a world class African city

City Power Johannesburg (Pty) Ltd
Annual Report
2009 / 2010

Registration No: 2000/030051/07
(In terms of Section 21 of the Companies Act
Municipal Finance Management Act, 2003 and Section 46 of the Municipal Systems Act, 2000)

CITY POWER JOHANNESBURG (PROPRIERTARY) LIMITED
INCORPORATED UNDER SECTION 21 OF THE COMPANIES ACT

COMPANY INFORMATION:

Registration number	**:**	**2000/030051/07**
Registered address	**:**	**40 Heronmere Road** **Reuven** **Booysens**
Postal address	**:**	**PO Box 38766** **Booysens** **2016**
Telephone number	**:**	**(011) 490-7000**
Fax number	**:**	**(011) 490-7377**
Website	**:**	**www.citypower.co.za**
Bankers	**:**	**Absa Bank of SA Limited**
Auditors	**:**	**Auditor-General**

Table of contents

TABLE OF CONTENTS **3**

SECTION 1: CITY POWER PROFILE **5**

1.1 SCOPE REPORT 5
1.2 COMPANY PROFILE 5
1.2.2 Customer Base *6*
1.2.3 City Power Staff Complement *6*
1.2.4 City Power's Area of Supply *7*
1.2.5 High Level Company Structure as at 30 June 2010 ..... *8*
1.3 VISION, MISSION, VALUES, AND STRATEGIC DIRECTION 9
1.3.1 Vision *9*
1.3.2 Mission *9*
1.3.3 Aspired values *9*
1.3.3 Mayoral Priorities *9*
1.3.5 City Power's Strategic Issues *10*
1.3.6 Growth and Development Strategy (GDS) and City Power's Strategic Agenda Alignment *10*

SECTION 2: LEADERSHIP OVERVIEW **14**

2.1 MEMBER OF THE MAYORAL COMMITTEE'S REVIEW 14
2.2 CHAIRPERSON'S REVIEW 15
2.3 BOARD OF DIRECTORS QUALIFICATIONS AND SKILLS MATRIX 16
2.4 AUDIT COMMITTEE'S QUALIFICATIONS AND SKILLS MATRIX 18
2.5 MANAGING DIRECTOR'S REVIEW 19
2.6 DIRECTORS QUALIFICATIONS AND SKILLS MATRIX 21

SECTION 3: PERFORMANCE REVIEW **22**

3.1 HIGHLIGHTS AND ACHIEVEMENTS 22
3.2 COMPANY FOUR-YEAR REVIEW 23
3.3 PERFORMANCE AGAINST IDP AND CITY SCORECARD 24
3.4 ASSESSMENT OF IDP CRITERIA 29
The table below indicates electrification projects completed in 2009/10: *30*
3.5 ASSESSMENT OF ARREARS ON SERVICE CHARGES 42
3.5.1 Assessment of municipal taxes and service charges owed to City Power *42*
3.5.2 Assessment owed by City Power for service charges *42*
3.5.3 Assessment of directors' and senior managers' municipal accounts *42*
3.6 STATEMENT OF AMOUNTS OWED BY GOVERNMENT DEPARTMENTS AND PUBLIC ENTITIES 43
3.7 RECOMMENDATIONS AND PLANS FOR NEXT FINANCIAL YEAR 49
3.8 KEY FOCUS AREAS FOR THE 2010/11 FINANCIAL YEAR 49

SECTION 4: CORPORATE GOVERNANCE **50**

4.1 STATEMENT OF COMPLIANCE 50
4.2 BOARD OF DIRECTORS 50
4.3 BOARD COMMITTEES 53
4.3.1 Audit Committee *53*

4.3.2 Human Resources and Remuneration Committee *53*
4.3.3 Pricing and Regulatory Committee *54*
4.3.4 Board Oversight Committee *54*
4.3.5 Ad hoc EDI Working Group *54*
4.3.6 Turnaround Strategy Working Group *54*
4.3.7 Phakama Working Group *55*
4.4 DIRECTORS' REMUNERATION 55

SECTION 5: SUSTAINABILITY REPORT 57

5.1 SUSTAINABILITY VISION 57
5.2 SUSTAINABILITY POLICIES AND STRATEGIES 57
5.3 MATERIAL ISSUES 57
5.4 SUSTAINABILITY COMMITMENT 57
5.5 ECONOMIC DEVELOPMENT 57
5.6 ENVIRONMENTAL DEVELOPMENT 57
5.7 SAFETY 57
5.8 FINANCIAL SUSTAINABILITY 58
5.8.1 Revenue streams *58*
5.8.2 Financial performance *58*
5.9 SUSTAINABILITY RISKS 59
5.10 TRANSFORMATION AND EMPOWERING EMPLOYEES 59
5.10.1 Skills Training and job creation *59*
5.10.2 Social development *59*
5.10.3 Learnership Programmes *60*
5.10.4 Charity Programmes *60*
5.11 RISK MANAGEMENT GOVERNANCE AND PROCESSES 61
5.11.1 Background *61*
5.11.2 Broad definition *61*
5.11.3 Risk management process *61*
5.11.4 Top 13 Strategic Risks Status Report *65*

SECTION 6: ANNUAL FINANCIAL STATEMENTS 69

6.1 DIRECTORS' RESPONSIBILITY AND APPROVAL STATEMENT 69
6.2 DIRECTORS' REPORT 70
6.3 COMPANY SECRETARY CERTIFICATE 74
6.4 AUDIT COMMITTEE REPORT 75
6.5 AUDITOR GENERAL'S REPORT 76
6.6 STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2010 82
6.7 STATEMENT OF FINANCIAL PERFORMANCE 83
6.8 STATEMENT OF CHANGES IN NET ASSETS 84
6.9 CASH FLOW STATEMENT 85
6.10 ACCOUNTING POLICIES 86
6.11 NOTES TO THE ANNUAL FINANCIAL STATEMENTS 103

ABBREVIATIONS 104

Section 1: City Power Profile

1.1 Scope Report

This annual report covers City Power's governance, financial, social responsibility, and environmental, broader economic and overall sustainability performance information for the financial year 2009/10. It provides an account of the company's progress to date and offers a forward-looking perspective in terms of future plans and value generating strategies.

Also covers the following:

- Comparative Information
- Performance Information
- Sustainability Report
- Operational Reports
- Financial Reports

1.2 Company Profile

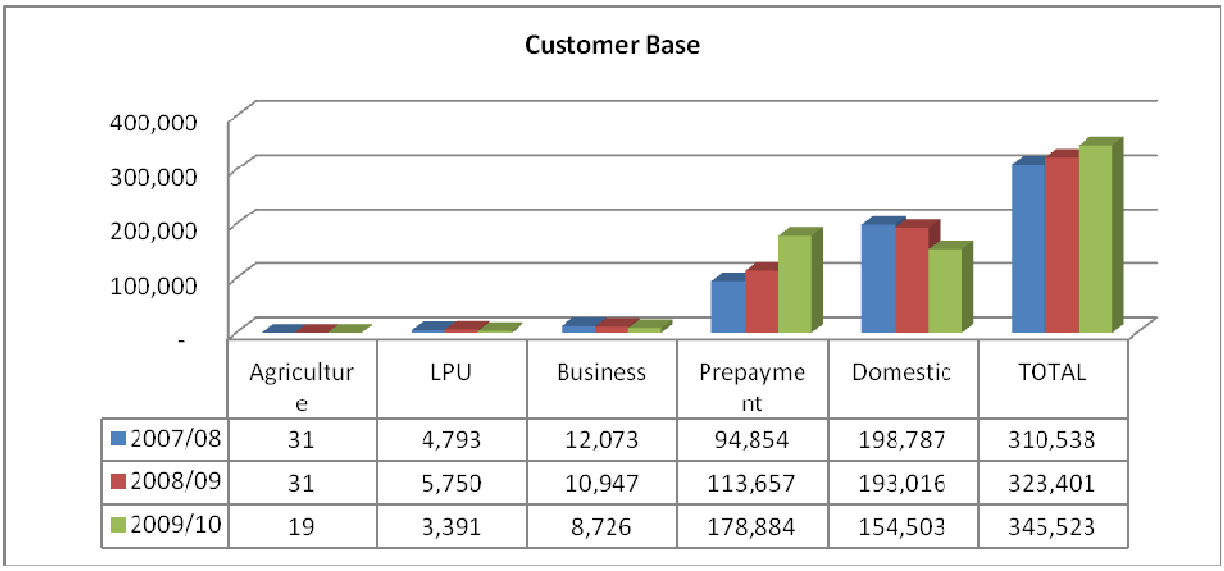
City Power Johannesburg (Pty) Ltd (City Power) was established in 2000 as an independent municipal entity, wholly owned by the City of Johannesburg, to supply electricity to approximately 300 000 customers; ranging from domestic to commercial and industrial properties. City Power is accountable for providing electricity services to all its customers. The City of Johannesburg (CoJ) provides retail customer services for all domestic customers, i.e. processing applications, customer queries, customer complaints, customer accounts and revenue management. City Power provides retail customer services to key customers, commercial and industrial customers and prepaid customers.

The core competency of the business is the purchase, distribution and sale of electricity within the geographical footprint of the City of Johannesburg. The National Energy Regulator of South Africa (NERSA) granted City Power a license to trade on 19 December 2001. City Power is not the sole provider of electricity services for the CoJ. The areas not covered by City Power (predominantly Soweto and Sandton) are serviced by Eskom.

1.2.1 City Power's Network Infrastructure

Measure Indicator	Unit	08/09 Actual	09/10 Actual
Eskom Supply Points	Number	39	42
HV Substations (Bulk Intake Points)	Number	5	5
MV Substations (Major Substations) excluding Bulk Intake Substations	Number	82	87
LV Substations (Devices)	Number	14, 252	17,964
HV Overhead Transmission Lines > 44kV	Kilometer	811	811.17
HV Transmission Cables > 44kV	Kilometer	93.68	101.1
MV Overhead Lines >20.5kV and < 44kV	Kilometer	11.2	9.6
MV Cables >20.5kV and <44kV	Kilometer	123.3	118.8
Ripple Relays Installed	Number	177,771	181,711
Ripple Relays In-service	Number	113,141	119,435

1.2.2 Customer Base



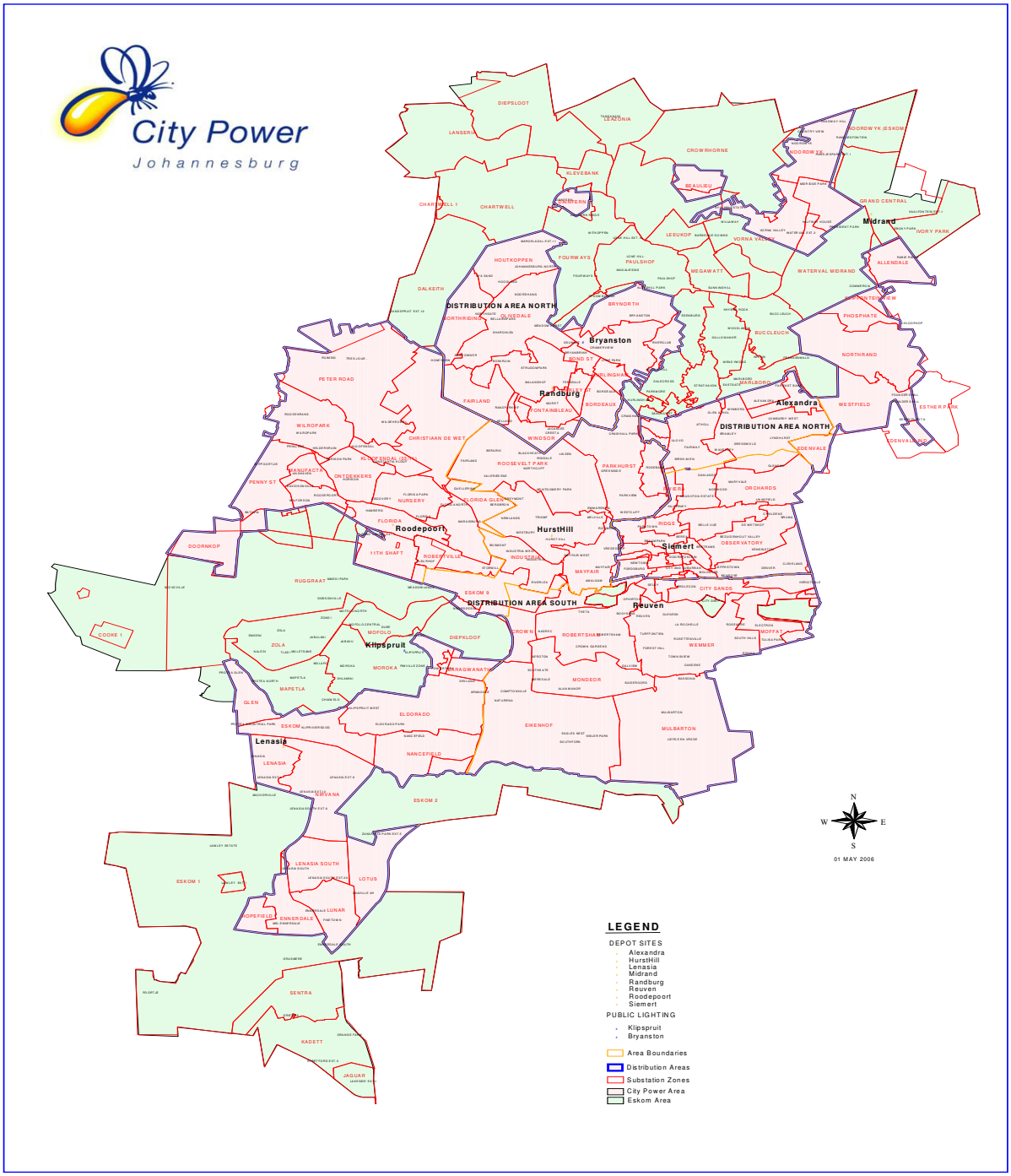
	Agriculture	LPU	Business	Prepayment	Domestic	TOTAL
2007/08	31	4,793	12,073	94,854	198,787	310,538
2008/09	31	5,750	10,947	113,657	193,016	323,401
2009/10	19	3,391	8,726	178,884	154,503	345,523

1.2.3 City Power Staff Complement

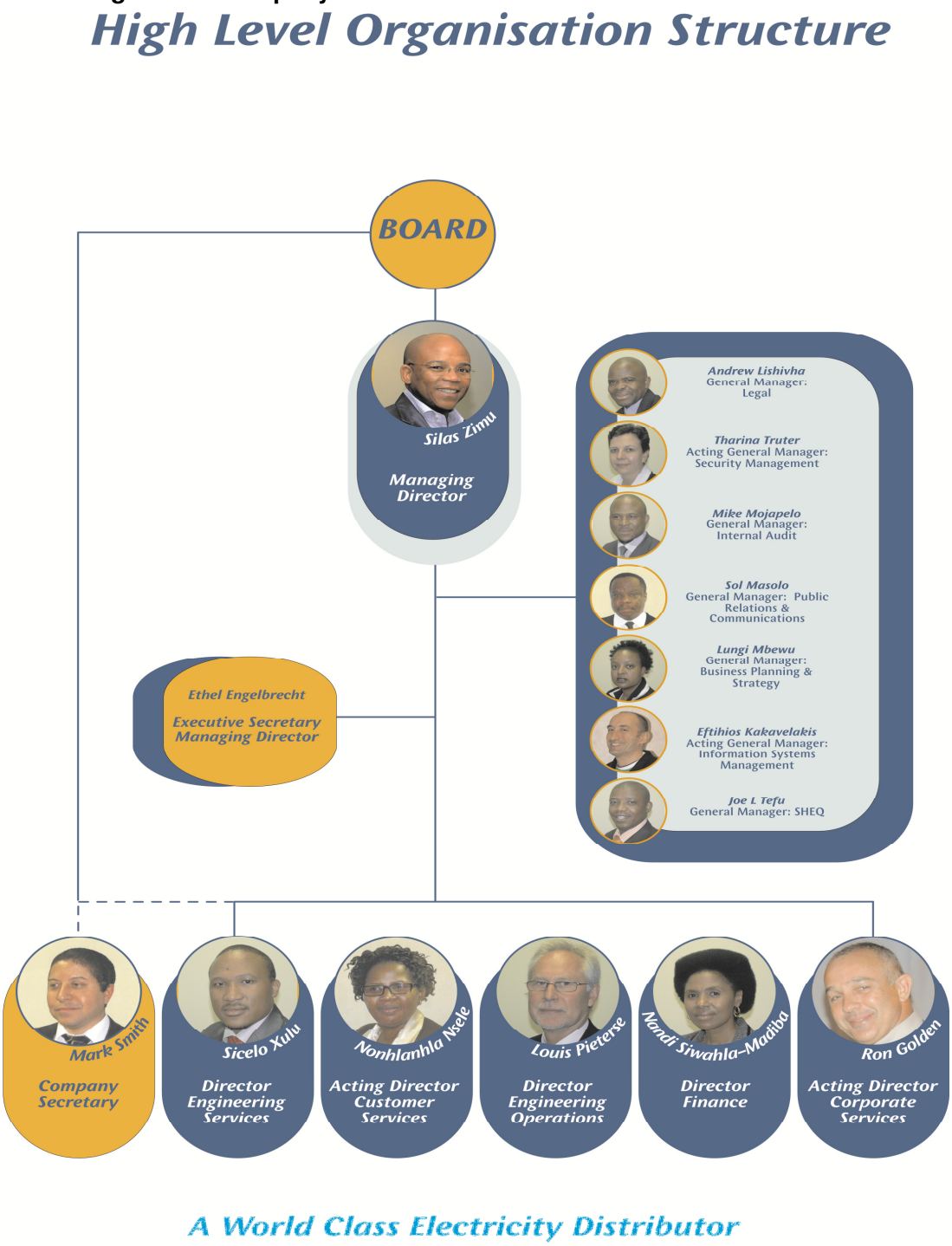
Occupational Levels	Male				TOTAL	Female				TOTAL	TOTAL
	African	Colored	Indian	White		African	Colored	Indian	White		
Top Management	2	-	-	1	**3**	1	-	-	-	**1**	**4**
Senior Management	13	-	2	6	**21**	4	-	-	-	**4**	**25**
Professionally qualified and experienced specialists and mid-management Managers and professionals	115	8	5	75	**203**	97	-	1	8	**106**	**309**
Skilled technical and academically qualified workers, junior management, supervisors, and Technicians	82	18	4	33	**137**	22	2	2	3	**29**	**166**
Artisans (All types)	209	18	3	78	**308**	14	2	-	-	**16**	**324**
Administrative	36	2	-	6	**44**	83	6	-	32	**121**	**165**
Semi-skilled and discretionary decision making	412	8	-	6	**426**	49	2	-	2	**53**	**479**
Elementary positions	218	1	-	-	**219**	6	-	-	-	**6**	**225**
TOTAL (Permanent and Contract)	**1,087**	**55**	**14**	**205**	**1,361**	**276**	**12**	**3**	**45**	**336**	**1,697**

1.2.4 City Power's Area of Supply

The map below depicts City Power's area of supply:



1.2.5 High Level Company Structure as at 30 June 2010



1.3 Vision, Mission, Values, and strategic direction

1.3.1 Vision
To be a world-class electricity distributor

1.3.2 Mission
The mission of City Power Johannesburg (Pty) Ltd is to meet the expectations of our customers and stakeholders by:

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

1.3.3 Aspired values
City Power aspires to be:

- Resourceful
- Resilient
- Reliable
- Respectful

Always with Integrity

1.3.3 Mayoral Priorities
City Power is a municipal entity and thus has to align itself with the mayoral priorities of the City of Johannesburg. The six mayoral priorities are indicated in the table below:

Mayoral Priority	City Power's response with regards to outcome
Economic Growth and Job Creation	Align supply and demand: BEE, Engendered spend, EPWP, Free Basic Electricity, Providing product and price range, etc
Health and Community Development	Compliance to basic services delivery programme
Housing and Services	Adherence to the housing requirements, compliance to service reliability programme
Safe, Clean and Green City	Compliance to SHER, address the demand side management
Well Governed and Managed City	Compliance to legislation, regulatory and governance policies
HIV/AIDS	Compliance to the HIV/AIDS programme

In addition to aligning with the Mayoral priorities City Power has to take the (GDS) Growth and Development Strategy into account when developing the strategic agenda to ensure sustained performance.
The (GDS) Growth and Development Strategy principles are:

- Proactive absorption of the poor
- Balanced and shared growth
- Facilitated social mobility
- Settlement restructuring
- Sustainability & environmental justice
- Creative governance solutions

1.3.5 City Power's Strategic Issues

The following are the strategic issues that the company has to take into account during the 2009/10 financial year:

- 2010 FIFA World Cup
- Regional Electricity Distributors
- Phakama
- Managing new growth
- Improve service delivery/maximizing profit
- Reduce outages and improve restoration
- Energy crisis
- Theft and vandalism
- Improving the working environment
- Eskom tariff changes

1.3.6 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 the 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. City Power forms part of the infrastructure and services sector whose five-year sector plan is:

> ***"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."***

LONG-TERM GOALS	5-YEAR STRATEGIC OBJECTIVES 2006 - 2011	DELIVERY AGENDA/PLA 2009/10	ACTUAL FOR 2009 / 2010
1. Extend a differentiated package of service that is fit for purpose, affordable and reliable in accordance with national policy commitments and an agreed local definition of appropriate levels of service	Distribute electricity to at least 95% of formalised households	3,000 planned	Actual of 6,901 houses were electrified in this quarter.
	Provide street lighting to 95% of formal areas in Johannesburg.	The target for 09/10 is 1%, this means it will be moving from 62% to 63% cumulative and is dependent on funding. This means 1,000 Public light will be provided	Actual of 1,448 public lights provided in formal areas.
	Provide street lighting to 60% of informal settlements	The target is 5% in targeted areas, this means it will be moving from 10 to 15% cumulative and is dependent on funding. This means 3,000 Public light will be provided in the informal settlements	3,713 public lights provided in informal area.
	Increase allocation of free basic electricity to poor households and those with special needs	Provide 115,958 households that consume up to 500kWh with FBE as per social package	Free basic electricity provided to 73,129 households for City Power areas
2. Extension and maintenance of reliable and competitively priced services, as required by commercial and institutional consumers	Reduce losses by 1%	13.00% total losses Technical =9% Non Technical = 4%	11.75% total losses Technical =9% Non Technical = 2.75%
	Reduce electricity outages by 50% by year 2010 (bulk, medium and low voltage	Implement an asset maintenance management strategy. Implement infrastructure refurbishment programmes Reduce network related bulk outages and medium voltage outages as per performance monitoring plan. Set a baseline for: CAIDI CAIFI SAIDI SAIFI The planned/unplanned	Asset maintenance management strategy implemented Infrastructure refurbishment programmes in progress Bulk outages NPR: 76 MV outages NPR: 891 202 1.1 9.43 0.05 Planned/ unplanned

LONG-TERM GOALS	5-YEAR STRATEGIC OBJECTIVES 2006 - 2011	DELIVERY AGENDA/PLA 2009/10	ACTUAL FOR 2009 / 2010
		ratio to 55:45	ratio= 45:55
		Investigation of energy-use patterns in low-income residential areas, including the inner city; Investigation of relationship between use per capita and use per consumer unit; Identifying areas where a revised approach is necessary (e.g. tariff model to suit specific areas)	Continuous monitoring through low consumption reports Investigation of relationship between use per capita and use per consumer unit is not done Delay in Implementation of the Life Line tariff due to difference between Mayoral and Nersa approvals.
3. Service delivery is secured through well-designed, well-integrated and well-maintained generation/ supply processing and distribution networks	Reduce illegal electricity connections	Implement comprehensive strategy on reduction of illegal connections, subject to funding availability. This includes: Continuously implement customer education programmes in targeted areas. Work with JMPD to remove illegal connections Roll-out of protective structures, to reduce tampering with conventional meters and street light poles. Promote alignment with the city's debt write-off and indigence support programmes Installation of prepayment meters	Comprehensive strategy implemented A total of 131 communication sessions and 36 customer forums have been conducted. Continuously working with JMPD to remove illegal connections Continuously roll-out of protective structures, to reduce tampering with conventional meters and street light poles Continuously promote alignment with the city's debt write-off & indigence support programmes Continuously install prepayment meters –a total of 3,001 prepayment meters have been installed.

LONG-TERM GOALS	5-YEAR STRATEGIC OBJECTIVES 2006 - 2011	DELIVERY AGENDA/PLA 2009/10	ACTUAL FOR 2009 / 2010
4. Leadership in sponsoring and adopting innovative , yet locally relevant technologies and delivery capabilities that enable new service offerings and ongoing efficiency improvement across all service areas	Implement at least five innovative new technologies in service delivery	Turbines reinstated subject to funding	2 Turbines have been refurbished and can produce 70MW on demand
		Lighting and other technologies	This is a long term project which is still being investigated and planned.
		Solar Water heating	
		Roll out AMR/Smart Metering	Total Of 7,469 smart meters have been installed
		DSM/EE	Total of 20,674 florescent lights have been replaced thus achieving an energy reduction of approximately 1134W
		Roll out CFL	
		Network Automation	The project is still being investigated and planned.
		Network Protection Technology	
	Develop and implement comprehensive demand side management programmes for energy	Development and implementation of a demand side energy management programme. By–law support for installation of ripple relays in hot water geysers in new developments. Environmental Management Unit will continue to address the conservation awareness program in the 09/10 financial year.	DSM Program implemented within the financial constraints City Power achieved a fully Certified ISO accreditation within the three ISO Standard requirements which are : ISO 14001:2004-Enviroment Management System ISO 9001:2008-Quality Management System OHSAS 18001:2007-Health and Safety
5. Maintain a regime of responsible service delivery regulation and stakeholder interaction	Support the establishment of the RED	Support the establishment of the RED	Currently participating at different structures. Supporting and taking direction from CoJ

Section 2: Leadership Overview

2.1 Member of the Mayoral Committee's Review

The City of Johannesburg has maintained its unwavering drive of the past years in the 2009/10 financial year and has increased its efforts in meeting government's goal in creating a better life for all in South Africa by improving provision of service and reliability of supply and ensuring access to affordable electricity to everyone.

Within the framework of the City of Johannesburg Growth and Development Strategy the objectives for City Power have been to:

- Provide basic services through electrification program
- Expand the provision of street-lighting in informal settlements
- Create jobs through the Expanded Public Works Program
- Eliminate backlogs in service infrastructure - replacement and maintenance of existing networks
- Provide and implement alternative energy sources to address the demand side management

I am pleased to report that City Power has continued to deliver on the critical mandate of the City ensuring that basic electrification and services are met. These objectives as reflected in the improvement in the level of outages, the electrification program and the public lighting installation. I am also pleased to report that City Power played a pivotal role throughout the 2010 Soccer World Cup event by ensuring that there was continuous power supply. The quality of service provided speaks volumes about the quality of management, and the dedication and commitment of everybody in the organization.

There is a need for a robust strategy in respect of demand side management to address energy conservation and innovative new technologies. Whilst we are mindful of the complex challenges, it is our total commitment to service delivery and a spirit of determination that has resulted in the improved provision of service and the reliable supply of electricity.

In conclusion, I wish to recognize the efforts and commitment of City Power's Board and management. Your efforts have brought us closer to the delivery of a good, reliable and quality service to the ratepayers, residents and businesses of the City of Johannesburg.

.....
Councillor: R. Greeff
MMC (Infrastructure and Services)

2.2 Chairperson's Review

The 2009/10 financial year results of City Power show continued efforts to meet the expectations of our shareholder as reflected in the service delivery objectives in our company scorecard.

The strategic priorities of the shareholder, as always, drive our strategic plans and significant attention is given by the company to ensuring that these priorities are implemented in the form of measurable deliverables. We are focusing our attention on improving initiatives with regards to Quality of Service, Expanded Public Works Programmes, procurement from BEE complaint suppliers, and the increased expenditure on public lighting to ensure our delivery on the Mayoral Priorities.

Capital expenditure has to date ensured that we continue to address the challenges we face in stabilizing our network. A record level of capital expenditure has enabled the company to significantly reduce the level of outages. We are confident that the trend of a reduction in outages will continue. Our future rollout plans will also go a long way in addressing the backlogs to enable us to meet the stakeholder's objectives.

It is regrettable that the Auditor-General has qualified City Power for the first time in three years. The audit report emphasized concerns with regards to revenue and debtors processes. A significant amount of effort will be spend by City Power in the coming year to ensure that structures and processes are put in place to address the concerns raised in the audit report.

Subsequent events of the 2009/10 financial year relates to the resignation of former Managing Director Silas Zimu on the 31st October 2010, the appointment of the Acting Managing Director Sicelo Xulu as of the 1st November 2010. Throughout the transition period the Board of Directors has ensured that entity is focused and the level of corporate governance remains at a high standard.

The board and management remain committed to continuous improvement in attaining strong financial and operational results, and contributing to the vision of a world-class electricity distributor. We gratefully acknowledge the continuing support of the shareholder unit and the member of the mayoral committee- infrastructure services in helping the company achieve its deliverables. The strategic priorities of the shareholder, as always, drive our tactical plans. Significant attention is paid to ensuring that these priorities are implemented in the form of measurable deliverables.

City Power is fortunate to have had a stable board throughout the financial year. I thank my fellow Board members, the Management, our Shareholder (through the SHU, ISD) and the staff of City Power for their cooperation, dedication, hard work, professionalism and commitment to City Power. Finally, I thank the chairpersons of the sub-committees for their unending assistance in making this an effective board.

The board and management are committed to ensuring good corporate governance and transparent compliance to legislation while delivering an improving, sustainable and reliable service.

……

G. Simelane
Chairperson of the Board
City Power

2.3 Board of directors qualifications and skills matrix

This section deals with members of the board and covers the Board qualifications and skills matrix.

Name	Designation	Race	Gender	Appointed to Board	Qualifications	Skills
Getty Simelane	Chairperson	Black	Female	1/7/2001	*BA – Social Work & Psychology *HDPM: - Industrial Relations - Personnel Management - Organisational Behaviors *MPHIL *EDP	*Human Behaviors *Coaching *Management *Facilitation *Business Administration
Gandhi Badela	Non-Exec. Director	Black	Male	1/3/2007	* M. Sc Electro-Mechanical Engineering *MBA * M. Sc Packaging Technology * M. Sc Engineering Management	* Engineering Management * Project Management * Business Administration
Doris Dondur	Non-Exec. Director	White	Female	1/9/2008	* Bachelor of Accounting * Honours B Compt * Certificate in Theory of Accounting (CTA) * Honours in Business Administration *MBA * Certificate in Labour Relations * Chartered Accountant – CA (SA) * WITS International EDP * Certificate in Advanced Human Resources *Gaming International EDP	* Business Administration *Finance *Accounting *Auditing * Human Resources
Adv Klaus Garlipp	Non-Exec. Director	White	Male	10/8/2006	* M. Sc Engineering (Water Utilization) * B. Sc Engineering (Civil) * LLB – Bachelor of Law *LLM – Master of Law * AEP: Advanced Executive Program	*Law *Civil Engineering *Management *Finance *Business Acumen

Name	Designation	Race	Gender	Appointed to Board	Qualifications	Skills
Brian Hawksworth	Non-Exec. Director	White	Male	23/1/2009	*Chartered Accountant – CA (SA)	*Finance
Joyce Kumbirai	Non-Exec. Director	Black	Female	30/6/2005	*MBA * CIA (Certified Internal Auditor) * GIBS – Executive Leadership Program * B com Accountancy (Honours)	*Accounting *Auditing *Finance
Prof. T Marwala	Non-Exec. Director	Black	Male	31/1/2005	* Post-doctorate - Information Technology * Ph. D Computational Intelligence in Engineering Systems * BSc in Mechanical Engineering * MSc in Mechanical Engineering * Technical Analysis & Fund Management * SAIM Programme - Business Management * Governance, Risk and Ethics (Business Media in Education Initiative)	* Electrical Engineering * Technology Development
Honey Mateya	Non-Exec. Director	Black	Male	1/2/2007	*MBA * Higher Diploma in Corporate Law * B.Commerce * Snr Executive Program at Harvard	* Business Administration *Finance * Strategic Management
Dr Yondela Ndema	Non-Exec. Director	Black	Female	1/9/2008	* B.Proc (Law) *LLB *LLM – (Tax Law) * PhD (Public Law) * Certificates in: Money Laundering, Advanced Corporate Law & Securities Law, Compliance Management, Legal Writing	*Law

2.4 Audit committee's Qualifications and skills matrix

Name	Designation	Race	Gender	Appointed to Board	Qualifications	Skills
Linky Fosu	Independent Audit Com. Member	Black	Female	26/1/2010	*B.Com (Accounting) *Post Graduate Diploma in Management (Financial Accounting) *Honours Bachelor of Accounting Science *Chartered Accountant	*Finance *Accounting *Auditing
Waldo Hattingh	Independent Audit Com. Member	White	Male	1/9/2008	*D.Com (Specializing in Performance Management) *M.Com (Specializing in Performance Audits) *B.Com (Hons) *MBA *B.Com *National Diploma in Management Services	*Finance
Haroun Moolla	Independent Audit Com. Member	Indian	Male	1/2/2007	*B.Com (Accounting and Business Economics) *Post Graduate Diploma in Accounting *Chartered Accountant	*Finance

2.5 Managing Director's Review

The 2009/10 financial year has been an exciting year, full of opportunities and challenges for our country; the City of Johannesburg and City Power hosted the following international events successfully:

- Soccer World Cup
- Cricket Limited Over's (ODI)

City Power has played a pivotal role in these events, by ensuring that there was reliable electricity supply. The 2010 Soccer World Cup event gave City Power an opportunity to upgrade some of obsolete networks and also created an opportunity to connect new customers on the upgraded networks. The event also gave the City an opportunity to beautify some areas e.g. Mandela Bridge, Joubert Park Precinct, Newtown, and also to light up areas that were previously identified as inadequately lit.

As a company we have achieved and exceeded our Growth and Development Strategy (GDS), the Integrated Development Plan (IDP) and Key Performance Indicators (KPI's).

Highlights of these achievements include:

- Achieved 29.62% for engendered spend, exceeding the yearly target of 23%
- Achieved 78.15% for black economic empowerment (BEE), exceeding the yearly target of 74%
- Achieved 5,161 Public lights installed exceeding annual target of 4,000:
  - Formal areas 1,448 lights installed exceeding annual target of 1,000 and
  - Informal areas 3,713 lights installed exceeding annual target of 3,000
- Achieved 6,901 new electrification customers, exceeding annual target of 3,000
- Attained 76 bulk voltage (HV) network performance related (NPR) outages, below the cap of 85 for the year
- Attained 891 medium voltage (MV) network performance related (NPR) outages, which is lower than the cap of 930 for the year
- Achieved 100% for NRS 048 compliance in all categories

The challenges were characterized by a delay in the finalization of the 2009/10 Auditor-General's audit report, influx of customer complains due to incorrect billing, and low collection levels impacting on the cash flow to name a few. In spite of these challenges City Power has achieved most of its key performance indicators (KPI's) and service delivery targets.

It is concerning to note that there were two public fatalities as a result of illegal connections. In the coming year we will continue to educate the public on the dangers of illegal connections as well as increasing the efforts of removing such connections.

The biggest continuing challenge is to overcome the increasing theft and vandalism of the network infrastructure. This criminal activity has led to community unhappiness in a number of areas; and causing instability of the network. Innovative technologies for securing the infrastructure are being explored.

As part of our mission statement as City Power we are committed to do our business in an environmentally acceptable manner, as a result we have again achieved and maintained the ISO Accreditation standard of requirements with regards to the following:

- ISO 9001: 2008(Quality Management System)
- ISO 14001: 2004(Environmental Management System) and
- OHSAS 18001: 2007(Occupational Health and Safety)

City Power is committed to continually improving its performance and we are confident that we will meet and exceed the expectations of all our stakeholders.

……..……

S. Xulu
Acting Managing Director
City Power

2.6 Directors qualifications and skills matrix

City Power's directors qualification and Skills Matrix:

Position	Name	Level/ band	Qualifications/experience	Supervisor/Report to	Contact Detail	Change from prior year (Y/N)
Managing Director	Silas Zimu		*Honours (B. Eng) in Electrical and Electronic Engineering (H/C)	Board and City Manager	011 490 7393	N
Director: Finance	Nandi Siwahla-Madiba		*Hons (B. Compt) + CTA –Papers (NDP- Applied Taxations, Auditing, Public & computer Auditing) *B Comm (Acc) *Post Grad Diploma – Financial Management –(Part 1 – Masters) *Advanced Taxation Certificate *Diploma – HR Management *Certificate – Prog in Management Development (Municipal) *Certificate – Principles of Project Management *Certificate – Public Management and Development *Certificate – Executive Prep Prog Intro. To Mining & Minerals *Certificate – Implementation & auditing of ISO9001;14001&18001	Managing Director	011 490 7023	N
Director: Engineering Services	Sicelo Xulu		*B Sc (Hon's) with specialization in Applied Science: Electrotechnics *B-Tech: Electrical Engineering (heavy current) *National Diploma: Electrical Engineering (heavy current)	Managing Director	011 490 7320	N
Director: Engineering Operations	Louis Pieterse		*National Higher Diploma (NHD) Electrical Engineering *Executive Development Programme	Managing Director	011 490 7033	N
Acting Director: Corporate Services	Ron Golden		*National Higher Diploma (NHD) Human Resources	Managing Director	011 490 7343	Y
Acting Director: Customer Services	Nonhlanhla Nsele		*B.Com *Hons B.Com (Accounting) *MBL – Masters in Business Leadership *EDP Programme	Managing Director	011 490 7166	N

Section 3: Performance Review

3.1 Highlights and Achievements

City Power has met and exceeded most key performance indicators for 2009/10 financial year. The broad performance highlights for 2009/10 include but are not limited to the following:

- Zero employee fatalities
- Attained Disabling Injury Frequency Ratio (DIFR) of 0.63 against an international benchmark target of >1
- Successful implementation of HIV and Aids Programmes and City Power program is being used as a benchmark for the rest of the City of Johannesburg
- Achieved 73.98% on Affirmative action against the annual target of 70%
- 29.62% achieved on Engendered Spend against the annual target of 23%
- Achieved 78.15% on BEE against a target of 74%
- 2,652 jobs created for EPWP against a target of 2,600
- 6,901 Houses electrified against a target of 3,000
- 5,161 Public lights installed against a target of 4,000
    - Formal areas 1,448 lights installed against a target of 1,000 and Informal areas 3,713 lights installed against a target of 3,000
- 3,039 Prepayment meters installed against a target of 3,000
- City Power is the Silver Winner of the 2010 SAP Quality Award in the Large Enterprise Project Implementation category within the SAP Africa Market Unit.
- Attained MV(NPR) 891 against a target of 930
- City Power achieved a fully Certified ISO accreditation within the three ISO Standard requirements which are :
    - ISO 14001:2004 (Environment Management System)
    - ISO 9001:2008 (Quality Management System)
    - OHSAS 18001:2007 (Health and Safety)
- 100% compliance to National Regulatory Standard (NRS) 048
- Successful implementation of the World Cup special lighting projects and Metro Centre as part of 2010 legacy projects
- Successful revamping and beautification of the Mandela bridge lighting
- Contributed to the successful hosting of 2010 Soccer World Cup

3.2 Company four-year review

	Units	2010	2009	2008	2007
Key financial figures					
Total assets	R'000	8,748,447	7,102,670	6,056,339	5,480,091
Total equity	R'000	3,312,031	1,087,289	872,923	732,272
Total equity and liabilities	R'000	8,748,447	7,102,670	6,056,339	5,480,091
Bank balance	R'000	1,242,378	685,199	366,180	956,062
Capital expenditure	R'000	(790,295)	(1,069,754)	(1,034,909)	(929,357)
External funding loans	R'000	0	0	0	0
MIG	R'000	45,410	46,856	14,218	26,493
Revenue	R'000	7,444,023	5,855,171	4,289,558	3,939,862
Grant and subsidies	R'000	279,428	22,732	9,352	21,013
Direct cost (if applicable)	R'000	(4,416,241)	(3,752,533)	(2,795,652)	(2,429,349)
Employee costs	R'000	(625,930)	(536,866)	(447,050)	(402,715)
Discounting included in revenue	R'000	(41,908)	(47,801)	(36,898)	(27,850)
Finance income	R'000	128,566	142,030	136,628	96,276
Finance costs	R'000	(393,714)	(403,547)	(364,605)	(314,547)
Surplus before tax	R'000	1,154,952	214,366	(48,510)	118,471
Income tax expense – current	R'000	0	0	0	0
Income tax expense –deferred	R'000	117,207	0	0	(67,840)
Surplus for the year	R'000	1,037,745	214,366	(48,510)	50,631
Cash generated from operations	R'000	1,020,900	1,203,827	389,897	903,040
Net cash used in investing activities	R'000	(1,066,059)	(1,069,678)	(1,036,729)	(942,120)
Net cash from financing activities	R'000	45,158	127,373	874,807	257,350
Financial ratios					
Liquidity	%	115.6	84	116	118
Solvency	%	37,85	5,5	5,76	6,48
Total operating expenditure/revenue	%	32.78	28	31	30
Interest coverage	Ratio	3.68	1	0	1
Other					
Employees	number	1,697	1,886	1,921	1,921
Employment equity	%	73.98	76.80	69.41	70.18
Gender equity	%	18.85	25.63	23.72	23.54
People with disabilities	number	18	19	17	17
Training cost	R'000	2,554,000	4,335,618	3,127,949	6,327,086
Black economic empowerment	%	78.15	74.36	73	73

3.3 Performance against IDP and City Scorecard

Key Performance Area	Key Performance Indicator	Unit of measure	Baseline Actual 2008/09	Target for 2009/10	Actual for 2009/10	Comments
Households with a least basic services	Active number of dwelling units with access to basic level of electricity (excl Eskom areas)	Number	323,401	329,777	345,523	This refers to total active customers for 2009/10. Our Capex investments increased our ability to additional customers and we received additional funding for electrification.
	Number of active pre-paid customers	Number	113,657	120,000	178,884	We increase the number of active prepaid customers by conducting audits based on buying patterns using zero consumption reports and converting additional customers.
	Number of active billed customers	Number	209,744	209,744	166,639	The decrease in the number of billed customers is due to the increase in conversions to prepaid as well as data clean up.
	Number of new pre-paid conversions	Number	2,924	3,000	3,001	This is total customers that have applied to convert from conventional to prepaid
	Number of households with access to free basic electricity (life line only)	Number	115,958	115,958	73,129	With the implementation of the CoJ's Expanded Social Package (ESP). The number of customer's receiving FBE has decreased. City Power will work with CoJ to ensure compliance to ESP.
	Number of new electrifications	Number	5,029	3,000	6,901	The increase in the number of houses made available by the Housing Department and the increase in DOE funding has allowed us to exceed the target for new electrifications.
Revenue improvement	Revenue collected as a percentage of total revenue billed:					Targets have not been achieved due to challenges encountered on the billing system
	Key Customers	%	100.97	99.50	95.84	
	LPU Customers	%	100.37	99.50	94.04	

Key Performance Area	Key Performance Indicator	Unit of measure	Baseline Actual 2008/09	Target for 2009/10	Actual for 2009/10	Comments
	Domestic Customers	%	91.41	92.00	90.31	during the customer migration. City Power is working with CoJ to ensure improvement.
	Unaccounted for electricity as a percentage of electricity dispatched (Total Losses)	%	13.32	12.5	11.75	This target has been achieved due to initiatives that include: removal of illegal connections, meter audits, tip-offs and summons.
Power Outages	Outages: HV (NPR)	Number	71	85	76	Targets exceeded due to improved maintenance management.
	Outages: MV (NPR)	Number	844	930	891	
Public Lighting	% of public lights working in targeted high crime areas	%	80	97	98.38	
	Provision of street lighting to Formal Areas	%	3,281	1,000	1,448	The increase in funding has allowed us to exceed the targets on public lights installed.
	Provision of street lighting to Informal areas	%	1,065	3000	3,713	
Regulatory Compliance (NERSA) 047 Quality of Service	Total number of calls answered in 30 seconds as a percentage of total calls received	%	83.94	85	63.07	Targets have not been achieved due to challenges encountered on the system interface during the customer migration to R&CRM. City Power is working with CoJ to ensure improvement.
	Number of customer complaints/queries resolved per total queries received PEGA	%	95.63%	95	74.13	
	Average time taken for City Power to resolve queries that are referred to them	Days	1.27	3	3.6	
	Faults restoration within the specified time frame a percentage of total number of faults reported :					
	Within 1.5 hours	%	25.86	30	25.86	1.5 hours not achieved due to challenges encountered on network system. The other KPI's have been achieved.
	Within 3.5 hours	%	66.23	60	66.23	
	Within 7.5 hours	%	93.06	90	93.06	

Key Performance Area	Key Performance Indicator	Unit of measure	Baseline Actual 2008/09	Target for 2009/10	Actual for 2009/10	Comments
	Within 24 hours	%	98.84	98	98.84	
Regulatory Compliance (NERSA) NRS 048 Quality of Supply	Category 4 : Domestic	%	100	100	100	The 100% compliance is based on the 106 sites that City Power is required to measure voltage dips and monitor for various customer categories.
	Category 3 : Rural	%	100	100	100	
	Category 2 : Industrial	%	100	100	100	
Environment	No of tasks undertaken to comply with CoJ environmental management framework	Tasks	5	8	8	Target achieved
	% Completion of environmental management system	%	100	100	100	Target achieved
Health and Safety	% of employee disabling injury frequency ratio (DIFR)	Ratio	0.69	1	0.63	Targets have been achieved due to continues safety management programs.
	Number of employee job related fatalities	Number	1	0	0	
	Number of public fatalities: Uncontrollable	Number	4	0	2	Unfortunately there were two public fatalities that occurred at Bryanston and Joburg CBC due to illegal connections.
	Number of public fatalities: Controllable	Number	0	0	0	Target achieved
	Number of HIV/Aids workplace programmes in place	Number	1	1 program + 3 projects	1 program + 3 projects	Target achieved
HR Development	Employment Equity (AA Ratio)	%	76.8	70	73.98	Target achieved
	Employment Equity (GE Ratio)	%	22.91	20	18.85	Target not achieved due to changes on the organizational structure
	Number of employees with a disability	Number	18	18	18	Target achieved

Key Performance Area	Key Performance Indicator	Unit of measure	Baseline Actual 2008/09	Target for 2009/10	Actual for 2009/10	Comments
Economic development & Job creation	Job creation as per Expanded Public Works Program	Number	2,605	2,600	2,652	Target achieved
	% Reduction in electricity consumption	%	New indicator	10	3.70	Targets not achieved due to an increase on electricity demand.
BEE and Engendered Companies Empowerment	Procurement spent BEE and SME as a % of total procurement budget	%	74,36	74	78.15	Target has been achieved. City Power encourages engendered business ownership and joint ventures.
	Engendered Expenditure	%	25,63	23	29.62	
Customer Satisfaction and Responsiveness	Key Customers	%	80	80	N/A	No customer satisfaction surveys were conducted in 2009/10 financial year because of the customer migration to R&CRM. City Power will work with CoJ on the next survey.
	Top Customers	%	67	67	N/A	
	Domestic Customers	%	84	84	N/A	
Effective Financial Management	Direct Costs	C/kWh	28.66	39.90	36.45	This performance is due to actual GWh being 3.9% less that budget (R209mil) and energy trading activities (R346mil).
	Turnover	Rm	5,510,304	7,387,359	7,437,174	
	Net profit	Rm	214,366	305,800	1,037,745	
	Opex	Rm	1,597,610	1,627,074	2,266,770	
	Bad debts contribution	Rm	282,869	217,008	426,879	

Key Performance Area	Key Performance Indicator	Unit of measure	Baseline Actual 2008/09	Target for 2009/10	Actual for 2009/10	Comments
Effective Financial Management	Capex: Controllable	Rm	744,887	445,565	445,565	
	Capex Non-controllable	Rm	324,867	370,940	372,478	
	Gross Margin	%	36.03	31	46.7	
	Opex spent on maintenance programmes as a percentage of overall Opex budget	%	13,19	13	11.14	
	Capex spent on network as a percentage of overall Capex budget	%	96	97	98	
	% of MOE's capital budget spent	%	100	100	100	
	% Variance against MOE's operating budget	%	103	0	239.35	
	Reconciliation of intercompany balances with the CoJ	%	100	100	100	
	Reconciliation of intra company balances with other MOE'	%	100	100	100	
	Fully SA GRAP Compliant register of assets	%	100	100	100	
	% Attainment of clean audit report by MOE	%	Clean audit with matters of emphasis	Unqualified audit with full Compliance	Qualified audit report	

3.4 Assessment of IDP Criteria

HOUSEHOLDS WITH ACCESS TO BASIC LEVEL OF ELECTRICITY (Excl. Eskom)

- NUMBER OF DWELLING UNITS WITH ACCESS TO BASIC LEVEL OF ELECTRICITY (Excluding Eskom supplied areas)

This indicator refers to total active customers for 2009/2010 – 345,523 comprising of both conventional and prepaid customers as follows: Conventional customers: 166,639
Prepaid customers: 178,884

- NUMBER OF ACTIVE PREPAID CUSTOMERS

Total prepaid customer is 178,884 as at 30 June 2010. We increase the number of active prepaid customers by conducting audits based on buying patterns using zero consumption reports and converting additional customers.

- NUMBER OF BILLED CUSTOMERS

Total billed customers as at 30.June 2010 is 166,639 against a target of 209,744. The decrease in the number of billed customers is due to increase in conversions to prepaid as well as data clean-up.

- NUMBER OF PREPAID CONVERSIONS

3,001 Customers were converted to prepayment in this financial year. This is customers that have applied to convert from conventional billing to prepayment.

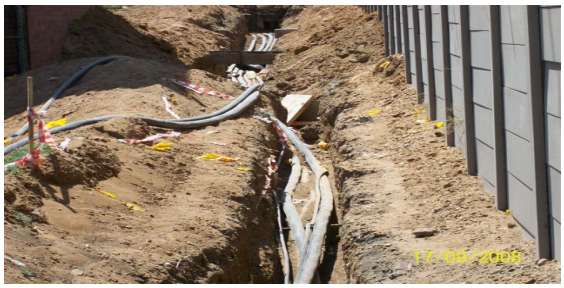
- NUMBER OF HOUSEHOLDS/DWELLING UNITS RECIEVING FREE BASIC ELECTRICITY (Excluding Eskom supplied areas)

This indicator shows the number of free basic electricity (FBE) beneficiaries within City Power supplied areas in line with the CoJ approved qualification criteria.
The number of customers benefiting from FBE has decreased from 113,657 as at end of 2008/2009 to 73,129, the decrease is due to implementation of the CoJ's Expanded Social Package (ESP). City Power will work with CoJ to ensure compliance to ESP.

- NUMBER OF NEW ELECTRIFICATIONS

This is total number of electrification connections completed on site.
The electrification programme for the year 2009/10 has a total of 6,901 electrification connections completed on site against a target of 3,000. The increase in the number of housing made available by the Housing Department and the increase in DOE funding has allowed us to exceed the target for new electrifications.

Photos highlighting electrification projects completed:



The table below indicates electrification projects completed in 2009/10:

Project description	Wards	Region	2009/10
Infill's and Relocation from shack to a house.	All	Region All	28
Electrification of Pennyville (Zamimpilo)	68	Region D	1097
Nancefield Lifateng Hostels	37	Region D	110
Electrification of Far East Bank Ext 7	32	Region E	15
Alexandra Normalization (Phase 4.1)	91, 107, 76, 75	Region E	1579
Electrification of Alexandra ext 9 Phase1& 2	32,81	Region E	1013
Electrification of Alexandra ext 10	33	Region E	12
Lehae Village Phase 1	8	Region G	128
Mountain view	5	Region G	1019
Orange Farm Ext.9	40	Region G	912
Electrification of Hospital Hills	9	Region G	988
			6,901

During the 2009/10 financial year, a total of 6,901connections were achieved. In 2010/11 City Power will undertake the following projects:

1. Normalization of Tshepisong West
2. Normalization of Rabie Ridge (a.k.a. Kanana Park ext 4&5)
3. Electrification of Alexandra Far East Bank ext 9 phase 2&3
4. Electrification of Alexandra Far East Bank ext 10
5. Electrification of Lufhereng proper & phase 1
6. Electrification of Fleurhof phase 1

REVENUE IMPROVEMENT

- REVENUE COLLECTED AS A % OF TOTAL REVENUE BILLED

This indicator shows payment levels in terms of revenue collected compared to revenue billed for various customer groups. It must be noted that City Power does meter reading for all customer groups and billing and collections for Key and Top customers only, whilst the CoJ Revenue Management department does billing and collections for domestic customers.

- ***Key customers***

The revenue collection target set against revenue billed for Key customers is 99.5%. The collection level for the period shows an average collection level of 95.94%, which is 3.66% below the target.

- ***Top customers***

The target set for revenue collection for top customers is 99.5%. The yearend average performance is at 94.04% which is 5.10% below the target.

- ***Domestic customers***

The target set for domestic customers is 92.0%. The yearend average performance is 90.31% which is 1.69% below the target.

Targets have not been achieved due to challenges encountered on the billing system during the customer migration. City Power is working with CoJ to ensure improvement.

- UNACCOUNTED-FOR ELECTRICITY

This KPI shows the amount of losses incurred in distributing electricity. Technical losses are mainly due to heat losses and other technical deficiencies and are generally worse in overloaded and ill-maintained networks while non-technical losses are mainly due to human factors like illegal connections and meter tampering, etc. As a result, 9% fixed technical loss is the guide in the electricity distribution industry although utilities must make every effort to reduce controllable losses.

Annual actual losses of 11.75% were achieved against the target of 12.50%.

Ongoing processes/initiatives to reduce losses include:

- Meter audits done– 3,529
- Removal of illegal connections – 7,537
- Customer education forums - 150
- Tip-offs and summons year to date – 3,600

All these were done with the assistance of an ongoing joint operation with JMPD and SAPS. The focus was in the following areas:

Reuven, Florida, Fleurhof, Bloubosrand, Windsor, North riding, Bryanston, Turffontein, West Turffontein, Nancefield, Kensington, Malvern, Motswaledi and Thembelihle.

- **POWER OUTAGES**

An outage is defined as a complete loss of electricity supply and arises due to a variety of reasons some of which are outlined below:

- Network performance related (NPR) e.g. overloading, cable faults, equipment failure etc
- External causes which are mainly due to third party activities e.g. tampering, theft, damage by civil contractors etc.

The duration and frequency of outages impact customers differently depending on the type of consumer (domestic, commercial, industrial), therefore, interruptions need to be properly managed as they are an inconvenience and sometimes lead to huge financial losses to customers. As a result, the provision of electricity within the City is closely monitored to ensure that the quality of supply (QoS) provided meets acceptable standards.
In terms of reporting outages are classed as HV (High Voltage) or MV (Medium Voltage) only outages which are network performance related (see definition above) are reported on in terms of this document.

(HV) High Voltage (NPR) Outages
This KPI shows the number of outages experienced on the high voltage network (HV) which is at voltages above 33kV. Outages on these networks generally affect large areas and as a result the maintenance of these networks and capital investment into these networks are always prioritized as to ensure that interruptions are kept to a minimum
For 2009/10 financial year a total number of 76 outages have been recorded against a target of 85. Extra ordinary outages were experienced especially in the fourth quarter including Alex Substation, Delta Line and Tunnel fires. Other outages were due to faulty equipment, cable failures, weather, and to a lesser extent protection malfunctions.

(MV) Medium Voltage (NPR) Outages
This KPI refers to the outages experienced on the medium voltage network (MV) which is at voltages between 1kV and 33kV. Outages on this network are more localized and, therefore, generally affect smaller areas and as a result are less severe than HV outages. However, due to the size and extent of the network, higher number of customers connected to the MV network normally experience more outages.
For 2009/2010 financial year a total number of 891 outages have been recorded against a target of 930. Most of these outages were due to cable faults, and to a lesser degree equipment failure, and overloading.

Low Voltage (below 1kV) SAIDI reporting
Over the last couple of years, a new system to report network performance has been under development. This system will ensure that there is direct linkage between interruptions and the number of customers affected thus enabling City Power to report supply reliability more accurately. Reporting on this new system is based on an internationally recognised KPI known as SAIDI (System Average Interruption Duration Index). This system was piloted in 2007/8 and the first set of results obtained during that period. There are ongoing efforts to improve the data accuracy are being explored.
Results for the year are indicated below:

(CAIDI) Customer Average Interruption Duration Index : 258.58
(CAIFI) Customer Average Interruption Frequency Index: 1.09
(SAIDI) System Average Interruption Duration Index : 9.73
(SAIFI) System Average Interruption Frequency Index : 0.04

- **PUBLIC LIGHTING**

Public Lighting has had a mixture of opportunities and challenges in this year with regards to service delivery. The year saw a marked increase in the number of requests for streetlights across the various communities of the City of Johannesburg.
The immediate challenges have been the delivery of streetlights and security lights to a growing constituency currently occupying informal settlements at the periphery of the precincts of the COJ despite the budget constraints.

The 2010 Fifa World Cup gave City Power an opportunity of lighting up the areas that were previously identified as inadequately lit and beautifying some areas like Mandela Bridge, Joubert Park Precinct, Newtown, etc

Public Lighting Installation
This KPI shows the level of public lighting in the informal areas of the City. A total of 3,713 street lights have been installed against a target of 3,000. Successful revamping and beautification of the Mandela bridge lighting as part of the Mayoral legacy project.

The table below indicates the number of public lights installed in the informal areas; these are MIG Funded projects of the City. Altogether, 3,713 lights were installed in the 2009/10 financial year against a target of 3,000.

Project Name(as approved by MIG)	Ward	TOTAL
Mountain view	5	318
Kaalfontein	92	300
Braamfisherville	47	710
Dobsonville Gardens	53	177
Orlando East	31	200
Doornkop Proper and Ext 2	50	552
Orange Farm	4	832
Diepsloot	95	250
Ivory Park ext 12	78	135
Kaalfontein ext 6,11,12,16 and 17	92	122
Impala Rd, Paul and Fortune Street	All	117
	TOTAL	**3,713**

The table below indicates the public lighting projects and number of lights installed in the formal areas. During the 2009/10 financial year, a total of 1,448 lights were installed. Limited funding restricted the installation of more lights.

Project Name(as per request from Political structures and other governments departments)	Ward	TOTAL
Drieziek	4	200
Poortjie (new S/L) and Stretford	1	484
Fine Town	6	150
Kleeve Hill/Peter Vale	106	47
Rabie Ridge	80	13
Parkmore	103	91
Lone Hill	94	65
Ivory Park	40	100
Alexandra normalization	32	214
Bez Valley	TBA	47
Outspan	All	37
	TOTAL	**1,448**

- **Public Lighting Maintenance**

The actual recorded at the end of the financial year is 98.38 % against the target of 90%. This KPI was exceeded despite the escalating theft and vandalism experienced in this financial year.

Public Lighting administration

Street Lighting		Total Number	Cost
Includes all activities associated with the provision of street lighting to the community			
Analysis of the function:			
1	Number of streetlights	215,845	
2	Total bulk kilowatt hours consumed for street lighting:	127,005,538kWh	R45,721,994

- **COMPLIANCE TO NRS STANDARDS**

% COMPLIANCE WITH NRS 047 (QUALITY OF SERVICE)
NRS047 is a regulatory standard used for the monitoring of quality of service in the South African electricity industry. It is important that Revenue and Customer Relations Management (R & CRM) achieve the target as stipulated in this regulation. Meeting and reporting on these targets is imperative for the well being of City Power's license.

- TOTAL NUMBER OF CALLS ANSWERED IN (30 SECONDS) AS A PERCENTAGE OF TOTAL CALLS RECEIVED

The target for this KPI is 85% throughout the year as per NERSA guidelines. The average yearend performance recorded of 63.07% is 21.93% below the annual target. This is due to challenges encountered on the system interface during the customer migration to R&CRM. City Power is working with CoJ to ensure improvement.

- NUMBER OF CUSTOMER COMPLAINTS CLOSED VERSUS TOTAL NUMBER OF CUSTOMER COMPLAINTS RECEIVED

This KPI shows in percentage, the rate at which customer complaints are resolved. The KPI target for the entire year is 95% as per NERSA guidelines NRS047. A total of 74.13% has been achieved, which is 20.87% below target this is due problems experienced during the migration of staff and customers to R&CRM. City Power is working with CoJ to ensure improvement.

- AVERAGE TIME TAKEN FOR CITY POWER TO RESOLVE QUERIES

The internal target set for resolving these queries is an average of 3 days compared to the baseline of 14 days as per NRS 047. A total of 3.6days has been achieved for this period.

- FAULTS RESTORATION WITHIN THE SPECIFIED TIME FRAME AS A PERCENTAGE OF THE TOTAL NUMBER OF FAULTS REPORTED (NRS 047

The measure of how quickly the electricity supply is restored, after a forced interruption/outage, gives an indication of the utility's performance. This KPI is widely used in the local electricity industry, which is regulated by NERSA (National Energy Regulator of S.A).

In terms of NRS047 fault restoration, after forced interruptions, must be within these parameters:

No	Time (hours)	NRS 047 (%)	Actual performance (%)
1	1,5	30	25.86
2	3,5	60	66.23
3	7,5	90	93.06
4	24	96	98.84

1.5 hours not achieved due to challenges encountered on network system. The other KPI's have been achieved.

- **% COMPLIANCE WITH NRS 048 (QUALITY OF SUPPLY)**

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 differs between customer categories and per network type e.g. customers supplied by dense underground networks often enjoy a better quality of supply compared to their counterparts supplied by long rural feeders.

Similarly, the quality of supply requirements for industrial customers is more stringent than domestic customers. Currently there are approximately 106 sites, which are monitored continuously, and they have all met the limits as specified by the regulator thus implying that City Power is compliant and has exceeded all the set targets.

- **ENVIRONMENT**

- IMPLEMENTATION OF DISASTER MANAGEMENT PLAN

The implementation of City Power's disaster management plan has been completed. This plan is aligned to the COJ framework and the strategy and it was also completed and presented to the COJ disaster recovery forum.

- NUMBER OF TASKS UNDERTAKEN TO COMPLY WITH COJ ENVIRONMENTAL MANAGEMENT FRAMEWORK

A total of 8 tasks have been targeted for the financial year end all set targets have been achieved.

- **HEALTH AND SAFETY**

- % OF EMPLOYEE DISABLING INJURIES FREQUENCY RATIO (DIFR)

This section refers to the ratio of work related injuries that prevent people from going to work or doing their job effectively on any day after the injury. The target set for this KPI is based on international industry benchmark of 1.
City Power gives high priority to the safety and health of its employees and has ongoing activities such as continuing enhancement of management practices and development of a safety culture to ensure that all possible accidents are prevented.
Actual DIFR (0.63) has been achieved.

- NUMBER OF EMPLOYEE JOB RELATED FATALITIES

This KPI refers to the number of employee fatalities due to job related activities. To maintain such a performance, City Power ensures that its employees are properly trained to understand the dangers of their job fully, by ensuring adherence to work procedures so they can be responsible as required. For this period, there were no employee fatalities reported.

- NUMBER OF PUBLIC FATALITIES
  - **Controllable**

This KPI refers to the number of public fatalities due to electricity related incidents caused by City Power negligence. To prevent this kind of fatalities, City Power has ongoing activities such as continuing enhancement of management practices and development of a safety culture to ensure that all possible accidents are prevented. There were no controllable public fatalities reported during this period.

- **Non-Controllable**

This KPI refers to the number of public fatalities due to electricity related incidents. Public fatalities are mainly due to electrocution as a result of various factors e.g. customer negligence, tampering with electricity installations, attempted theft of infrastructure, etc. To prevent this kind of fatalities, City Power conducts customer education and awareness campaigns to educate people of the dangers of electricity etc.

Unfortunately there were (2) two public fatalities that occurred one was at St. Audley cnr. Bantry Street in Bryanston and the other was at End Street Cnr Market Street in the Johannesburg CBD both were due to illegal connections.

- NUMBER OF HIV/AIDS WORKPLACE PROGRAMMES IN PLACE

To ensure that loss of staff due to the HIV/AIDS epidemic is reduced and that those employees affected by the disease are assisted, City Power has an HIV/AIDS program in place. This program is aligned to the CoJ's policy and processes.

Currently City Power has been continuing with case management where employees who declared their status have been put on a treatment program that includes immune boosters and ARV's.

A prevalence study has also been completed and a process have been implemented to ensure that the results and recommendations are being assessed and integrated into a comprehensive action plan for dealing with the pandemic.

- **HUMAN RESOURCE DEVELOPMENT**

- EMPLOYMENT EQUITY (AA RATIO)

This indicator shows the percentage of affirmative action candidates compared to the total staff complement. The target is 70% and City Power has recorded a performance of 73.98%.

To ensure that compliance to this KPI is sustained, City Power has developed an attraction and retention strategy and the rollout to the entire business is in progress.

- EMPLOYMENT EQUITY (GENDER RATIO)

The Company target on gender equity for the 2009/10 financial year is 20%. The Company has achieved a 18.85% gender equity ratio for supervisory levels and above. This target has not been achieved due to changes on the organisational structure.

- NUMBER OF EMPLOYEES WITH A DISABILITY

This indicator shows the number of disabled employees to the total staff complement. The target is 18 and City Power has 18 employees that had registered as people with a disability (PWD) in this financial year.

- **ECONOMIC DEVELOPMENT & JOB CREATION**

- TEMPORARY JOB CREATION AS PER EPWP POLICY

City Power has a yearend target to create 2,600 jobs in line with the extended public works programme. For 2009/10 a total of 2,652 jobs were created.

Project No	Description	Political Region	Wards	Men		Women		Disable Men & Women		Total number of people	Total months worked
				18-35 Yrs	36-older	18-35 Yrs	36-older	18-35 Yrs	36-older		
R5338,C1597 & R5838	Alexandra Ext 9 & Ext 10	E	81,105	142	33	6	9	0	0	**153**	14
R5628	All regions Energy efficiency project	All	All	24	14	2	0	0	0	**40**	2
R4228 & R5204	Braamfisher	D	49	45	52	15	21	0	0	**133**	8
C1512	Cleveland	F	65	66	20	0	0	0	0	**66**	5
R5354	Dobsonville Gardens ,Doornkop Ext 2	D	47	264	80	39	21	0	0	**404**	15
C1511	Ellispark	F	59	17	6	0	0	0	0	**23**	6
Eskom CFL Project	Refer to Arend at Eskom			469	84	299	60	0	1	**913**	1
C1606	Florida (Roodepoort)	C	70	8	2	4	1	0	0	**15**	3
R5470	Hospital Hill	G	5	43	17	29	5	0	0	**70**	8
C1506	Ivory Park	A	78-79	24	0	12	6	0	0	**28**	8
R5725	Klipspruit valley	D	39	5	5	2	3	0	0	**15**	1
R4468	Mulbarton	F	23	25	15	0	0	0	0	**40**	3
C1543 & R4745	New road substation & grand central cable	A	92	43	14	3	2	0	0	**62**	5
R5324 & R5358	Orange farm	G	4-Jan	226	55	40	19	0	0	**246**	27
R5355	Orlando East	D	31	33	34	0	0	0	0	**67**	3
C1581	Rabie Ridge	E	80	4	0	4	0	0	0	**16**	1
R5628	Region B energy efficiency	B		58	19	4	0	0	0	**63**	5
C1540	Siemert Rd substation	F	59	26	16	4	0	0	0	**46**	1
R4997	Stretford	F	1	16	13	4	5	0	0	**38**	3
R5354 & R5356	Thulani Proper Phase 1 & 2	D	48	53	13	22	0	0	0	**88**	5
C1429 & R5367	Wemerpan	F	57	51	17	0	0	0	0	**68**	9
R4999	Zola	D	51	43	7	5	3	0	0	**58**	3
										2,652	

- REDUCTION IN ELECTRICITY CONSUMPTION

The target of 10% has not been achieved; actual performance was 3.70% this was due to an escalating theft and vandalism.

- **BEE and ENGENDERED COMPANIES EMPOWERMENT**

- ENGENDERED EXPENDITURE

The annual actual performance is 29.62%, which is 6.62% higher than the set target. The 29.62% translates to R355, 518,134 of spend with Engendered companies. To ensure compliance to this KPI, City Power encourages engendered business ownership and joint ventures.

- PROCUREMENT SPEND ON BEE AND SME AS % OF TOTAL BUDGET PROCUREMENT

The annual actual performance is 78.15% which translates to R1, 200 billion. To ensure compliance to this KPI, City Power encourages BEE ownership to companies that do not have any.

- **EFFECTIVE FINANCIAL MANAGEMENT**

- DIRECT COSTS

Yearend actual performance was 36.45C/kWh against a target of 39.09C/kWh. This performance is due to actual GWh being 3.9% less that budget (R209million) and energy trading activities (R346million).

- TURNOVER

The year to date turnover of R7, 437.2 million is R50, 2 million more than the budget of R7, 387 million.

- NET PROFIT

The net profit for the period is R1, 037, 7 million compare to the budgeted profit of R305, 7 million giving a positive variance of R732 million.

- OPEX

The yearend operating expenditure of R2, 266, 8 million is R639, 7 million more than the budget of R1, 627, 1 million. The reasons for this over expenditure are: General Expenses, Salaries and Allowances which were higher than budget.

- BAD DEBTS CONTRIBUTION

Bad debts provision of R426, 9 million is R209, 8 million more than budget. The over expenditure is mainly because of the poor collection levels that have been achieved for this period under review. The year to date collection levels are below budget.

- CAPEX:CONTROLLABLE

From the controllable perspective, the overall expenditure is R443 million against a revised budget of R445 million. This performance has been achieved under extremely difficult conditions, where emergency work (OPEX to CAPEX) had to be accommodated by re-prioritizing certain categories and deferring some of the project scope to the next financial year. The additional 2010 requirements had to be accommodated on the same budget without incurring over expenditure.

- CAPEX: NON-CONTROLLABLE

The non-controllable component of the budget is driven largely by grants and public contributions. Therefore at year end it becomes necessary to take stock of the contribution received during the year and adjust the budget accordingly to reflect such. Total expenditure is R372 million against a revised budget of R370million.

- GROSS MARGIN

Gross margin is above budget. The gross margin KPI has been achieved due to the decrease in cost of sales, which in turn was influenced by the decrease in units due to economic climate and awareness campaigns.

- PERCENTAGE MAINTENANCE BUDGET SPENT

This KPI ensures appropriate focus is given to maintaining the network.
The amount spent as a percentage of operating expenditure is 22,9% more than budget. Factors that contributed to this are because of the high volume of mini substations that were replaced during the period under discussion because of high volume of theft, vandalism and equipment failure. Increased equipment failure is also attributed to Capex Budget cut which led to deferring equipment upgrading, and replacement of equipment. This in turn overloaded the Repairs and Maintenance expenditure because unplanned outages also increased. The SWC also lead to increase the expenditure as City Power had to ensure that outages during the SWC were restricted to the minimum.

- PERCENTAGE NETWORK BUDGET SPENT

This KPI ensures capital budgets are allocated to the network and the provision of services rather than non value-adding activities. The target for the year of 98% was achieved.

- PERCENTAGE CAPITAL BUDGET SPENT

This KPI ensures the total capital budget is spent by the entity. Failure to do so historically collates with poor service delivery. 100% of the capital budget for the year has been spent.

- PERCENTAGE AGAINST OPERATING BUDGET

The yearend total operating expenditure is 39, 3% more than budget. The main contributing factors for the over expenditure has been addressed in this report.

- RECONCILIATION OF INTER-COMPANY and INTRA- COMPANY BALANCES WITH THE CoJ

This KPI contributes to the successful completion of the audit, ensuring no late adjustments as a result of late processing of inter & intra -company transactions. Reconciliation of inter and intra - company balances ties back with COJ.

- % ATTAINMENT OF CLEAN AUDIT REPORT BY MOE

This KPI has not been achieved - the audit report emphasized that actions to address risks relating to the achievement of complete and accurate financial management were inadequate.

3.5 Assessment of Arrears on Service Charges

3.5.1 Assessment of municipal taxes and service charges owed to City Power

Unit	<30 days	<60 days	<90 days	<180 days	>365 days	>366 days	<367 days	Total
CoJ & CP	136,966	282,098	141,925	88,885	131,980	62,365	1,098,263	1,942,486

3.5.2 Assessment owed by City Power for service charges

City Power owes the following for service charges:

Utility	Service Rendered	Total Amount
City of Johannesburg Metropolitan Municipality	Rates and Services	207,803
Pikitup Johannesburg (Pty) Ltd	Waste removal	-
Johannesburg Water (Pty) Ltd	Water	107
Johannesburg City Parks	Tree Pruning	4,916
Johannesburg Roads Agency (Pty) Ltd	Reinstatement costs	2,419
		215,245

3.5.3 Assessment of directors' and senior managers' municipal accounts

Name	Designation	Municipality	Municipality account number	Account status
Ms G SIMELANE	Chairperson	Johannesburg	411900792	Current
Mr. G BADELA	Non-executive	Johannesburg	302212072	Current
Ms. D DONDUR	Non-executive	Johannesburg	202258933	Current
Adv K GARLIPP	Non-executive	Tshwane	3302075561	Current
Mr. B HAWKSWORTH	Non-executive	Johannesburg	207519120	Current
Ms. J KUMBIRAI	Non-executive	Tshwane	2071470635	Current
Prof T MARWALA	Non-executive	Johannesburg	207572396	Current
Mr. H MATEYA	Non-executive	Ekurhuleni	220050167	Current
Dr. Y NDEMA	Non-executive	Cape Town	152431871	Current
Mr. S ZIMU	Managing Director	Johannesburg	300041614	Current
Mr. R GOLDEN	(Acting) Director – Corporate Services	Johannesburg	900887297	Current
Ms N NSELE	(Acting) Director – Customer Services	Johannesburg	205886943	Current
Mr. L PIETERSE	Director - Engineering Operations	Ekurhuleni	2101015625	Current
Ms N SIWAHLA-MADIBA	Director - Finance	Johannesburg	403548978	Current
Mr. S XULU	Director - Engineering Services	Johannesburg	4058251055	Current
Mr. M SMITH	Company Secretary	Johannesburg	300949880	Current

3.6 Statement of amounts owed by Government Departments and Public Entities

Acc no	Name		Amount
220083813	EAST BANK HIGH SCHOOL		48,318.87
220082200	BRYANSTON PRIMARY SCHOOL		32,687.60
220065035	ATHLONE BOYS HIGH SCHOOL		11,670.42
220077094	LAERSKOOL LOUW GELDENHUYS		724.78
220025018	PREPRIMERE SKOOL DIE MOSSIE		48,274.14
220028700	PHILIP KUSHLICK SCHOOL		5,370.49
220055421	SOUTHVIEW SECONDARY SCHOOL		323,352.48
220075925	WESTERN HIGH SCHOOL		29,968.47
220047406	ENNERDALE SECONDARY SCHOOL		31,503.92
220055608	AZARA SECONDARY SCHOOL		81,853.72
220058969	PENTA-ROSA PRIMARY SCHOOL		30,616.73
220057299	GREYVILLE PRIMARY SCHOOL		101,490.98
220057186	LENASIA SECONDARY SCHOOL		39,725.07
220100709	RIVERLEA LAERSKOOL		547,057.82
220091356	KENSINGTON SECONDARY SCHOOL		42,179.92
220057179	ALPHA PRIMARY SCHOOL		48,321.61
220055453	PARKSIDE PRIMARY SCHOOL		88,213.29
220059000	TOPAAS SECONDARY SCHOOL		83,357.31
220025000	HOERSKOOL DIE FAKKEL		128,413.84
220057193	MODEL PRIMARY SCHOOL		58,437.67
220059095	JHB ABDM SCHOOL		86,821.60
220096040	WINCHESTER RIDGE PRE-PRIMARY SCHOOL		0.00
220052276	ST MARYS SCHOOL FOR GIRLS		69,294.15
220061143	MISSOURILAAN SEKONDERE SKOOL		55,373.37
220079207	NORTHCLIFF HIGH SCHOOL		27,288.92
220075770	LAERSKOOL JAN CELLIERS		42,255.79
220048142	FAIRWAYS PRIMARY SCHOOL		39,560.43
220004272	HYDE PARK HIGH SCHOOL		36,928.67
220052036	SANDRINGHAM HIGH SCHOOL		41,677.55
220061150	NANCEFIELD LAERSKOOL		59,617.56
220082217	LAERSKOOL BRYANSTON		27,236.15
220069777	QUEENS HIGH SCHOOL HOSTEL		20,017.80
220077369	FORDSBURG PRIMARY SCHOOL		1,954.14
220078933	HOPE SCHOOL		20,762.87
220058951	HARMONY PRIMARY SCHOOL		40,495.43
220025995	MONDEOR HIGH SCHOOL		40,882.67
220067963	ATHLONE GIRLS HIGH SCHOOL		17,350.19
220078958	RIDGE SCHOOL		37,272.39
220025106	FRANCES VORWERGSKOOL		50,561.03
220001063	CRAIGHALL PRIMARY SCHOOL		33,472.87
220079430	DELTA PARK SKOOL		22,882.58

Acc no	Name		Amount
220082440	BRYANDALE PRIMARY SCHOOL		25,252.89
220049918	PRIDWIN SCHOOL		23,551.24
220082070	MICHAEL MOUNT WALDORF SCHOOL		33,926.37
220078651	HOERSKOOL VORENTOE		-239.75
220069696	PARKVIEW SENIOR SCHOOL		36,455.48
220030850	HOERSKOOL FLORIDA		22,473.92
220082305	BRYNEVEN PRIMARY SCHOOL		13,942.11
220025089	FOREST HILL PRIMARY SCHOOL		45,475.31
220092166	JEPPE HIGH PREP SCHOOL		14,782.12
220070518	AUCKLAND PARK PREPARATORY SCHOOL		9,577.20
220022360	FLORIDA PARK HIGH SCHOOL		5,161.75
220078387	PARKVIEW JUNIOR SCHOOL		12,388.77
220037060	RANDPARK PRIMARY SCHOOL		14,924.17
220065596	CYRILDENE PRIMARY SCHOOL		10,795.31
220027992	HARVEST CHRISTIAN SCHOOL		16,483.24
220092208	HILLCREST PRIMARY SCHOOL		77,170.08
220070934	BLAIGOWIRE PRIMARY SCHOOL		34,095.63
220025963	MONDEOR PRIMARY SCHOOL		17,571.68
220078041	NORTHCLIFF PRIMARY SCHOOL		14,438.61
220072547	EMMARENTIA PRIMARY SCHOOL		14,559.05
220078676	GEN CHRISTIAAN DE WET SKOOL		10,886.51
220000253	BRAMLEY PRIMARY SCHOOL		17,700.11
220077930	ESPERANZA LAERSKOOL		16,403.37
220055929	LENASIA MUSLIM SCHOOL		20,007.84
220088699	FAIRVIEW JUNIOR SCHOOL		116,913.34
220026942	GLENANDA PRIMARY SCHOOL		45,399.43
220052283	ST MARY'S SCHOOL FOR GIRLS		9,651.67
Acc no	**Name**		**Amount**
220061030	SILVER-OAKS SEKONDERE SKOOL		17,245.59
220024991	FOREST HIGH SCHOOL		244,585.55
220057203	PARK PRIMARY SCHOOL		75,745.58
220028562	LAERSKOOL DANIE THERON		34,160.64
220052318	NORTHVIEW HIGH SCHOOL		39,139.35
220010501	EDUCATION MODEL C SCHOOLS		1,117,010.76
220066991	JEPPE HIGH SCHOOL ROANHOUSE		14,568.03
220024751	HOERSKOOL PRESIDENT		19,732.89
220067586	JEPPE BOYS HIGH SCHOOL		1,534.59
220024945	SIR JOHN ADAMSON HIGH SCHOOL		-2,300.13
220025882	MEREDALE PRIMARY SCHOOL		36,733.48
220091437	JEPPE HIGH SCHOOL FOR GIRLS		25,826.68
220044074	ROBERTSHAM PRIMARY SCHOOL		45,624.29
TOTAL			**4,902,600.04**

POLICE

Acc no	Name		Amount
220093804	SAP WYNBERG		49,995.68
220078806	SAP RADIO STATION		60,599.27
220028957	S A POLICE STATION HONEYDEW		38,440.31
220052068	SAP STATION NORWOOD		8,291.97
220057274	SAP LENASIA		57,377.39
220033682	SAP STATION BOOYSENS		60,989.36
220028435	SAP MOTOR WERKWINKEL		205,185.64
220072040	SAP BRIXTON [MOORD / ROOF AFD]		68,020.70
220069512	JEPPE POLICE STATION		171,897.09
220056954	HOSPITAL HILL POLICE STATION		155,904.15
Acc no	**Name**		**Amount**
220002412	BRAMLEY POLICE STATION		32,608.51
220059151	SAP DODEHUIS EN KWARTIERE PWD		40,853.13
220062250	CLEVELAND POLICE STATION		47,605.33
220062242	SAP CLEVELAND PWD		-158,516.94
220093794	ALEXANDRIA POLICE STATION		33,952.71
220062732	POLICE & CIVIL RIGHTS UNION		0.00
220057080	SAP SAM HANCOCK STR (PWD)		1,029.95
220056993	SAP SAM HANCOCK STR		776.41
220057059	SAP SAM HANCOCK		-5,475.87
220057010	SAP SAM HANCOCK		1,568.08
220057066	SAP SAM HANCOCK STR (PWD)		501.94
220057027	SAP SAM HANCOCK		1,616.56
220057041	SAP SAM HANCOCK		445.97
220933683	SAP STATION BOOYSENS		2,238.35
220080386	SAP FLATS		10,802.44
TOTAL			**886,708.13**

COURTS

Acc no	Name		Amount
220062002	LAW COURTS LENASIA		39,768.15
220061954	KLIPTOWN REGIONAL COURT PWD		84,464.95
TOTAL			**124,233.10**

PUBLIC WORKS

Acc no	Name		Amount
220035859	R S A PUBLIC WORKS & LAND		31,052.52
220018973	DIE SENIOR STREEKBESTUURDER		-24,610.01
220052075	SAP FLATS		154,217.73
220081414	R S A P A AFDELINGSINGENEUR		-600,836.32
220058479	MYNTERING BURO PWD		111,757.98
220022970	DIE STREEKSVERTEENWOORDIGER		89,035.27

Acc no	Name		Amount
220008816	DIE HOOFDIREKTEUR		12,683.76
220078845	R S A OPENBAREWERKE&GRONDSAKE		312,293.58
220092430	7TH DIV HEADQUARTERS PWD		60,784.25
220042510	R S A PUBLIC WORKS		48,869.69
220035859	R S A PUBLIC WORKS & LAND		31,052.52
220028428	PTN MORTUARY FOR COLOURDS PWD		62,018.62
220058550	PNEUMOCONIOSIS RESEARCH PWD		47,319.03
220058542	OLD MEDICAL BUILDING PWD		76,558.50
220016920	OPENBARE WERKE EN GRONDSAKE		-220,827.28
220042510	R S A PUBLIC WORKS		48,869.69
TOTAL			**240,239.53**

HOSPITALS

Acc no	Name		Amount
220068999	JOHANNESBURG HOSPITAL		10,354,094.06
220028474	BARAGWANATH HOSPITAL		8,079,401.38
220078757	JG STRYDOM HOSPITAL		2,927,539.93
220091003	JHB HOSPITAL		351,692.45
220017137	SOUTH RAND HOSPITAL		482,668.81
220028001	MULBARTON HOSPITAL LIMITED		-1,610,728.13
221038725	EDENVALE HOSPITAL		965,935.92
220030804	DISCOVERY HOSPITAL		70,475.28
220090433	CSF EMSENI HOSPITAL		65,641.99
Acc no	**Name**		**Amount**
220068100	JHB HOSPITAL		30,675.50
220989742	BARCLAYS HOSPITAL		454,890.61
220055414	LENASIA HOSPITAL		-40,500.14
220089741	BARCLAYS HOSPITAL		-22,073.90
220078644	JG STRYDOM HOSPITAL		4,016.96
220971939	CORONATION HOSPITAL		0.00
TOTAL			**22,113,730.72**

CLINICS

Acc no	Name		Amount
220094124	ALEXANDER CLINIC		52,764.12
220077513	GARDEN CITY CLINIC		535,664.94
220082055	MEDI-CLINIC LTD		384,113.09
220083154	MEDI-CLINIC LIMITED		-977,026.93
221036090	ALEXANDRA WOMENS CLINIC		1,836.94
220071952	RAND CLINIC		467,872.28
220091010	RAND CLINIC		104,366.97
221036083	EASTBANK CLINIC		5,741.36
220004667	SHIFA CLINIC		155,057.31

Acc no	Name		Amount
220014136	MAYO CLINIC		77,229.15
220055372	LENMED CLINIC LTD		57,779.17
220052340	JOHN FORTHERING CLINIC		1,082.23
TOTAL			**866,480.63**

HOSTEL

Acc no	Name		Amount
220006400	City Deep Compound		15,065.19
220047332	SMLC URBAN DEV HOSTELS (645)		317.24
221115063	NOBHUHLE MENS HOSTEL		100,685.12
221115056	MADALA MENS HOSTEL		41,000.32
221108267	HELEN JOSEPH WOMENS HOSTEL		68,495.63
220062860	SELBY HOSTEL		270,596.15
221087289	GEORGE GOCH MENS HOSTEL		2,432,228.76
220001345	GRESSWOLD SPEC HOSTEL		46,010.18
TOTAL			**2,974,398.59**

HOUSING DEPARTMENT

Acc no	Name		Amount
220100547	TROYEVILLE HOUSING CO-OPERATIVE LTD		-493,869.45
220087134	HEALTH&HOUSING:HOUSING 245		555,300.34
220946570	JOHANNESBURG HOUSING CO LTD		155,377.68
220046804	COPE TSWELOPELE HOUSING_COOPERATIVE		506,582.60
220080530	DEPT HOUSING AND LOCAL GOV		84,588.83
221051081	JOHANNESBURG HOUSING COMPANY (CARR)		276,401.19
220061009	DEPT HOUSING AND LOCAL GOVT		379,527.69
220990723	SIMUNYE HOUSING ASSOCIATION		33,715.69
220100882	JOHANNESBURG HOUSING COMPANY		70,653.80
220044660	DEPT HOUSING AND LOCAL GOVT		22,589.60
220044726	DEPT HOUSING AND LOCAL GOVT		43,566.67
220003543	SA LEGION SOLDIERS HOUSING ORG		18,084.55
220044740	DEPT HOUSING AND LOCAL GOVT		26,879.86
220044765	DEPT HOUSING AND LO9CAL GOVT		8,372.66
220044733	DEPT HOUSING AND LOCAL GOVT		37,068.21
220044719	DEPT HOUSING AND LOCAL GOVT		28,955.55
220080523	DEPT HOUSING AND LOCAL GOVT		10,677.45
220014633	NEW HOUSING COMPANY		2,288.61
220089639	HEALTH&HOUSING:COMM HLTH 230		32,186.24
220046441	DEPT HOUSING AND LOCAL GOVT		24,737.98
221064041	JHB HOUSING COMPANY LTD		80,857.17
220046427	DEPT HOUSING AND LOCAL GOVT		17,585.49

220046434	DEPT HOUSING AND LOCAL GOVT		11,546.63
Acc no	**Name**		**Amount**
220044758	DEPT HOUSING AND LOCAL GOVT		18,934.39
220046498	DEPT HOUSING AND LOCAL GOVT		77,657.62
220044684	DEPT HOUSING AND LOCAL GOVT		-12,093.47
220089607	EVEREST COURT HOUSING ASS		29,753.52
220044677	DEPT HOUSING AND LOCAL GOVT		38,133.67
220046508	DEPT HOUSING AND LOCAL GOVT		24,302.08
220046466	DEPT HOUSING AND LOCAL GOVT		22,966.64
220003529	SOLDIERS HOUSING ORG SA		3,993.31
220046522	DEPT HOUSING AND LOCAL GOVT		19,683.20
220046530	DEPT HOUSING AND LOCAL GOVT		19,344.75
220046515	DEPT HOUSING AND LOCAL GOVT		17,470.23
220046473	DEPT HOUSING AND LOCAL GOVT		19,050.52
220046480	DEPT HOUSING AND LOCAL GOVT		5,286.54
220016038	JOHANNESBURG HOUSING COMPANY		54,175.90
220067113	JOHANNESBURG HOUSING COMPANY		123,697.41
220100642	JHB HOUSING CO		19,747.37
220003536	SOLDIER HOUSING ORG		6,509.76
220055615	GAUTENG PROVINCE-HOUSING DEV BRD		218,094.85
Acc no	**Name**		**Amount**
221036021	BADIRI HOUSING ASSOCIATION		64,659.82
220090722	SIMUNYE HOUSING ASSOCIATION		19,529.40
220046579	JOHANNESBURG HOUSING CO LTD		146,792.12
220046459	DEPT HOUSING AND LOCAL GOVT		24,661.27
220046554	DEPT HOUSING AND LOCAL GOVT		-194,025.18
TOTAL			**2,702,000.76**

CORRECTIONAL SERVICES

Acc no	**Name**		**Amount**
220091388	SA DEFENCE		33,561.22
220028442	DIEPKLOOF PRISON P W D		1,572,010.25
TOTAL			**1,605,571.47**

TOTAL OUTSTANDING FOR ALL GOVERNMENT ACCOUNTS ***R36, 415,962.97***

3.7 Recommendations and Plans for next financial year

The approved budget for the 2010/11 financial year is:

INCOME STATEMENT **R000**	**Actual 2009-2010**	**Budget 2010-2011**
Total Income	8,288,496	9,088,240
Turnover	7,437,174	8,914,701
Other income	851,322	173,539
Cost of sales	-4,416,241	-6,420,441
Gross profit margin	3,872,255	2,667,799
Gross profit %	**46,72**	**29,35**
Operating overheads	-2,323,589	-1,867,529
Operating profit before interest and taxation	1,548,666	800,270
Operating profit %	**18,68**	**10.43**
Interest	-393,714	-409,195
Profit/loss before taxation	1,154,952	391,075
Taxation	-117,207	-109,501
Retained profit/(loss) for the period	**1,037,745**	**281,574**

3.8 Key Focus Areas for the 2010/11 financial year

1. Turnaround strategy

2. Improve communication both internal and external

3. Work closely with CoJ treasury to secure additional funding to address:
   - Capital backlog on network refurbishment
   - Investment in additional capacity
   - Reduction in outages
   - Expansion of public lighting network
   - Electrification of informal areas
   - Solar water heating

4. Find alternative revenue sources including (advertising on City Power's assets, e.g. street poles, fleet, buildings, etc)

5. Revenue maximization projects:
   - Improve collection levels in conjunction with CoJ revenue management unit
   - Continue to convert high-consumption customers to automated meters
   - Convert customers to prepaid meters
   - Tariff process alignment and optimization

6. Improve internal processes to ensure efficiency and effectiveness:
   - Improve short-term restoration time
   - Value chain optimization
   - Asset management
   - Develop an anti-theft strategy

7. Effective financial, people and performance management

SECTION 4: CORPORATE GOVERNANCE

4.1 Statement of Compliance

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 the company is being ethically managed according to prudent risk parameters in compliance with generally accepted corporate practices. Monitoring 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 committee 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 Registrar of Companies. The Board of directors ascribes 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. Ongoing steps are taken to align practices with King III recommendations and the board continually reviews the company's progress to ensure corporate governance improves. 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 current annual report was guided by the same principles.

4.2 Board of Directors

City Power has a unitary board, which consists of executive and non-executive directors. The board is chaired by a Non-executive Director, Ms G Simelane. 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.

City Power has concluded a compact with its parent municipality for the year under review. The compact details its annual performance objectives, measures, targets and indicators. The Board provides monthly, quarterly, bi-annual and annual reports to its parent municipality on its performance against these parameters and service delivery as prescribed in the SDA, MFMA and MSA. These 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 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 them 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 is undertaken annually. 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.

For the year under review, the board consisted of nine non-executive directors: Ms G Simelane, Mr. G Badela, Ms D Dondur, Adv K Garlipp, Mr. B Hawksworth, Ms J Kumbirai, Prof T Marwala, Mr. H Mateya, and Dr Y Ndema.

The Board includes one Executive Director, Mr. S Zimu, who is the Managing Director. Executive directors are regarded as contract employees in terms of the company's conditions of service.

Attendance at meetings held during the review period is shown below:

ALL BOARD AND COMMITTEE MEETINGS FOR FINANCIAL YEAR 1 JULY 2009 TO 30 JUNE 2010

Name	Board	Board workshops (induction)	Audit	HR & Remune-ration	Pricing & Regulatory	Board Over-sight	Ad hoc EDI Working group	Turn-around Strategy working group	Phakama Working Group
Number of meetings held	**8**	**5**	**12**	**6**	**3**	**4**	**0**	**1**	**2**
G Simelane	*7*			*6*		*4*		*1*	*2*
G Badela	*7*			*6*		*4*			
D Dondur	*7*		*11*	*4*				***1***	
K Garlipp *(resigned from the Audit Com. on 18 Jan 2010)*	*8*		*7*			*4*			***2***
B Hawksworth	*6*		*8*					*0*	
J Kumbirai	*6*			*4*	*3*				
T Marwala	*7*				*3*	*4*			*2*
H Mateya	*7*			*6*	*3*			*1*	*2*
Y Ndema	*8*				*3*	*4*			*2*
S Zimu	*6*		*10*	*4*	*1*	*2*			*1*
Independent audit committee									
L Fosu *(appointed on 26 Jan 2010)*			*3*						
W Hattingh			*12*						
H Moolla		*2*	*10*						
H Molokomme *(resigned on 31 Aug 2009)*			1						
DATES OF MEETINGS: 1 JUL '09 – 30 JUN '10	*6 Aug 09* *27 Aug 09* *2 Oct 09* *20 Nov 09* *15 Dec 09* *22 Jan 10* *11 Mar 10* *26 May 10*	*19 Aug 09* *2 Oct 09* *3 Oct 09* *26 Jan 10* *26 Mar 10*	*14 Jul 09* *25 Aug 09* *15 Oct 09* *6 Nov 09* *1 Dec 09* *15 Dec 09* *18 Jan 10* *2 Mar 10* *8 Apr 10* *5 May 10* *21 May 10* *9 Jun 10*	*21 Jul 09* *31 Jul 09* *8 Sep 09* *28 Oct 09* *3 Mar 10* *28 Apr 10*	*15 Jul 09* *14 Oct 09* *16 Feb 10*	*15 Jul 09* *14 Oct 09* *23 Feb 10* *10 May 10*		*16 Apr 10*	*17 Sep 09* *23 Sep 09*

4.3 Board Committees

The Board has the following committees and working groups to assist it in carrying out its responsibilities. Each committee is chaired by a non-executive director.

- Audit committee
- Human Resources and Remuneration Committee
- Pricing and Regulatory Committee
- Board Oversight Committee
- Ad hoc EDI Working Group
- Turnaround Strategy Working Group
- Phakama Working Group

4.3.1 Audit Committee

The Audit Committee comprises the following Non-executive Directors: Ms D Dondur (chairperson), Mr. B Hawksworth and three independent members, Mr. H Moolla, W Hattingh and H Molokomme. Adv K Garlipp, who is a Non-executive Director resigned from the Committee on 18 Jan 2010.

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 and accounting control mechanisms. It exercises its functions through close liaison and communication with senior management and the internal and external auditors.

The Audit Committee operates under a written charter authorized by the board, and assists the board on:

- 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
- Compliance with the Code of Corporate Practices and Conduct
- Compliance with the code of ethics.

The Audit Committee adequately addressed its responsibilities in terms of the charter during the period. The Audit Committee met twelve times during the year under review.

4.3.2 Human Resources and Remuneration Committee

The Human Resources and Remuneration Committee comprises the following Non-executive Directors: Mr. H Mateya (Chairperson), Ms G Simelane, Ms J Kumbirai, Mr. G Badela, Ms D Dondur and one executive director, Mr. S Zimu.

The 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, profit bonuses, executive remuneration, director remuneration and fees and service contracts. The committee met six times during the year under review.

4.3.3 Pricing and Regulatory Committee

The Pricing and Regulatory Committee consists of the following Non-executive Directors: Ms J Kumbirai (Chairperson), Prof T Marwala, Mr. H Mateya, Dr Y Ndema, Adv K Garlipp (appointed to the Committee on 11 March 2010) and one executive director, Mr. S Zimu.

The Committee advises the Board on strategic direction on electricity pricing strategies and policies, addresses regulatory changes in the electricity supply industry that affect the company, ensures the company complies with regulatory requirements on tariffs, recommends structural tariffs changes to the National Electricity Regulator, and ensures compliance with NRS 047 (quality of service) and NRS 048 (quality of supply) regulations. The committee met three during the year under review.

4.3.4 Board Oversight Committee

The Oversight Committee consists of the following Non-executive Directors: Adv K Garlipp (Chairperson), Ms G Simelane, Prof T Marwala, Mr. G Badela, Dr Y Ndema and one executive director, Mr. S Zimu. The Committee advises the board on oversight responsibilities set out in the supply chain management policy and procedures which are in line with Municipal Finance Management Act regulations on supply chain management.

- The committee operates under a mandate authorized by the board, and assists the board in maintaining oversight on the implementation of supply chain management policies as contained in the supply chain management manual
- Monitoring and reporting on the implementation of the supply chain management policy and procedures and the performance of supply chain management
- Assessing deviations and exceptions from policies and procedures
- Advising on the multi-year business plan and annual budget plan
- Monitoring and reporting on company spend against the approved budget and business plan
- Assessing the achievement of output on projects
- The committee is informed of all emergency procurement and considers the following:
- Approving any spend planned outside approved plans
- Noting deviations/amendments from policy.
- The committee met four during the year under review.

4.3.5 Ad hoc EDI Working Group

This is an ad hoc joint Executive and Board working group formed to consider and advise the company on EDI restructuring developments and to prepare City Power for transition into a RED.

The Working Group comprises the following non-executive directors: Prof T Marwala (Chairperson), Ms G Simelane, Adv K Garlipp, Dr Y Ndema and one executive director, Mr. S Zimu. The working group did not meet during the review period.

4.3.6 Turnaround Strategy Working Group

This is an ad hoc Board working group formed to advise and assist the company with a financial turnaround strategy after the financial loss the company suffered in the 2007/2008 financial year.

The Working Group consists of the following non-executive directors: Mr. H Mateya (Chairperson), Ms D Dondur and Mr. B Hawksworth. It met once during the year.

4.3.7 Phakama Working Group

This is an ad hoc Board working group formed to advise the company on the implementation of the City of Johannesburg's Phakama Project. The project created a central shared service for revenue management and customer relations management for the City of Johannesburg and its Municipal Owner Entities. The customer service functions of City Power were migrated to the City's Revenue and Customer Relations Management Department. The ad hoc working group was formed to provide strategic direction and guidance on the implementation of the project and the management and monitoring of the relationship between City Power and the City's Revenue and Customer Relations Management Department.

The Working Group consists of the following non-executive directors: Mr. H Mateya (Chairperson), Adv K Garlipp, Dr Y Ndema, Ms G Simelane, Prof T Marwala and one executive director, Mr. S Zimu. The working group met twice during the year under review.

4.4 Directors' Remuneration

Executive Director

SURNAME	SALARY	OTHER ALLOWANCE	DIRECTORS FEES	PERFORMANCE BONUS	TRAVEL ALLOWANCE	TOTAL
Mr. S Zimu	2,017,321	118,000	0	216,031	128,603	**2,479,955**
						2,479,955

Non-Executive Directors

SURNAME	SALARY	OTHER ALLOWANCE	DIRECTORS FEES	PERFORMANCE BONUS	TRAVEL ALLOWANCE	TOTAL
Ms. G Simelane	0	0	316,135	0	4,905	**321,040**
Mr. G Badela	0	0	118,741	0	3,991	**122,732**
Ms. D Dondur	0	0	278,621	0	4,418	**283,039**
Adv. K Garlipp	0	0	161,237	0	8,193	**169,430**
Mr. B Hawksworth	0	0	141,053	0	1,559	**142,612**
Ms. J Kumbirai	0	0	120,408	0	7,600	**128,008**
Prof.T Marwala	0	0	108,391	0	1,753	**110,144**
Mr. J Mateya	0	0	185,096	0	5,440	**190,536**
Dr. Y Ndema	0	0	124,721	0	4,143	**128,864**
	0	**0**	**1,554,403**	**0**	**42,003**	**1,596,406**

Independent Audit Committee Members

SURNAME	SALARY	OTHER ALLOWANCE	DIRECTORS FEES	PERFORMANCE BONUS	TRAVEL ALLOWANCE	TOTAL
Ms. L Fosu	0	0	19,839	0	473	**20,312**
Mr. W Hattingh	0	0	78,493	0	4,977	**83,470**
Mr. M Molokomme	0	0	5,750	0	583	**6,333**
Mr. H Moolla	0	0	105,517	0	874	**106,391**
						216,506

Executive Committee Members`

SURNAME	POSITION	SALARY	OTHER ALLOWANCES	PERFORMANCE BONUS	TRAVEL ALLOWANCE	TOTAL
Mr. RA Golden	Acting Director Corporate Services	262,314	74,359	0	42,705	379,378
Ms. ND Siwahla-Madiba	Director Finance	872,395	145,857	44,234	121,800	1,184,287
Ms. ME Mashao **(Resigned 31/01/2010)**	Director Corporate Services	445,624	173,929	86,137	75,540	781,230
Ms. NP Nsele	Acting Director Customer Services	633,773	215,920	69,225	63,631	982,548
Mr. DL Pieterse	Director Engineering Operations	857,420	401,334	91,359	80,743	1,430,856
Mr. MJ Smith	Company Secretary	571,348	167,429	66,926	93,544	899,247
Mr. SG Xulu	Director Engineering Services	833,263	206,287	91,359	128,603	1,259,512
	TOTAL	**4,476,137**	**1,385,114**	**449,239**	**606,567**	**6,917,058**

SECTION 5: SUSTAINABILITY REPORT

5.1 Sustainability Vision

A company's performance is governed not only by its environmental and social activities, but also by its economic achievements to give a balanced view. 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.

5.2 Sustainability Policies and Strategies

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

5.3 Material Issues

There were no material issues to be reported.

5.4 Sustainability Commitment

City Power's sustainable practices promote growth, innovation and efficiency; it provides solutions. These practices enhance the quality of life of the communities in which we do business with and they benefit our customers, our employees, other stakeholders and the shareholder.

5.5 Economic development

Providing electricity to all residents within the CoJ supply area is an integral part of the City Power supply mandate. The electrification of new areas, public lighting programs is a critical component of the capital budget. Chapter 2, section 4 provides a detailed overview of major capital projects affecting the community. During the year under review, over R1.2 billion was spent on BEE companies (78.15% of the value of the payments to BEE suppliers).

5.6 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 achieved accreditation for ISO 14001-2004 Environmental Management System.

5.7 Safety

The company is extremely proud of its safety record. The number of workplace injuries has declined over the years and currently the measure for such injuries Disabling Injury Frequency Ratio (DIFR) is at 0.63, compared to the international benchmark of 1.

There is an ongoing process to improve management practices and to develop a culture of safety to ensure all possible accidents are prevented. City Power achieved accreditation for ISO 9001 - Quality Management System and OHSAS 18001 – 2007 Occupational Health and Safety.

5.8 Financial Sustainability

5.8.1 Revenue streams

The main revenue stream for City Power is electricity sales.

5.8.2 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 as tabled below:

LIQUIDITY AND CAPITAL STRUCTURE		
	2008/09	**2009/10**
GEARING		
Debt/Equity		
Total liabilities	6,013,920	5,436,416
Equity	1,087,289	3,312,031
Ratio	**5.53**	**1.64**
	553%	**164%**
Interest Cover		
Profit before interest and tax	475,883	1,548,666
Net interest	323,564	265,148
Ratio	**1.47**	**5,84**
Notes		
The Debt/ Equity ratio is very high as at June 07, June 08, June 09, due to CoJ being the only shareholder. CoJ as the only shareholder has provided City Power with a conduit loans which is subordinated		
The debt/equity is based on 100% external borrowing		
The Interest cover is good, due to profit before tax being high, therefore above the reasonable norm of 1.8		

LIQUIDITY RATIOS		
	2008/09	**2009/10**
Current Ratio :		
Current Assets	1,736,590	2,753,399
Current Liabilities:	1,838,320	2,319,940
Current Ratio :	**0.94**	**1,18**
	94%	**118%**
Profit Margin		
Nett Profit	-48,510	1,037,745
Total Revenue	4,199,985	7,437,174
Ratio	**-0.01**	**0.14**

ASSET TURNOVER RATIO		
Activity Analysis	**2008/09**	**2009/10**
Total Turnover	5,544,723	7,437,174
Average Assets	6,579,505	7,942,560
Ratio :	**0.84**	**0.94**
	84%	**94%**
Return on Assets		
Profit Margin	0.04	0.14
Asset Turnover	0.84	0.92
Ratio	**0.03**	**0.13**
ATO: For every R1 worth of assets City Power owned, it sold 94 cents worth of electricity and services.		
ROA: For every R1 worth of assets City Power owned, it earned R0.13 cents worth of profit, the norm is that any percentage less than 5% means that we are a heavy asst company.		

5.8.3 Financial assistance

City Power gets financial assistance via grants from government.

5.9 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, 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. Details of the financial performance of the company are covered comprehensively in Chapter 5, section 6 of the annual report.

5.10 Transformation and Empowering Employees

5.10.1 Skills Training and job creation

In the past year City Power has created 2,652 jobs through the EPWP (Expanded Public Works Programme) utilizing its capital projects.

5.10.2 Social development

The company is actively involved in promoting social development in terms of learnership, internship and charity programmes. Successfully conducted the following road shows:

- Schools and Community Educational road shows
- Branding and sponsorship at the Mini Soccer World Cup

5.10.3 Learnership Programmes

A total of 14 NQF Level 4 Learners were given the opportunity to write a Trade Test and a total of 9 passed. We are also the host employer for 25 Apprentices placed with us by the Department of Infrastructure Development.

There are currently 33 Bursars enrolled with the Company. This total is made up of 19 African males, 12 African females, 1 Indian male and 1 Coulered male. A total of 21 Bursars are studying Electrical Engineering whilst the remaining 12 are studying in other fields such as Financial Accounting, Auditing and Computer Science. All students who are completing their studies are absorbed by the Company. This said numbers include a total number of 4 bursars that were engaged in the 2010 academic year.

5.10.4 Charity Programmes

Date	CHARITY	ITEMS SPONSORED	AMOUNT
Jul-09	OVC and Child headed Families	Blankets	R 74,727.00
Jul-09	Noah's Ark		R 200,000.00
Aug-09	Jabulani SAPS	Anti Drug awareness campaign	R 165,871.06
Sep-09	OVC and Child headed Families	Extra classes	R 40,893.00
		School uniform	R 81,290.78
	Gold Dust	Miss Destiny 2009 Klipfontein , School shoes, school bags, tekkies	R 154,831.92
Oct-09	Various beneficiaries/Dora's Ark	Groceries and Baby care products	R 34,918.08
Nov-09	Vulamazibuko Snr P. School	Awards Ceremony for learners	R 35,187.24
Dec-09	Child Headed Families	Christmas Groceries	R 15,000.00
Dec-09	Amakhaya & Tsoaranang	Clothes for children	R 8,262.69
Jun-10	Ward 8 Thembelihle	Mini Soccer World Cup	R 77,900.00
Jun-10	Joburg youth Development	Open day Soweto	R 11,000.00
	TOTAL SPONSORED FOR 2009/10		**R 899,881.77**

5.11 Risk Management Governance and Processes

5.11.1 Background

City Power is a municipal-owned enterprise (MOE), owned by the City of Johannesburg (CoJ) and, as such, City Power is continuously ensuring alignment and compliance to CoJ requirements. City Power's risk management process is aligned to and has adopted the CoJ risk management framework.

5.11.2 Broad definition

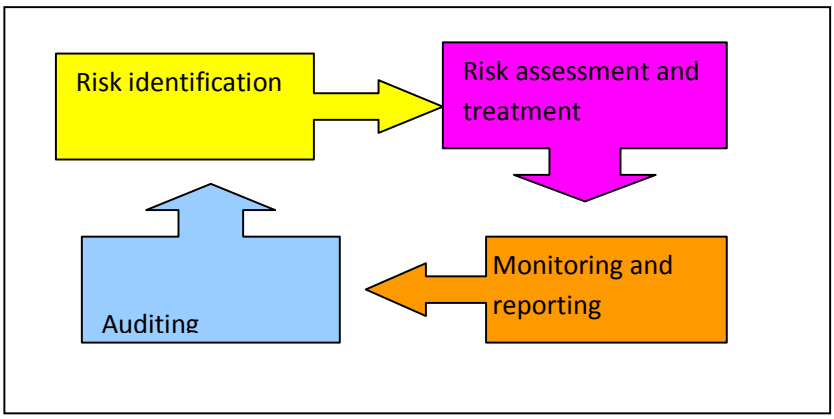
Risk is defined as an event that may have an impact on the ability of the company to achieve its business objectives.

5.11.3 Risk management process

City Power' risk management process has four broad steps:

- Risk identification
- Risk assessment and treatment
- Monitoring and reporting
- Auditing

Risk Management Process



Risk identification

The City Power risk identification process is aligned to the CoJ framework. Company risks are identified annually and form part of the risk register. These risks are influenced by the executive committee, taken before the audit committee of the board and then approved by the board. The approved risks are then incorporated in the business plan.

Risk assessment and treatment

Once risks have been identified, they must be subjected to a consistent assessment process to ensure 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 City of Johannesburg has developed a two-stage assessment process to assess and quantify identified risks.

Stage one – impact and likelihood

The first stage involves assessing the potential impact (or severity) of each risk, and then the likelihood of the event occurring.

Each risk is scored on a scale of one to five. The table below shows criteria used to assess the potential impact/severity of each risk occurring.

Criteria used to assess the potential impact/severity of each risk occurring

Assessment of impact / severity					
		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 localized staff morale problems.	Customers may have been minimally impacted. Event may impact minimally on achieving a performance target.
2–3	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.

Assessment of impact / severity					
		Financial	Reputation	Stakeholders	Customers
4–5	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.
6–7	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.
8–9	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 criteria used to assess the likelihood of the risk occurring:

Likelihood descriptor	Description	Probability
Almost certain : **8-9**	Event has occurred within the last year repeatedly.	Event is certain to occur in this financial year.
Likely : **6-7**	Event has occurred within the last financial year.	Event is likely to occur in this financial year.
Possible: **4-5**	The event has a probability of occurring at some time in the next year.	Event has been recorded in organization as well as in sector in last two years.
Unlikely: **2-3**	Very few recorded or known incidents; reasonable opportunity to occur as has occurred in other organizations within sector.	Event may occur at some time within the next two years.
Rare – 1	Event may occur in exceptional circumstances. No recorded incidents or little opportunity for occurrence.	No event recorded in the last three 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.

Stage two – development of risk drivers and risk casual model
Risk drivers are those elements that tend to be the cause of the risk occurring. Risk drivers are a key process in risk management as they provide in-depth understanding of the risk and analysis of the drivers leads to effective monitoring of the risk, and developing controls 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 understanding of the risk (i.e. make the risk more tangible) and in formulating 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, the process is only providing a snapshot of risks at a specific point in time.

Monitoring and reporting
Monthly, quarterly and annual reporting is on progress with status of action items.

Auditing
This process will be audited continuously

5.11.4 Top 13 Strategic Risks Status Report

Risk Number	Risk Description	Background to the risk	Current controls	Perceived Control Effectiveness	Residual risk Exposure		Actions to improve management of the risk
1	Cable theft year-to-date	Increase in copper price led to increase in network tempering and vandalism	Beefed up security in hot spots areas. Increase in the rollout of CCTV cameras. Implemented Crime Intelligence systems.	Fair	Red	47	Invest more in information technology solutions.
2	Kelvin's failure to perform on the Power Purchase Agreement(PPA)	High pass through costs as a result of poor efficiencies - relates to fixed and variable costs. *Inability of Kelvin Power Substation to supply at required levels in term of the PPA	Penalties on poor delivery. Hold monthly meeting. City Power has appointed a coal expert to assist in trying to manage the cost of coal. City Power is planning to maintain Kelvin at 100 MW for short term to manage cost.	Fair	Red	47	Management of the current controls.
3	Eskom's Capacity problems	*Eskom's failure to supply (generation and transmission) *Ability of the Eskom network to sustain the new capacity demand.	City Power has applied for increased capacity from Eskom. Investigating distributed generation options. Implementing DSM Program. Resasitate Gas Turbines.	Fair	Red	42	Investigating alternative sources of energy e.g. Piloting Solar Powered Streetlights.

Risk Number	Risk Description	Background to the risk	Current controls	Perceived Control Effectiveness	Residual risk Exposure		Actions to improve management of the risk
4	Business's inability to fund high capital and operational requirements out of current cash flows nor future tariff applications	Unable to meet the GDS , IDP ,and Business Plan targets including electrification, 2010, inner-city project, public light, etc *Unable to refurbish the aging network at an acceptable rate *Not enough funds to upgrade the network e.g. 4th and 5th intake points . Compliance to MFMA requirements.	Looking at Alternative sources of funding. PPP, Revenue generating projects, Additional Grant Funding.	Fair	Red	47	Currently exploring the off Balance Sheet Arrangements with Funding institutions.
5	Impact of HIV/AIDS on productivity in the company	* Alignment with the Mayoral Priority. Increased abteesism due to sick leave, impacting on overall performance.	Reinforcing partnership with COJ. Increase access to their Helpline. Provision of immune boosters and nutrition. Dispense and administer ARV's	Good	Amber	25	Capacitating of the Wellness Department.
6	Non - technical losses	*Meter tampering. Illegal Connections. Faulty Meters and no-access unable to bill customers	Meter Tampering - Semi AMR and Tamper Proof meters with protective structures has been installed. Illegal Connections have been removed and replaced with tamper prove meters with protective structures. Currently utilizing JMPD to in force by-laws. Continuous Audits.	Good	Amber	25	Established a Revenue Protection Department to ensure the implementation and effectiveness of the Controls.

Risk Number	Risk Description	Background to the risk	Current controls	Perceived Control Effectiveness	Residual risk Exposure		Actions to improve management of the risk
7	Customer satisfaction levels	Causes include: outages, capacity demand,etc *Low level of positive public opinion (company image)	The Call Centre and Walk-In Centres have been capacitated. Ongoing training for Call Centre, Walk - In Centre and Billing employees. More accessibility to customers and increased number of vending stations.	Good	Amber	25	Improved Shift Roster, Call Resolution and Navigation. Increased the number of Service Providers to allow for a better footprint-Vending Machines
8	Management of Domestic Revenue Collection	*Issues relating to the management of credit control for domestic accounts.	Conversion from conventional to pre- paid. Manage the Service Level Agreement with the City.	Good	Amber	25	Management of the SLA and the conversion from Conventional to Pre Paid.
9	Network interruptions	*Age of the network *uncontrollable events such as insufficient capital for upgrading and refurbishment of MV and LV network	*Capital investment program in place. Way leave processes and implementation of the Asset Management Maintenance system.	Good	Amber	22	*Crime Intelligence needs to be improved. Access controls to be increased on the Load Centres. Penalties to be put in place for 3rd parties damaging our network.
10	Organisational change due to restructuring	Establiment of Phakama and the implications thereof on staff morale and productivity	Engage relevant stakeholders and staff communication	Fair	Amber	37	Engage relevant stakeholders and staff communication
11	Not achieving an unqualified audit report	Previous Years Qualified Audit Report. Mayoral Priority.	Actively addressing all issues raised in the previous year's Management Report.	Good	Green	20	Corrective action implemented and monitored on a monthly basis.

Risk Number	Risk Description	Background to the risk	Current controls	Perceived Control Effectiveness	Residual risk Exposure		Actions to improve management of the risk
12	Impact of the Restructuring of the Electricity Industry	*New areas of supply - burden new areas of supply will put on existing resources * Impact of new areas of supply on profitability *Employee productivity about implications of EDI restructuring. Different standards and tariffs.	EDI Restructuring workgroups has been established.	Fair	Green	19	Implementing the current controls.
13	Insuffient Skills capacity to support the business	* Ineffective talent management. Insufficient skills pool	Prioritization of skills focus. Create a pool for talent release. Capacitating the skills level.	Fair	Red	47	Formulating a training strategy that supports core functions of the business. Centralization of the budget. Implementation of the Retention Strategy. Definition of critical skills.

SECTION 6: ANNUAL FINANCIAL STATEMENTS

6.1 Directors' Responsibility and Approval Statement

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 annual financial statements and related financial information included in this report. It is the responsibility of the directors to ensure that the annual financial statements fairly present the state of affairs of the municipal entity as at the end of the financial year and the results of its operations and cash flows for this period. The external auditor is engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

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

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the municipal entity and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the accounting officer 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 municipal entity and all employees are required to maintain the highest ethical standards in ensuring the municipal entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipal entity is on identifying, assessing, managing and monitoring all known forms of risk across the municipal entity. While operating risk cannot be fully eliminated, the entity endeavors to minimize it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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

The directors have reviewed the entity's cash flow forecast for the year to June 30, 2011 and, in the light of this review and the current financial position, they are satisfied that the municipal entity has or will have 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 the municipal entity.

The external auditor is responsible for independently reviewing and reporting on the municipal entity's annual financial statements.

The annual financial statements set out on pages 79 to 103, which have been prepared on the going concern basis, were approved by the Board of Directors on June 27, 2011.

Ms KPM Simelane	**Mr. Sicelo Xulu**
Chairperson of the Board	**Acting Managing Director**

6.2 DIRECTORS' REPORT

The directors have pleasure in submitting to the shareholders their report, together with the audit financial report, for the year ended June 30, 2010.

1. INCORPORATION

The company was incorporated on November 30, 2000 and obtained its certificate to commence business on January 2001

2. REVIEW OF ACTIVITIES

Main business and operations

The company is a Municipal Owned Entity. The principal activity of the company is the distribution of electricity to industries, businesses and households in Johannesburg. The company operates principally in Johannesburg, South Africa.

During the year under review, the City of Johannesburg took control of all billing processes, credit controls and customer revenue collection. No fruitless and wasteful expenditure was brought to the attention of the Board.

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

Net surplus of the entity was R 1,037,745 (2009: surplus R 432,018), after taxation of R 117,207 (2009: R Nil).There is no tax payable as the company has an assessed tax loss.

3. GOING CONCERN

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 settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

4. SUBSEQUENT EVENTS

Subsequent to the financial reporting date of the municipal entity the South African Revenue Services (SARS) has issued audit findings for the tax returns relating to 2002 to 2009 financial years. The findings for the years 2002 and 2003 have been resolved with the Receiver without any financial implications on City Power. The quantum of the amounts for the years 2004 to 2009 is still to be determined. Other than the aforementioned 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 company significantly. The Managing Director has subsequently resigned with effect from 01 August 2010, and had a three months notice period with last working day being 31 October 2010. The company is in consultation with the Shareholder on a suitable replacement.

5. DIRECTORS' INTEREST IN CONTRACTS

The Directors of the company did not have any interest in contracts entered by the company during this financial year.

6. ACCOUNTING POLICIES

The annual financial statements have been prepared in accordance with South African Generally Recognised Accounting Practices (GRAP), including interpretations, guidelines and directives issued by the Accounting Standards Board as the prescribed framework by National Treasury.

7. SHARE CAPITAL AND SHARE PREMIUM

There were no changes in the authorized or issued share capital of the municipal entity during the year under review. The entire shareholding of the company 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

In terms of the sale of business agreement, City Power Johannesburg (Proprietary) Limited does not have the authority to borrow funds on its own behalf. 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 company during the year.

10. DIVIDENDS

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

11. DIRECTORS

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

Name	Nationality
Ms G. Simelane - Chairperson	South African
Mr. G. Badela	South African
Ms D. Dondur	South African
Adv K. Garlipp	South African
Mr. B. Hawksworth	South African
Ms J. Kumbirai	South African
Prof T. Marwala	South African
Mr. J. Mateya	South African
Dr Y. Ndema	South African
Mr. S. Zimu - Executive	South African

12. SECRETARY

The company secretary is Mr. M Smith

Business address: 40 Heronmere Road
Reuven
Johannesburg
Gauteng
2016

Postal address: PO Box 38766
Booysens
Gauteng
2016

13. CORPORATE GOVERNANCE

13.1 General

The Board retains full control over the municipal entity, its plans and strategy. It 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 company

The municipal entity confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa. The accounting officer discusses the responsibilities of management in this respect at Board meetings and monitors the municipal entity's compliance with the code on a three-monthly basis.

The salient features of the municipal entity's adoption of the Codes are outlined below:

13.2 Board of directors

The Board:

- retains full control over the municipal 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 municipal entity;
- is of a unitary structure comprising:
  - Nine non-Executive Directors, all of whom are independent directors as defined in the Code; and
  - One Executive Director

13.3 Chairman and Managing Director

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.

13.4 Remuneration

The remuneration of the Managing Director, who is the only Executive Director of the company, is determined by the Board of Directors and is disclosed in Annexure A.

13.5 Board of Directors meetings

The Board has met on 8 separate occasions during the financial year. The Board is scheduled to meet at least 4 times per annum.

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

13.6 Audit committee

The chairperson of the audit committee is Ms DLT Dondur, who is a non-executive director. The committee met 12 times during the 2010 financial year to review matters necessary to fulfill its role. The Audit Committee comprises 3 independent members and 3 non-executive directors.

In terms of Section 166 of the Municipal Finance Management Act, the City of Johannesburg, as a parent municipality, must appoint members of the Audit Committee. Notwithstanding that non-executive directors appointed by the parent municipality constituted the municipal entity's Audit Committee, National Treasury policy requires that parent municipalities should appoint further members of the municipal entity's audit committees who are not directors of the municipal entity onto the audit committee, and these independent members are; Ms LA Fosu, Mr. W Hattingh and 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 municipal entity's internal audit function is performed internally and assisted by outside service providers in areas where internal expertise is inadequate. This is in compliance with the Municipal Finance Management Act, 2003.

14. CONTROLLING ENTITY

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

15. BANKERS

ABSA Bank

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

16. AUDITORS

The Auditor-General: Gauteng will continue in office for the next financial period.

6.3 Company Secretary Certificate

In terms of Section 268 G (d) of the Municipal Finance Management Act, Act 56 of 2003, and the Companies Act of South Africa, Act 61 of 1973 (and the Companies Act, 71 of 2008), as amended, I certify that the municipal entity has lodged with the Registrar all such returns as required by the Companies Act and that all such returns are true, correct and up to date.

_____

Mr. M Smith
Company Secretary
City Power Johannesburg (Proprietary) Limited

6.4 Audit Committee Report

We are pleased to present our report for the financial year ended 30 June 2010 as recommended by the King Report on Corporate Governance and Regulation 27 of the Treasury Regulations. The Audit Committee performs its functions in accordance with the Companies Act, 61 of 1973 (and the Companies Act, 71 of 2008), and in terms of the MFMA and has adopted appropriate formal terms of reference as its audit committee charter and has regulated its affairs in compliance with this charter. The Audit Committee has discharged all its responsibilities as contained therein.

In the conduct of its duties, the Audit Committee has, *inter alia*, reviewed the following:

- The effectiveness of internal control systems
- The risk areas of the entity's operations covered in the scope of internal and external audits
- The adequacy, reliability and accuracy of financial information provided by management and other users of such information
- Accounting and auditing concerns identified as a result of internal and external audits
- The entity's compliance with legal and regulatory provisions
- The effective of the corporate audit department
- The activities of the audit department, including its annual work programme, co-ordination with external auditors, the reports of significant investigations and the responses of management to specific recommendations
- The independence and objectivity of the external auditors.

The Auditor-General has expressed a unqualified opinion on the annual financial statements for the period 2009/2010. The Audit Committee is still of the opinion that, based on the information and explanations given by management and discussion with the independent external auditors on the results of their audits, that the internal accounting controls are adequate to ensure that the financial records may be relied upon for preparing the financial statements and accountability for assets and liabilities.

Having considered the matters set out in the Companies Act, 61 of 1973 (and the Companies Act, 71 of 2008), the Audit Committee is satisfied with the independence and objectivity of the external auditors. Nothing significant, other than reported in the directors' report, has come to the attention of the Audit Committee to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The Audit Committee is satisfied that the financial statements are based on appropriate accounting policies, supported by reasonable and prudent judgments and estimates.

The Audit Committee has evaluated the annual report for the year ended 30 June 2010 and considers that it complies, in all material respects, with the requirements of the Companies Act, 61 of 1973 (and the Companies Act, 71 of 2008), as amended, and International Financial Reporting Standards. The Audit Committee therefore recommended the adoption of the annual financial statements by the Board of Directors at its meeting on 25 June 2011. The Board approved the annual financial statements on 27 June 2011.

……..

Chairperson: Audit Committee
Johannesburg

6.5 Auditor General's Report

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

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the City Power Johannesburg (Pty) Ltd, which comprise the statement of financial position as at 30 June 2010, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, and the directors' report.

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 South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and in the manner required by the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and Companies Act of South Africa, 1973 (Act No. 61 of 1973), This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor-General's responsibility

3. As required by section 188 of the Constitution of South Africa, 1996 (Act No. 108 of 1996) and, section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and section 126 of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit.

4. I conducted my audit in accordance with International Standards on Auditing and *General Notice 1570 of 2009* issued *in Government Gazette 32758 of 27 November 2009*. 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.

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.

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

Basis for qualified opinion

Revenue

Included in revenue of R7 407 958 000 (2009: R5 544 723 000) is an amount of R52 733 000, relating to the accrual of revenue not billed. Furthermore, included in revenue is billing errors emanating from incorrect property categories. Management did not submit appropriate audit evidence to substantiate the accrual raised. I could not quantify the full extent of the error due to insufficient information. Therefore, I was unable to perform alternative audit procedures to verify the accuracy, classification, completeness, occurrence and cut-off of revenue of R7 407 958 000 (2009: R5 544 723 000).

Journals

Revenue includes significant adjusting journal entries processed to correct billing errors which were processed in the incorrect accounting period. I was not satisfied that the population corrected by management was free of errors. Therefore, I could not confirm cut-off of revenue of R7 407 958 000 (2009: R5 544 723 000).

Furthermore, significant adjusting journal entries processed to correct billing errors included journal entries that were processed in the incorrect accounting period and no appropriate audit evidence to certain significant journals were submitted for audit purposes. I was not able to satisfy myself that the corrected journals submitted by management are free from errors. Therefore, I could not verify accuracy, occurrence, completeness, classification and cut-off for revenue of R7 407 958 000 (2009: R5 544 723 000).

Consumer debtors

As per paragraphs 7 to 9, there were significant shortcomings that were identified during the audit of the revenue billing and management system which raised uncertainties regarding the credibility of both revenue and receivables financial data. Due to the significance of the errors and insufficient information as mentioned in the preceding paragraphs, I am consequently not able to verify completeness, rights, valuation, presentation and disclosure of debtors amounting to R1 065 325 000 (2009: R891 937 000).

Qualified opinion paragraph

In my opinion, except for the effects of the matters described in the Basis for qualified opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of City Power Johannesburg (Pty) Ltd as at 30 June 2010 and its financial performance and its cash flows for the year then ended are prepared, in all material respects, in accordance with the Standards of GRAP and in the manner required by the MFMA

Emphasis of matter

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

Restatement of corresponding figures

As disclosed in note 36 to the financial statements, the corresponding figures for 30 June 2009 have been restated as a result of the full adoption of the SA Standards of Generally Recognosed Accounting Practice (GRAP) during the current financial year. This resulted in a change in recognition of government grants and the capitalisation of borrowing costs resulting in the restatement of prior period financial statements.

Material losses / impairments

Electricity distribution losses

As disclosed in note 30 to the financial statements, material losses to the amount of R107 543 895 were incurred as a result of electricity distribution losses. The technical losses of electricity incurred amounted to R727 353 000.

Impairment of consumer debtors

As disclosed in note.8 to the financial statements, material losses to the amount of

R1 361 850 000 were incurred through the impairment of consumer debtors.

Additional matters

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

Unaudited supplementary schedules

The supplementary information set out on pages xx to xx does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the PAA and in terms of *General Notice 1570 of 2009* issued in *Government Gazette 32758 of 27 November 2009*, I include below my findings on the report on predetermined objectives, compliance with the following key laws and regulations [MFMA, Municipal Regulations (Regulations – GNR/GN), Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA), Municipal Structures Act, 1998 (Act No. 117 of 1998), and legislation governing the mandate and operational activities of the entity, and financial management.

Predetermined objectives

There were no material findings on the report on predetermined objectives.

Compliance with laws and regulations

Expenditure was not paid within set parameters in accordance with applicable laws and regulations

Contrary to the requirements of section 99(2)(b) of the MFMA (Act no.56 of 2003), the accounting officer of the municipal entity did not take reasonable steps to ensure that all money owing was paid within 30 days of receiving the relevant invoice.

Billing meter readings were estimated for more than 3 consecutive months

In terms of electricity supply quality of service agreements, NRS 047-1:2005, the meters of customers with a supply of less than 50 KVA should be read at least once in every three months. If this is not possible, the meters should be read at least once in a twelve-month period. It also states that where the use of the 50 KVA limit is not feasible, the KVA limit shall be agreed upon with NERSA. We have identified 4521 customers (meters) out of 18500 that have been estimated for more than 3 months in the current financial period.

The financial statements were not prepared in accordance with applicable legislation

7. Contrary to requirements of section 122(1) of the MFMA the financial statements submitted for audit on 31 August 2010 did not fairly present the financial position of the entity, with regards to revenue and consumer debtors. There financial statements were subject to material amendments as a result of the audit.

INTERNAL CONTROL

8. I considered internal control relevant to my audit of the financial statements and the report on predetermined objectives as well as compliance with the MFMA and Municipal Systems Act, but not for the purpose of expressing an opinion on the effectiveness of internal control.

9. The matters reported below are limited to the significant deficiencies regarding the basis for qualified of opinion paragraph, the findings on the report on predetermined objectives and the findings on compliance with laws and regulations.

Leadership

10. Adequate systems were not in place to ensure revenue is billed correctly and correcting adjusting journal entries are recorded in the correct accounting period.

Financial and performance management

11. Application controls have not been designed to ensure the reliability of the operating system and the accuracy and completeness of revenue and accounts receivables.
12. Internal control deficiencies are not identified and communicated in a timely manner to those parties responsible for taking corrective action, and to management and the accounting officer/authority as appropriate.
13. Systems are not appropriate over compliance with MFMA with regard to payment of suppliers within 30 days from receipt of either the supplier's invoice or statement.
14. The accounting officer did not fulfill his duties and responsibilities of managing the preparation of the financial statements to ensure that the financial statements were not subject to material amendments resulting from the audit.
15. Manual or automated controls are not designed to ensure that the transactions have occurred, are authorized, and are completely and accurately processed.
16. Pertinent information is not identified and captured in a form and time frame to support financial reporting.
17. The entity did not exercise sufficient oversight responsibility over reporting and compliance with laws and regulations.

Governance

18. Adequate actions were not taken in all instances to address risk relating to the achievement of complete and accurate financial management.

Johannesburg

Date

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

6.6 Statement of Financial Position as at June 30, 2010

Figures in Rand thousand	Note(s)	2010	2009
ASSETS Current Assets			
Inventories	3	70,770	81,405
Loans to shareholders	4	1,242,378	685,178
Trade and other receivables	5	231,423	108,049
Consumer debtors	7	1,208,808	861,937
Cash and cash equivalents	8	20	21
		2,753,399	**1,736,590**
Non-Current Assets			
Property, plant and equipment	9	5,831,698	5,202,761
Intangible assets	10	163,350	197,321
		5,995,048	**5,400,082**
Total Assets		**8,748,447**	**7,136,672**
LIABILITIES			
Current Liabilities			
Loans from shareholders	4	460,294	385,873
Finance lease obligation	13	-	772
Trade and other payables	14	1,464,898	1,183,307
VAT payable	15	354,375	232,109
Provisions	16	40,373	36,261
		2,319,940	**1,838,322**
Non-Current Liabilities			
Loans from shareholders	4	2,738,914	2,783,505
Retirement benefit obligation	6	72,134	68,438
Deferred tax	12	117,207	-
Consumer deposits	17	188,221	172,121
		3,116,476	**3,024,064**
Total Liabilities		**5,436,416**	**4,862,386**
Net Assets		**3,312,031**	**2,274,286**
NET ASSETS			
Share capital and share premium	18	112,466	112,466
Accumulated surplus		3,199,565	2,161,820
Total Net Assets		**3,312,031**	**2,274,286**

6.7 Statement of Financial Performance

Figures in Rand thousand	Note(s)	2010	2009
Revenue			
Service charges	19	7,437,174	5,544,723
Fees earned		77,880	22,045
Rental income		1,965	1,438
Recoveries		30,863	641
Canteen revenue		1,973	4,177
Other income	20	284,237	259,415
Government grants		325,838	220,907
Interest Revenue	25	128,566	142,030
Total Revenue		**8,288,496**	**6,195,376**
Expenditure			
Personnel	22	-625,930	-536,866
Administration	23	-25,998	-28,410
Depreciation and amortisation	26	-196,286	-116,221
Finance costs	27	-393,714	-384,070
Bad debts	24	-426,879	-282,869
Repairs and maintenance		-253,002	-187,547
Bulk purchases	30	-4,416,241	-3,752,533
General Expenses	21	-795,494	-474,842
Total Expenditure		**-7,133,544**	**-5,763,358**
Taxation	28	-117,207	-
Surplus for the year		**1,037,745**	**432,018**

6.8 Statement of Changes in Net Assets

Figures in Rand thousand	Note(s)	Share capital	Accumulated Surplus	Total equity
Balance at July 01, 2008		**112,466**	**1,729,802**	**1,842,268**
Changes in net assets				
Surplus for the year		-	432,018	432,018
Total changes		-	432,018	432,018
Balance at July 01, 2009		**112,466**	**2,161,820**	**2,274,286**
Changes in net assets				
Surplus for the year		-	1,037,745	1,037,745
Total changes		-	1,037,745	1,037,745
Balance at June 30, 2010		**112,466**	**3,199,565**	**3,312,031**

6.9 Cash Flow Statement

Figures in Rand thousand	Note(s)	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Sale of goods and services		6,449,718	5,454,871
Payments			
Suppliers		-5,428,818	-4,228,637
Net cash flows from operating activities	31	**1,020,900**	**1,226,234**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	9	-799,617	-1,072,198
Purchase of other intangible assets	10	-	-39,372
Investment income		127,272	142,030
Finance costs		-393,714	-384,070
Net cash flows from investing activities		**-1,066,059**	**-1,353,610**
CASH FLOWS FROM FINANCING ACTIVITIES			
Movement in consumer deposits		16,100	17,481
Proceeds from shareholders loan		427,270	446,532
Repayment of shareholders loan		-397,440	-335,482
Finance lease payments		-772	-1,150
Net cash flows from financing activities		**45,158**	**127,381**
Net increase/(decrease) in cash and cash equivalents		**-1**	**5**
Cash and cash equivalents at the beginning of the year		21	16
Cash and cash equivalents at the end of the year	8	**20**	**21**

6.10 Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with South African Standards of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board in accordance with the Municipal Finance Management Act (Act 56 of 2003).These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

GRAP 1 Presentation of Financial Statements

GRAP 2 Cash Flow Statements

GRAP 3 Accounting Policies, Changes in Accounting Estimates and Errors

GRAP 4 The Effects of changes in Foreign Exchange Rates

GRAP 5 Borrowing costs

GRAP 6 Consolidation and Separate Financial Statements

GRAP 7 Investment in Associates

GRAP 11 Construction Contracts

These accounting policies are consistent with the previous period, except for the changes set out in note 36 - Changes in accounting policy

1.1 Significant judgments 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 judgment 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 judgments include:

Trade receivables / Held to maturity investments and/or loans and receivables

The company assesses its trade receivables / held to maturity investments and/or loans and receivables for impairment at each statement of financial position date. In determining whether an impairment loss should be recorded in the statement of financial performance, the company makes judgments as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

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

Impairment testing

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. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions made may change, which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in note 16 - Provisions.

Provisions are measured at the Directors' 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.

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

Post retirement benefits

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

The company determines the appropriate discount rate at the end of each year. This is the interest rate that is 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 company 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.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 6.

Effective interest rate

The company used the City of Johannesburg Metropolitan Municipality borrowing rate as a point of departure and basis for discounting financial instruments.

1.2 Property, plant and equipment

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

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

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

Property, plant and equipment are initially measured at cost.

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 derecognized.

The initial estimated 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.

Cost model

Property, plant and equipment held for use in the supply of goods or services or for administrative purposes and are stated in the Statement of Financial Position at cost less accumulated depreciation and any impairment losses.

Depreciation commences when the assets are ready for their intended use

Assets under construction are carried at cost, and are depreciated from the date the assets are technically complete. Assets-under-construction are disclosed as a separate category of assets called capital work-in-progress.

Repairs and maintenance expenses are charged to the Statement of Financial Performance during the financial year in which they are incurred. The cost of major renovations are included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the company and the cost of the items can be measured reliably.

Item	**Average useful life**
Land	infinite
Buildings	40 - 50 years
Plant and machinery	
• Transformers	55 years
• Transmission cables	61 - 85 years
• Mini-substations	55 years
• Medium voltage equipment	40 years
• Low voltage equipment	40 years
Furniture and fixtures	6 - 20 years
IT equipment	3 - 9 years

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

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

Items of property, plant and equipment are derecognized when the asset is disposed of or when there is 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 derecognized. 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.

Assets which the municipal entity holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

1.3 Revenue from Non-Exchange Transactions

The municipal entity changed its accounting policy for grants, transfers and non-exchange revenue from a policy based on IAS 20: Government grants, to a policy based on GRAP 23: Revenue from non-exchange transactions in 2010. In accordance with the new accounting policy, grants received with no requirement to return the resources to the transferor if not used in a specific manner, will be recognised as revenue when received. The change in accounting policy has been applied retrospectively.

1.4 Intangible assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipal entity or from other rights and obligations.

An intangible asset is recognised when:

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

Intangible assets are initially measured at cost.

Intangible asset acquired at zero or nominal cost, the cost shall be its fair value as at the date of acquisition.

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 indicatorthat the asset may be impaired. As a result, the asset is tested for impairment and the remaining carrying amount is amortized over its useful life.

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

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 derecognized:

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

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognized.

1.5 Financial instruments

Classification

The company 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.

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or deficit, which shall not be classified out of the fair value through surplus or deficit category.

Initial recognition and measurement

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

Financial instruments are measured initially at fair value, 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.
For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Subsequent measurement

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the municipal entity establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment of financial assets

At each end of the reporting period the municipal entity assesses all financial assets, other than those at fair value through surplus or deficit, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the municipal 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.

Where 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.

Loans to (from) group companies

These include loans to and from controlling entities, fellow controlled entities, controlled entities, joint ventures and associates and are recognised initially at fair value plus direct transaction costs.

Subsequently these loans are measured at amortized cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts.

On loans receivable an impairment loss is recognised in surplus/deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Impairment losses are reversed in subsequent periods when an increase in the investment'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 investment at the date the impairment is reversed shall not exceed what the amortized cost would have been, had the impairment not been recognised.

Loans to / (from) group companies are classified as loans and receivables.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired.

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

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables. Receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of the receivables.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Impairment losses are recognised in the Statement of Financial Performance.

Accounts receivable are carried at anticipated realizable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified. Amounts that are receivable within 12 months from the reporting date are classified as current.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method.

Cash and cash equivalents

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

1.6 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 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 surplus will be available against which the deductible temporary difference can be utilized. 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 and affects neither accounting surplus nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable surplus will be available against which the unused tax losses and unused STC credits can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized 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.

Tax expenses

Income tax represents the sum of the current tax and deferred tax.

1.7 Leases

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

Finance leases - lessee

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

The discount rate used in calculating the present value of the minimum lease payments is the interest rate 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.

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

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

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

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

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

1.8 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration. Their costs are then their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realizable 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 realizable 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 municipal 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 municipal 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 to net realizable value and all losses 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 realizable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.9 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipal 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.

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:

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

Identification

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

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

Irrespective of whether there is any indication of impairment, the municipal entity also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year.

If an intangible asset was initially recognised during the current reporting period, that intangible asset is tested for impairment before the end of the current reporting period.

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 municipal entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipal entity applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipal entity:

- basis cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- basis cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimates cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

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 municipal 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 municipal 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.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

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 municipal entity assess 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. Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

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.

1.10 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipal 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.

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

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.

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 service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

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

1.11 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 surplus sharing and 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.

Defined contribution plans

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

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

For defined benefit plans the cost of providing the benefits is determined using the projected 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 end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortized on a straight line basis over the average period until the amended benefits become vested.
To the extent that, at the beginning of the financial period, any cumulative unrecognized actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan are recognised when the municipal 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 as adjusted for unrecognized actuarial gains and losses and unrecognized past service costs, and reduces by the fair value of plan assets.

Any asset is limited to unrecognized actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

1.12 Provisions and contingencies

Provisions are recognised when:

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

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

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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

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

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time.

This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised. Provisions are not recognised for future operating deficits. If the municipal entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

1.13 Revenue from exchange transactions

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

An exchange transaction is one in which the municipal entity's 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.

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

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date.

The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

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

When 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 much 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.

1.14 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value added taxation.

1.15 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalization is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipal entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalized do not exceed the total borrowing costs incurred.

The capitalization of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realizable value, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number 1.9 and 1.10. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalization is suspended during extended periods in which active development is interrupted.

Extended periods are periods that exceed 12 months.

Capitalization ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. When the municipal entity completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the company ceases capitalizing borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

The municipal entity has applied Grap 5, the accounting standard on borrowing costs for the first time. The standard has been applied retrospectively.

1.16 Unauthorized expenditure

Unauthorized 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.

All expenditure relating to unauthorized 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.

1.17 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.

1.18 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA No.56 of 2003 is:

- expenditure incurred by a municipality 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 Municipal System Act, and which has not been condoned in terms of this Act
- expenditure incurred by a municipality 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 a municipality which falls within the definition of "unauthorized expenditure":

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalization of the financial statements must also be recorded appropriately in the irregular expenditure register.

In such an instance, no further action is also required with the exception of updating the note to the financial statements. Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

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 a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned.

If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.19 Use of estimates

The preparation of annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the municipal entity's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.20 Presentation of currency

These annual financial statements are presented in South African Rand.

1.21 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP

1.22 Gratuities

The municipal 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 paid.

1.23 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipal 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.

6.11 Notes to the Annual Financial Statements

See attached Annexure A

ABBREVIATIONS

AA – Affirmative Action
AMR – Automated Meter Reading
BEE – Black Economic Empowerment
CAIDI – Customer average interruption distribution index
CAIFI – Customer average interruption frequency index
CAPEX – Capital expenditure
CJMM – City of Johannesburg Metropolitan Municipality
CMIP – Consolidated Municipal Infrastructure Programme
CoJ – City of Johannesburg
DIFR – Disabling injury frequency rate
DSM – Demand-side management
EAP – Employee Assistance Program
EDI – Electricity Distribution Industry
EE – Employment Equity
EPWP – Expanded Public Works Programme
FBE – Free Basic Electricity
GAAP- Generally Accepted Accounting Principles
GDS – Growth Development Strategy
GE – Gender Equity
GRAP – Generally Recognised Accounting Practices
HV – High Voltage
IAS – International Accounting Standards
IDP –Integrated Development Plan
IEP – Integrated Energy Planning
IFRS – International Financial Reporting Standards
IFRIC – International Financial Reporting Interpretations Committee
ISD – Infrastructure and Services Department
JDA – Johannesburg Development Agency
JMPD – Johannesburg Metro Police Department
JRA – Johannesburg Roads Agency
KPI – Key Performance Indicator
LPU – Large Power Users
LV – Low Voltage
MFMA – Municipal Finance Management Act
MOE's – Municipal Owned Entities
MSA – Municipal Systems Act
MVA – Megavolt amperes
NERSA – National Energy Regulator of South Africa
NPR – Network Performance Related
OPEX – Operating Expenditure
SAIDI – System Average Interruption Duration Index
SAIFI – System Average Interruption Frequency Index
SALGA – South African local government authority
SCADA – Supervisory Control and Data Acquisition
SHEQ – Safety, Health, Environmental and Quality
SHER – Safety, Health, Environmental and Risk