC) Ltd
 City of Johannesburg Property Company (SOC) Ltd
 Johannesburg City Parks NPC
 Johannesburg Development Agency (SOC) Ltd
 Johannesburg Metropolitan Bus Services (SOC) Ltd
 Johannesburg Roads Agency (SOC) Ltd
 Johannesburg Water (SOC) Ltd
 The Metropolitan Trading Company (SOC) Ltd
 Pikitup Johannesburg (SOC) Ltd
 Roodepoort City Theatre NPC
 The Johannesburg Theatre NPC
 The Johannesburg Fresh Produce Market (SOC) Ltd
 The Johannesburg Zoo NPC

Related party balances

Trade and other receivables regarding related parties

City of Johannesburg Metropolitan Municipality	465,380	653,531
City of Johannesburg Property Company (SOC) Ltd	3	14
The Johannesburg Zoo NPC	-	14
Johannesburg City Parks NPC	95	40
Johannesburg Roads Agency (SOC) Ltd	540	792
	466,018	654,391

Trade and other payables regarding related parties

The City of Johannesburg Metropolitan Municipality	37,224	39,067
Pikitup Johannesburg (SOC) Ltd	-	166
City of Johannesburg Property Company (Pty) Ltd	-	4
The Johannesburg Theatre NPC	27	-
Johannesburg City Parks NPC	7,056	1,753
Johannesburg Roads Agency (SOC) Ltd	5,332	5,135
	49,639	46,125

Loans from related parties

The City of Johannesburg Metropolitan Municipality	2,668,784	3,057,078
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Loans to related parties

The City of Johannesburg Metropolitan Municipality	2,241,193	2,705,337
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37. Related parties (continued)

Related party transactions

Electricity sales to related parties

City of Johannesburg Metropolitan Municipality	-	143,601
Johannesburg Social Housing Company (SOC) Ltd	-	3,447
Johannesburg Metropolitan Bus Services (SOC) Ltd	-	2,889
Pikitup Johannesburg (SOC) Ltd	-	3,409
Johannesburg Water (SOC) Ltd	-	110,825
Johannesburg Zoo NPC	-	3,193
Metropolitan Trading Company (SOC) Ltd	-	1,395
Johannesburg Civic Theatre (SOC) Ltd	-	5,921
Johannesburg City Parks NPC	-	5,406
Johannesburg Roads Agency (SOC) Ltd	-	13,542
The Johannesburg Fresh Produce Market (SOC) Ltd	-	24,592
	-	318,220

Other income from related parties

City of Johannesburg Metropolitan Municipality	133,338	95,551
Johannesburg Water (SOC) Ltd	151	-
City of Johannesburg Property Company (SOC) Ltd	24	28
Johannesburg Roads Agency (SOC) Ltd	-	22
Johannesburg City Parks NPC	302	59
	133,815	95,660

Purchases from related parties

City of Johannesburg Metropolitan Municipality	492,764	534,975
City of Johannesburg Property Company (SOC) Ltd	6	8
Johannesburg Civic Theatre (SOC) Ltd	2,072	-
Johannesburg City Parks NPC	16,898	16,926
Johannesburg Roads Agency (SOC) Ltd	283	-
	512,023	551,909

All related party transactions are at normal trade terms.

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38. Directors' emoluments

Executive

2014

	Emoluments	Other benefits*	Travel allowance	Performance bonus	Total
Mr SG Xulu - Managing Director	2,143	196	128	196	2,663
Mr Q Green - Director: Finance	841	73	24	-	938
Ms MS Mafora - Director: Corporate Services)	1,287	123	118	127	1,655
Ms NF Msiza- Director: Risk, Assurance & Compliance	1,177	104	56	-	1,337
Mr TG Nkgoedi-Director: Retail Services	1,395	152	-	88	1,635
Mr TM Nzimande-Director: Engineering Services	1,242	111	-	-	1,353
Mr MJ Smith-Company Secretary	933	63	93	93	1,182
Mr DL Pieterse-Director: Engineering Operations	1,370	126	80	66	1,642
	10,388	948	499	570	12,405

2013

	Emoluments	Other benefits*	Travel Allowance	Total
Mr SG Xulu - Managing Director	1,933	161	128	2,222
Ms MS Mafora - Director: Corporate Services	1,212	96	119	1,427
Ms NP Nsele - Acting Director: Customer Services	1,012	89	-	1,101
Ms N Siwahla-Madiba- Director: Finance	888	48	93	1,029
Mr MJ Smith - Company Secretary	1,293	96	80	1,469
Mr DL Pieterse - Director: Engineering Operations	858	66	110	1,034
	7,196	556	530	8,282

Non-executive

2014

	Directors' fees	Other Allowances	Travel Allowance	Total
Rev F Chikane-Chairperson	377	4	10	391
Mr NE Galaws	168	2	4	172
Ms ZD Hlatshwayo	168	2	2	172
Mr NSA Hlubi	375	4	11	390
Ms NP Mohlala	202	2	2	206
Mr DR Mokhobo	104	1	3	108
Mr D Naidu	127	1	2	130
Dr Y Ndema	142	2	1	145
Mr TI Sithole	197	2	6	205
Ms LJ Fosu	52	1	1	54
Mr W Hattingh	86	1	3	90
Mr H Moolla	90	1	1	92
	2,086	23	46	2,155

2013

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38. Directors' emoluments (continued)

	Directors' fees	Other allowance	Travel allowance	Total
Rev F Chikane- Chairperson	333	3	8	344
Mr G Badela	137	1	4	142
Mr NE Galawe	112	1	2	115
Ms ZD Hlatshwayo	130	1	2	133
Mr NSA Hlubl	258	3	7	268
Mr BK Motokeng	92	1	3	96
Ms NP Mohlala	144	1	2	147
Dr MS Motebang	46	1	1	48
Dr Y Ndema	69	1	1	71
Mr TI Sithole	136	1	3	140
Ms LJ Fosu	59	1	1	61
Mr W Hattingh	97	1	3	101
Mr H Moolla	107	1	1	109
	1,720	17	38	1,775

39. Change in accounting policy

Discounting of transactions

During the year the entity changed its accounting policy for reporting revenue, expenses and financial instruments to amortised cost. Management has the view that this provides reliable and more relevant information.

The change in policy has been applied retrospectively and prior years figures has been restated. The change in policy has the following effect;

Statement of financial Performance:

FY 2013

Decrease in interest income	56,879	-
Increase in purchases	17,715	-
Decrease in finance expense	(30,907)	-
Decrease in fair value discounting	(53,967)	-
	(10,280)	-

Statement of financial Position:

FY 2013

Increase in creditors	(2,912)	-
Increase in debtors	13,192	-
Change in Net assets	10,280	-

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40. Prior period error

2014

The accrual for electricity sales includes an increase in revenue reported for the 2013 financial period and a decrease in revenue for 2012 and prior.

Customers with credit balances previously held by the City of Johannesburg has been transferred to City Power retrospectively from FY 2013.

2013

The accrual for electricity sales includes a decrease in revenue reported for the 2012 financial period and previous reporting periods.

Specialised vehicles leased from the City of Johannesburg since 1 March 2012 were previously reported as operating leases. The specialised nature of the asset requires the lease to be classified as a finance lease which has been capitalised as property plant and equipment retrospectively.

The allowance for doubtful debts has been adjusted to be inclusive of vat. The effect of the adjustment is to ensure fair presentation of the net position of consumer debtors.

Vat payables has been decreased by the transfer of the vat component on doubtful debts outstanding. The transfer of the vat liability was to ensure fair presentation of the net consumer debtor balance.

The fair value of trade payables has been adjusted to correct an error in the number of days used to fair value trade payables.

The effect of the error on the individual line items is as follows:

Statement of financial Performance

2011 and Prior

Decrease in revenue	-	(211,751)
Decrease in tax charge	-	59,291
Decrease in surplus previously reported	-	(152,460)

FY 2012

Decrease in revenue	(319,595)	(243,876)
Decrease in operating lease cost	-	1,632
Increase in depreciation	-	(1,405)
Increase in finance costs	-	(390)
Decrease in tax	-	68,335
Decrease in finance income	-	(5,555)
Decrease in surplus for the 2012 financial period	(319,595)	(181,259)

FY 2013

Increase in revenue	47,508	-
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Statement of Financial Position:

FY 2011 and Prior

Decrease in consumer debtors	-	(211,751)
Decrease in deferred tax	-	59,291
Change in net assets	-	(152,460)

FY 2012

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Figures in Rand thousand	2014	2013
Increase in Property, plant and Equipment - Cost	-	12,170
Increase in accumulated depreciation	-	(1,405)
Net increase in Property, plant and Equipment	-	10,765
Decrease in consumer debtors	(305,800)	(455,638)
Increase in allowance for doubtful debt (vat)	-	(397,168)
Net decrease in current assets	(305,800)	(852,806)
Increase in finance lease liability	-	(3,351)
Decrease in vat payable	-	397,168
Increase in accounts payable	-	(5,555)
Decrease in current liability	-	388,262
Increase in non current finance liability	-	(7,577)
Decrease in deferred tax	-	127,625
Decrease in current liability	-	388,262
Net increase in Property, plant and Equipment	-	10,765
Net decrease in current assets	-	(852,806)
Increase in non current finance lease	-	(7,577)
Net change in assets	-	(333,731)
FY 2013		
Increase in consumer debtors	47,598	-
Increase in trade and other payables	522,940	-
Decrease in trade and other receivables	(522,940)	-
Net change in assets	47,598	-

41. Risk management

Financial risk management

The entity has an integrated risk management framework. The entity's approach to risk management is based on risk governance structures, risk management policies, risk identification, measurement and reporting. Three types of risks are reported as part of the risk profile, namely operational, strategic and business continuity risks. Operational risks are events, hazards, variances or opportunities which could influence the achievement of the entity's compliance and operational objectives. For the entity a strategic risk is a significant unexpected or unpredictable change or outcome beyond what was factored into the organisation's strategy and business model which could have an impact on the group's performance. Business continuity risks are those events, hazards, variances and opportunities which could influence the continuity of the entity.

One of the risks for entity identified both under the operational and strategic risk categories, is the financial sustainability of the entity. The financial risks and the management thereof, form part of this key risk area. The types of financial risks which are considered to form the major part of the risk profile of the entity are liquidity risk, credit risk and market risk.

The Board of directors have delegated the management of enterprise-wide risk to the audit committee which operates through various sub-committees. One of the committee's objectives is to ensure that City Power is not unduly exposed to financial and market risks. The entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the entity's financial performance. Treasury Risk management is carried out by a central treasury department under policies managed by the City of Johannesburg Metropolitan Municipality. Treasury Risk management identifies, evaluates and hedges financial risks in close co-operation with the municipal entity's operating units.

Interest rate risk

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41. Risk management (continued)

The entity has no significant interest-bearing assets, apart from the sweeping balance with the City of Johannesburg Metropolitan Municipality.

The entity's interest rate risk arises from long-term borrowings. There are no borrowings at variable rates of interest. Borrowings issued at fixed rates are subject to fair value interest rate risk.

The entity analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the entity calculates the impact on surplus/deficit of a defined interest rate shift.

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year				
Consumer receivables	9.00 %	2,102,696	-	-	-	-
Trade and other receivables	9.00 %	595,473	-	-	-	-
Loans to shareholder	9.00 %	2,241,193	-	-	-	-
Trade and other payables	9.00 %	(2,973,192)	-	-	-	-
Loan from shareholder	11.00 %	(430,853)	-	-	-	-
Finance leases	10.00 %	(4,778)	-	-	-	-

Credit risk

Credit risk is the risk of financial loss to the entity if a customer fails to meet its contractual obligations. This arises primarily from the entity's consumer receivables.

Consumer receivables comprise a widespread customer base. The entity's exposure to credit risk is influenced by the individual characteristics of each customer. In monitoring credit risk, customers are grouped according to their credit characteristics, including whether they are large or small power users, geographic location, ageing profile, security (deposits and guarantees) held and payment history.

Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Collateral security is obtained from all customers either in the form of cash or demand guarantees.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposures to credit risk at the reporting date are as follows.

Trade and other receivables	595,473	763,598
Loans to shareholder	2,241,193	2,705,337
Consumer receivables	2,102,696	1,789,628

Price risk

Price risk is the risk that the fair value of future cash-flows of financial instruments will fluctuate because of changes in market prices. Those changes are caused by factors specific to the individual financial instruments for its users, by factors affecting all similar financial instruments in the market. The entity's financial instruments are affected by the wholesale price of electricity from Eskom and Kelvin. Kelvin's costs include coal, diesel and oil pass-through costs.

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41. Risk management (continued)

Distribution Losses

The electricity energy losses can be classified into technical losses and non-technical losses, during 2013/14 financial year.

The entity's technical losses for the year are measured at 9%, amounting to R742 442. Technical losses relates to energy that is lost in the transportation of electricity from the point of supply to point of distribution through evaporation.

The entity's non-technical losses increased from 16.59% to 19.18%. Non-technical losses, if sold would have generated additional revenue of R3 026 900 (2013: R1 525 363) in the current year. The non-technical losses are attributable mainly to the following:

- Theft and bypass of meters
- Illegal decalibration of meters
- Damaged meters and faulty voltage and current transformers
- Billing errors
- Customers without meters

As part of the entity's strategy to continuously reduce the impact of non-technical losses, the following interventions have been implemented and are being reviewed and improved on an annual basis:

- Installation of automatic meter management systems, for both large and small power users i.e. automated metering technologies
- Continuous replacement of faulty conventional and pre-paid meters
- Automation of process to acquire new customers and change of meters (through the implementation of automated workflow and escalation system)
- Utilisation of anonymous "hot line" to report theft, vandalism and tampering
- Random and targeted audits are performed, followed by removal of illegal connections and normalisation supply

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41. Risk management (continued)

Liquidity risk

Liquidity risk is the risk that City Power will not have sufficient financial resources to meet its obligations when they fall due, or will have to do so at excessive cost. This risk can arise from mismatches in the timing of cash flows from revenue and capital and operational outflows. Funding risk arises when the necessary liquidity to fund illiquid asset positions, such as building new electricity capacity, cannot be obtained at the expected terms and when required. 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. Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored. The entity's funding is managed by the City of Johannesburg Metropolitan Ity. The City borrows money in the open market through the issue of bonds as and when required.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, entity treasury maintains flexibility in funding by maintaining availability under committed credit lines.

42. Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure

Opening balance	-	-
Interest on late payments	44	547
Approved by Council or condoned	(44)	(547)
	-	-

43. Irregular expenditure

Reconciliation of Irregular expenditure

Opening balance	-	-
Procurement of good and services without competitive bids and written price quotations	4,198	-
Condoned by Council	(4,198)	-
	-	-

Services were procured outside contract period. Disciplinary action has been taken against the responsible employee concerned and a sanction was enforced.

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44. Supply chain deviations

Emergency replacement of cable in Nick Toomey street R102 310.

Emergency replacement of air conditioners R30 000.

Emergency repairs to feeder cable supplying Bridgeport substation R70 000.

Emergency repairs to 88kV cable between San Soucl and Ridge substation R682 155.

Emergency procurement for the production of a dvd covering strike activities R32 000.

Emergency repairs to cable at Penny street substation R1 010 259.

Emergency procurement for security resources to secure substations and other hotspots R9 011 569.

Emergency repairs to faulty cable on Cydna R1 100 000.

Emergency repairs to tripped cable R120 000.

Emergency repairs to cable in the Westgate shopping centre area R120 000.

Emergency repairs to Robertville substation R15 000 000.

Emergency procurement for outages notices R22 395.

Emergency repairs to transformers and cable at Ridge substation R600 000.

Emergency repairs to cable at Florida substation R700 000.

Emergency replacement of low voltage fuse units R2 367 548.

Emergency procurement of temporary switchboard rental R4 000 000.

Emergency procurement of internal firewall to replace Microsoft TMG firewall R500 000.

Emergency procurement of medical practitioner R201 000.

Emergency procurement of metering equipment R11 921 000.

Emergency repairs on Nirvana 88kV overhead transmission lines and towers R12 378 826. An additional amount of R7 669 553 is being paid in the new financial year.

BDFM - Advertising R645 373.

Sowetan - Advertising R963 249.

The entity applies multi year budgeting for its capital programme in line with section 16(3) of the MFMA. An over expenditure of R275 000 000 was incurred against budget during the year. The entity has fully complied with the requirements of section 31 of the MFMA in appropriating the funds

City Power 2013/14 Annual Report

ANNEXURE C

AUDITOR-GENERAL REPORT FOR THE YEAR ENDED 30 JUNE 2013

REPORT OF THE AUDITOR-GENERAL TO THE GAUTENG PROVINCIAL LEGISLATURE AND THE COUNCIL OF THE CITY OF JOHANNESBURG METROPOLITAN MUNICIPALITY ON CITY POWER JOHANNESBURG (SOC) LIMITED

Report on the financial statements

Introduction

- 1 I have audited the financial statements of City Power Johannesburg (SOC) Limited set out on pages ... to ... which comprise statement of financial position as at 30 June 2014, the statement of financial performance, statement 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 the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Generally Recognised Accounting Standards (SA Standards of GRAP) and the requirements of Municipal Finance Management Act of South Africa, 2003 (Act no 53 of 2003) (MFMA) and the Companies Act of South Africa, 2008 (Act 71 of 2008) (Companies Act), and for such internal control as the accounting officer determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-general's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the general notice issued in terms thereof and International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of City Power Johannesburg (SOC) Limited as at 30 June 2014 and its financial performance and cash flows for the year then ended, in accordance with the SA Standards of GRAP and the requirements of MFMA and Companies Act.

Emphasis of matters

7. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Restatement of corresponding figures

8. As disclosed in note 40 to the financial statements, the corresponding figures for 30 June 2013 have been restated as a result of errors discovered in the financial statements of City Power Johannesburg SOC Ltd during the year ended 30 June 2014.

Material losses

9. As disclosed in note 33 to the financial statements, material losses amounting to R2 316 430 000 (2012-13: R2 144 741 000) were incurred as a result of electricity distribution losses which represent 28% (2012-13: 26%) of total electricity purchased. The total technical losses of electricity amounted to R1 573 988 000 (2012-13: R1 390 439 000). Non-technical losses amounted to R742 442 000 (2012-13: R754 332 000) and are due to unauthorised consumption, tampering and faulty meters.

Material impairment

10. As disclosed in note 6 to the financial statements, the allowance for impairment of receivables amounted to R3 187 795 000 (2013: R3 395 705 000), which represents 60% (2013: 65%) of consumer debtors were incurred, as the recoverability of these amounts are doubtful.

Additional matter

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

Other reports required by the Companies Act

12. As part of our audit of the financial statements for the year ended 30 June 2014, I have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports I have not identified material inconsistencies between the reports and the audited financial statements. I have not audited the reports and accordingly do not express an opinion on them.

Report on other legal and regulatory requirements

13. In accordance with the PAA and the General Notice issued in terms thereof, I report the following findings on the reported performance information against predetermined objectives for selected programmes presented in the annual performance report, non compliance with legislation as well as internal control. The object of my test was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly I do not express an opinion or conclusion on these matters.

Predetermined objectives

14. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected development priorities presented in the annual performance report of the municipal entity for the year ended 30 June 2014:

• Programme 1: Improved Network Performance and quality of supply	pp. x - x
• Programme 2: Refurbishment	pp. x - x
• Programme 3: Expansion and Strengthening of Network	pp. x - x
• Programme 5: Revenue Step Change Programme	pp. x - x

15. I evaluated the reported performance information against the overall criteria of usefulness and reliability.
16. I evaluated the usefulness of the reported performance information to determine whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned development priorities. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information (FMPP)*.
17. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.
18. The material findings in respect of the selected programmes are as follows:

Programme 1: Improved network performance and quality of supply

19. I did not raise any material findings relating to the usefulness and reliability of the reported performance information for Programme 1 – Improved Network Performance and quality of supply.

Programme 2: Refurbishment

20. I did not raise any material findings relating to the usefulness and reliability of the reported performance information for Programme 2: Refurbishment.

Programme 3: Expansion and strengthening of network

Usefulness of reported performance information

21. I did not raise any material findings relating to the usefulness of the reported performance information for Programme 3: Expansion and strengthening of network.

Reliability of reported performance information

22. The FMPPi requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. The reported performance information was not complete when compared to the source information or evidence provided. This was due to a lack of standard operating procedures for the accurate recording of actual achievements and a lack of definitions for the accurate measurement, recording and monitoring of performance.

Programme 5: Revenue Step Change Programme

Usefulness of reported performance information

23. I did not raise any material findings relating to the usefulness of the reported performance information for Programme 5 – Revenue Step Change Programme.

Reliability of reported performance information

24. The FMPPi requires auditees to have appropriate systems to collect, collate, verify and store performance information to ensure valid, accurate and complete reporting of actual achievements against planned objectives, indicators and targets. The reported performance information was not complete when compared to the source information or evidence provided. This was due to a lack of standard operating procedures for the accurate recording of actual achievements and a lack of definitions for the accurate measurement, recording and monitoring of performance.

Additional matter

25. I draw attention to the following matters:

Achievement of planned targets

26. Refer to the annual performance report on pages x to x for information on the achievement of planned targets for the year. This information should be considered in the context of the material findings on the usefulness and reliability of the reported performance information in paragraphs 19 to 24 of this report.

Adjustment of material misstatements

27. I identified material misstatements in the annual performance report submitted for auditing of the reported performance information for programme 1: Improved Network Performance and quality of supply. Management subsequently corrected all the misstatements. I did not raise material findings on the usefulness and reliability of the reported performance information.
28. I identified material misstatements in the annual performance report submitted for auditing of the reported performance information for programme 2: Refurbishment. Management subsequently corrected all the misstatements. I did not raise material findings on the usefulness and reliability of the reported performance information.
29. I identified material misstatements in the annual performance report submitted for auditing of the reported performance information for programme 3: Expansion and strengthening of Network. As management subsequently corrected only some of the misstatements, I raised material findings on the reliability of the reported performance information.
30. I identified material misstatements in the annual performance report submitted for auditing of the reported performance information for programme 5: Revenue step change programme. As management subsequently corrected only some of the misstatements, I raised material findings on the reliability of the reported performance information.

Compliance with legislation

31. I performed procedures to obtain evidence that the municipal entity had complied with applicable legislation regarding financial matters, financial management and other related matters.
32. My findings on material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

Annual financial statements

33. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1)(a) of the MFMA as material adjustments were identified during the audit. Material misstatements relating to revenue and accounts payable were identified by the auditors and were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Revenue management

34. An adequate management, accounting and information system which accounts for revenue put in place was not adequate, as required by section 64(2)(e) of the MFMA.

Expenditure management

35. Management did not take adequate steps to prevent irregular expenditure as required by section 95(d) of the MFMA.

Asset management

36. An effective system of internal control for assets (including an asset register) put in place was not adequate, as required by section 96(2)(b) of the MFMA.

Internal control

37. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual performance report and the findings on non-compliance with legislation included in this report.

Leadership

38. In certain instances, the accounting did not exercise adequate oversight responsibility regarding financial reporting, compliance with laws and regulations, performance reporting and related internal controls which resulted in instances of non-compliance with MFMA.

Financial and performance management

39. The financial statements were subject to material amendments resulting from the revenue audit. Management did not prepare accurate and complete financial statements that are supported and evidenced by reliable information.
40. Management did not adequately review and monitor compliance with the applicable laws and regulations.

Governance

41. Management did not implement appropriate risk management activities to ensure that regular risk assessments were considered for performance information and developed key controls to address the risks relating to accurate and complete reporting of performance information.

5.1 REPORTS

Investigations

- 42 The entity initiated five investigations into allegations of fraud and financial misconduct of which three investigation reports have been issued during the course of the year. The remaining two investigations were still in progress at year end.

Auditor-General

Johannesburg

30 November 2014



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

