

City Power Johannesburg (SOC) Limited  
(Registration number 2000/030051/07)  
Trading as City Power  
Annual financial statements for the year  
ended 30 June 2012



a world class African city



# City Power Johannesburg (SOC) Limited

(Registration number 2000/030051/07)

Annual Financial Statements for the year ended June 30, 2012

## General Information

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<b>COUNTRY OF INCORPORATION AND DOMICILE</b>	South Africa
<b>NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES</b>	The principal activity of the company is the distribution of electricity to industries, businesses and households in Johannesburg within it's area of supply
<b>DIRECTORS</b>	Rev F Chikane- Chairperson Adv G Badela Mr NE Galawe Ms ZD Hlatshwayo Mr NSA Hlubi Mr BK Mofokeng Ms NP Mohlala Dr MS Motebang Dr Y Ndema Mr TI Sithole Mr SG Xulu - Executive Mr JJ Mateya
<b>REGISTERED OFFICE</b>	40 Heronmere Road Reuven Johannesburg Gauteng 2016
<b>BUSINESS ADDRESS</b>	40 Heronmere Road Reuven Johannesburg Gauteng 2016
<b>POSTAL ADDRESS</b>	PO Box 38766 Booyens Johannesburg Gauteng 2016
<b>CONTROLLING ENTITY</b>	The City of Johannesburg Metropolitan Municipality incorporated in South Africa
<b>BANKERS</b>	ABSA Bank Limited
<b>AUDITORS</b>	The Auditor General - Gauteng
<b>SECRETARY</b>	Mr M Smith
<b>COMPANY REGISTRATION NUMBER</b>	2000/030051/07
<b>ATTORNEYS</b>	Mokhatla Attorneys Moloto Stofile Incorporated

# City Power Johannesburg (SOC) Limited

(Registration number 2000/030051/07)

Annual Financial Statements for the year ended June 30, 2012

## Index

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

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### Abbreviations

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

## City Power Johannesburg (SOC) Limited

(Registration number 2000/030051/07)

Annual Financial Statements for the year ended June 30, 2012

### **Directors' Responsibilities and Approval**

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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 entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the 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 African 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 judgements and estimates.

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

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

The directors have reviewed the entity's cash flow forecast for the year to June 30, 2013 and, in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

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

The annual financial statements set out on pages 9 to 63, which have been prepared on the going concern basis, were approved by the board of directors on August 31, 2012.



Chairperson of the Board

# City Power Johannesburg (SOC) Limited

(Registration number 2000/030051/07)

Annual Financial Statements for the year ended June 30, 2012

## Audit Committee Report

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The Audit Committee (the Committee) is pleased to present its report for the financial year ended 30 June 2012.

### INTRODUCTION

City Power Johannesburg SOC Ltd (the Company) is a municipal entity wholly owned by the City of Johannesburg (the Shareholder). This report is therefore presented in accordance with the requirements of the statutory responsibilities of Audit Committees, as contained in Section 166 of the Municipal Finance Management Act, 56 of 2003 (MFMA), Section 94 of the Companies Act, 71 of 2008 (as amended) (the Companies Act 2008) and the recommendations contained in the third King Report on Governance for South Africa and the King Code of Governance Principles (King III).

The Committee is a statutory committee which also has an independent role with accountability to the Board and the Shareholder. The Committee is constituted as a statutory committee of the Company in respect of its statutory duties in terms of section 94 (7) of the Companies Act 2008 and a committee of the Board in respect of all other duties assigned to it by the Board. The Audit Committee is also an independent advisory body established by the Board in terms of Section 166 of the MFMA.

The Committee has documented its objectives, authority and responsibilities in a formal Audit Committee Terms of Reference. The Terms of Reference was reviewed on 13 August 2012 by the Committee. The Terms of Reference is reviewed on a continuous basis. The Committee's roles and responsibilities include its statutory duties and other responsibilities the Board may assign to the Committee from time to time.

The Committee conducted its affairs in accordance with its mandate as set out in the Terms of Reference and executed its responsibilities in terms of its statutory duties and the requirements of King III.

### COMMITTEE COMPOSITION

The Committee comprises three Independent Members, who are not Members of the Board or employees of the Company or its Shareholder, and two Non-Executive Directors. The Chairperson of the Board is not the Chairperson of the Committee and is not a Member of the Committee. The Committee has no Executive Directors as Members, however, the Managing Director, the Financial Director and other Members of the Executive management have standing invitations to attend meetings of the Committee. The Committee met 15 times during the period under review and appropriate feedback was provided to the Board on matters that are within the mandate of the Committee.

The following changes to the Committee occurred during the financial year under review;

1. A Non-Executive Director, Mr B Hawkworth, was retired at the AGM held on 20 September 2011 and another Non-Executive Director, Mr H Mateya was appointed to the Committee.
2. The two Non-Executive Directors, Ms D Dondur and Mr H Mateya were retired at the AGM held on 24 April 2012.
3. Two new Non-Executive Directors, Mr N Hlubi and Mr B Mofokeng were appointed to the Committee at the AGM held on 24 April 2012.
4. Mr Nhlanhla Hlubi was appointed as Chairperson of the Committee at a Board meeting held on 27 June 2012.
5. The Committee's name was changed from Audit and Risk Committee to Audit Committee at a Board meeting held on 27 June 2012 and a separate Risk, Assurance and Compliance Committee was created. The Terms of Reference separating the functions between the two Committees have been submitted to the Board for approval.

The movements mentioned above are captured in the table below. The Committee consisted of the following independent Non-Executive Directors and Independent Members:

# City Power Johannesburg (SOC) Limited

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Annual Financial Statements for the year ended June 30, 2012

## Audit Committee Report

Name	Designation	Race	Gender	Appointment Date	Qualifications	Skills	Meeting attendance
Ms D Dondur	Non-Executive Director Member: Board Chairperson: Audit & Risk Committee Member: HR Committee	White	Female	Appointed: 2008/09/01 Retired: 2012/04/24	MBA Bachelor of accounting CA (SA) B Compt Hons Certificate in Theory of Accounting Hons in Business Administration Certificate in Labour Relations EDP certificate in Advanced HR	Business administration Finance Accounting Auditing HR	12 of 15
Mr B Hawksworth	Non- Executive Director Member: Board Member: Audit & Risk Committee	White	Male	Appointed: 2009/01/01 Retired: 2011/09/20	CA (SA)	Accounting	0 of 0
Mr H Mateya	Non-Executive Director Member: Board Chairperson: HR Committee Member: Audit & Risk Committee (appointed: 20 Sept 2011) Member: Pricing & Regulatory Committee	Black	Male	Appointed to Board: 2007/02/01 Appointed to Audit & Risk Committee: 2011/09/20 Retired from Board & Audit & Risk Committee: 2012/04/24	MBA LLB Higher diploma in Corporate Law B.Com Snr Executive program at Harvard	Business administration Finance Strategic management Law	10 of 12
Mr H Moolla	Independent Audit Committee Member	Indian	Male	2007/01/02	B Com (accounting and business economics) Post graduate Diploma in Accounting CA (SA)	Finance	14 of 15
Mr W Hattingh	Independent Audit Committee Member	White	Male	2008/01/09	MBA M Com (specializing in performance audits) B Com (Hons) ND. Management Services	Finance	12 of 15
Ms L Fosu	Independent Audit Committee Member	Black	Female	2010/01/26	B Com (Accounting) Postgraduate diploma in Management (financial accounting) B Acc (Hons) CA (SA)	Finance Accounting Auditing	9 of 15
Mr N Hlubi	Non-Executive Director Member: Board Chairperson: Audit Committee	Black	Male	2012/04/24	B Juris, LLB, Management advancement program CFP (financial planning) Certificate in compliance management MBA (3 <sup>rd</sup> year)	Business administration Law Finance Compliance & Management Audit & Risk management	0 of 0
Mr B Mofokeng	Non-Executive Director Member: Board Member: Audit Committee Member: Risk, Assurance & Compliance Committee	Black	Male	2012/04/24	B Juris LLM (company tax) LLB H Dip Tax Senior Management Program Finance for non-financial Managers Executive Management Program	Tax advisory Management Legal practice Litigation	0 of 0

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Annual Financial Statements for the year ended June 30, 2012

## Audit Committee Report

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All Members of the Committee are independent, suitably skilled and experienced and the Committee has collectively and individually sufficient qualifications and experience to fulfil their duties, including an understanding of the financial and sustainability reporting, internal financial controls, external audit process, internal audit process, corporate law, risk management, sustainability, information technology governance as it relates to integrated reporting and governance processes within the Company.

### ROLE OF THE COMMITTEE

The Committee performed, inter alia, the following main activities:

#### External Auditors

- Received and reviewed reports from the external auditors;
- Made appropriate recommendations to the Board regarding the corrective actions to be taken as a consequence of the audit findings
- Obtained assurance from the external auditors that adequate accounting records are being maintained by the Company and appropriate accounting principles are in place which are consistently applied;
- Reviewed and approved the external audit plan
- Approved the annual audit fee; and
- Ensured that the scope of the external audit has no limitations imposed by management and that there is no impairment on its independence.

The Auditor-General is the External Auditor of the company in terms of Section 92 of the MFMA. The independence and objectivity of the Auditor-General is confirmed.

#### Internal Audit

- Considered the effectiveness of Internal Audit, which included reviewing and approving the annual Internal Audit Plan and the Internal Audit Charter and monitoring Internal Audit's adherence to its Annual Programme;
- Received and reviewed reports from the Internal Auditors concerning the effectiveness of the Company's internal control environment, systems and processes;
- Reviewed the adequacy and appropriateness of management's corrective action plan as a consequence of audit findings;
- Made appropriate recommendations to the Board regarding the corrective actions to be taken as a consequence of the audit findings.
- Monitored the effective functioning and performance of the Internal Auditors; and
- Ensured that the scope of the internal audit function has no limitations imposed by management and that there is no impairment on its independence.

The head of Internal Audit, the General Manager: Internal Audit, reports functionally to the Chairperson of the Committee and administratively to the Director: Risk, Assurance and Compliance Group. The Internal Audit Function operated during the year under review with an Acting General Manager: Internal Audit. After consideration of the performance of Internal Audit, the Managing Director, in consultation with the Committee and the Board, restructured the Risk, Assurance and Compliance functions, including Internal Audit, by moving them into a Risk, Assurance and Compliance Group under a Director. Internal Audit was incorporated into the Risk, Assurance and Compliance Group on 01 October 2012.

#### Risk Management

- Oversee financial reporting risks, internal financial controls and financial fraud risk;
- The Committee assisted the Board in assessing the adequacy of the financial risk management process. However, the Board remains ultimately responsible for the maintenance of an effective risk management process;
- The Committee fulfils an oversight role regarding financial reporting risks, internal financial controls, fraud risk as it relates to financial reporting and information technology risks.

During the course of the 2011/2012 financial year, the Committee, together with the Board, considered the risk management approach, methodology and key control risks of the Company. The Committee has made recommendations on the

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Annual Financial Statements for the year ended June 30, 2012

## Audit Committee Report

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management approach and structure to ensure an elevation of the risk management profile and to further enhance its effectiveness. The Committee is satisfied that the key control risks are being adequately addressed by management.

### General

- Reviewed the accounting practices adopted by the Company;
- Reviewed the accounting policies adopted by the Company and all proposed changes in accounting policies and practices, and recommended any changes considered appropriate in terms of GRAP to the Board for approval;
- Reviewed and recommended financial information for adoption by the Board;
- Considered the programmes introduced to improve the overall ethics of the Company and reviewed reports from management and the Internal Auditors relating to material issues;
- Monitored ethical conduct by the Company, its Executives and senior management;
- Monitored the Company's compliance with all applicable legislation and regulations, including without limitation, the companies Act, the MFMA, and the Treasury Regulations;
- Reported on terms of unauthorized and fruitless and wasteful and irregular expenditure in terms of the MFMA.
- Ensured cooperation between the External Auditor and Internal Audit by clarifying and co-ordinating their roles and functions and that the combined assurance received is appropriate to address all significant risks; and
- Received and dealt appropriately with any complaints and/or allegation of wrongdoing including fraud.

The Committee is presented with regular quarterly management reports to assist the Committee to perform their mandated and statutory functions. The Internal Auditors and External Auditors have direct access to the Chairperson of the Committee and its Members. The Committee's agenda provides for confidential one-on-one in-committee meetings with Management, Internal Audit and external Auditors.

### King III Recommendations

The Committee has reviewed and considered the impact of King III and has taken steps to ensure that its corporate governance practices comply with the requirements of King III.

### Assessment of the Finance Function

The Committee is cognisant of the movements within the Finance Function. The Director: Finance, Ms N Siwahla-Madiba resigned on 29 February 2012. Mr David Matsheketsheke acted as the Director: Finance from 20 August 2010 until 01 June 2012.

Based on the assessment of the Committee and its recommendation to in-source a strategic partner to assist the finance function, the Managing Director appointed Mr Delarey Kanfer who is seconded from one of the approved strategic partners to act as the Chief Financial Officer on 01 June 2012. The experience, competence and action plans of the seconded Chief Financial Officer were assessed and the Committee is confident that the Finance Function is suitably resourced and supported to fulfil its obligations.

### Internal Financial Control Environment

The Auditor-General rendered a Qualified Audit Opinion on the financial statements for the financial year ended 30 June 2012 due to the inability to support the reasonableness of revenue which has been based on estimates for an extended period of time as well as the impact of this uncertainty on consumer debtors.

The management of Revenue is conducted centrally by the Shareholder and reliance is placed on the assurances provided by the Shareholder on the completeness of information on Revenue. The Committee and management have/and continue to actively engage the Shareholder regarding the management of Revenue and in particular the concerns raised by the Auditor-General. Senior management of the Company continue to participate in a number of initiatives to improve the management of Revenue and to improve the accuracy and regularity of meter reading.

It is the Committee's view, that significant efforts were made to ensure that adequate systems were put in place to correct the basis for the Auditor-General's findings. The Committee will continue to monitor the steps being taken by management to address each of the issues raised.

Nevertheless, based on the assessment of the system of internal financial controls conducted by Internal Audit, as well as information and explanations given by management and discussions held with the external auditors on the results of their audit the Committee is of the opinion that the system of internal financial controls is effective and forms a basis for the preparation of reliable financial statements in respect of the year under review.

# City Power Johannesburg (SOC) Limited

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Annual Financial Statements for the year ended June 30, 2012

## Audit Committee Report

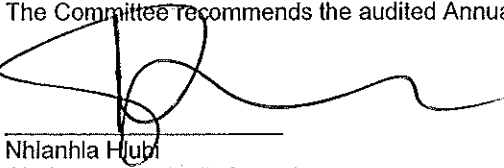
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### Annual Financial Statements

The Committee has evaluated the audited annual financial statements for the year ended 30 June 2012 and reviewed it for material compliance with all relevant legislation, regulations and the appropriate accounting policies, standards and practices.

### Approval

The Committee recommends the audited Annual Financial Statements to the Board for approval.



Nhlanhla Hlubi

Chairperson: Audit Committee

# City Power Johannesburg (SOC) Limited

(Registration number 2000/030051/07)

Annual Financial Statements for the year ended June 30, 2012

## Directors' Report

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The directors have pleasure in submitting their report including the audited financial statements for the year ended June 30, 2012.

### 1. INCORPORATION

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

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

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

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

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

### 2. REVIEW OF ACTIVITIES

#### Main business and operations

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

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

Net surplus of the municipal entity was R 1,413,626 (2011: R 859,066), after taxation of R 424,571 (2011: R260,832). There is no tax payable in the 2012 financial period as the municipal entity 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 realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

### 4. SUBSEQUENT EVENTS

Mr Sicelo Xulu has subsequently been appointed as Managing Director of the municipal entity with effect from 1 September 2012.

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 municipal entity significantly.

### 5. DIRECTORS' PERSONAL FINANCIAL INTEREST

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

### 6. ACCOUNTING POLICIES

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

# City Power Johannesburg (SOC) Limited

(Registration number 2000/030051/07)

Annual Financial Statements for the year ended June 30, 2012

## Directors' Report

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### 7. SHARE CAPITAL AND SHARE PREMIUM

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

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

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

### 8. BORROWING LIMITATIONS

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

### 9. NON-CURRENT ASSETS

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

### 10. DIVIDENDS

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

### 11. DIRECTORS

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

Name	Nationality	Changes
Rev F Chikane - Chairperson	South African	Appointed Tuesday, April 24, 2012
Adv G Badela	South African	
Mr NE Galawe	South African	Appointed Tuesday, April 24, 2012
Ms ZD Hlatshwayo	South African	Appointed Friday, May 11, 2012
Mr NSA Hlubi	South African	Appointed Tuesday, April 24, 2012
Mr BK Mofokeng	South African	Appointed Tuesday, April 24, 2012
Ms NP Mohlala	South African	Appointed Tuesday, April 24, 2012
Dr MS Motebang	South African	Appointed Tuesday, April 24, 2012
Dr Y Ndema	South African	
Ms KPM Simelane - Chairperson	South African	Resigned Tuesday, April 24, 2012
Mr TI Sithole	South African	Appointed Tuesday, April 24, 2012
Ms DLT Dondur	South African	Resigned Tuesday, April 24, 2012
Adv K-DCO Garlipp	South African	Resigned Tuesday, April 24, 2012
Mr BM Hawksworth	South African	Resigned Tuesday, September 20, 2011
Ms J Kumbirai	South African	Resigned Tuesday, April 24, 2012
Prof T Marwala	South African	Resigned Tuesday, April 24, 2012
Mr SG Xulu - Executive	South African	
Mr JJ Mateya	South African	Appointed Tuesday, April 24, 2012

### 12. SECRETARY

The company secretary is Mr M Smith.

Business address

40 Heronmere Road  
Reuven  
Johannesburg  
Gauteng  
2016

Postal address

PO Box 38766  
Booyens  
Gauteng  
2016

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Annual Financial Statements for the year ended June 30, 2012

## Directors' Report

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### 13. CORPORATE GOVERNANCE

#### 13.1 General

The municipal entity confirms and acknowledges its responsibility to total compliance with King III. The accounting officer (executive director) 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 company's adoption of the Code is outlined below:

#### 13.1 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 a unitary structure comprising:
  - Ten non-executive directors, all of whom are independent directors as defined in the code of corporate Practices and Conduct ("the code") laid out in the King III Report on Corporate Governance for South Africa:
  - and
  - one executive director (accounting officer).

#### 13.2 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.

#### 13.3 Remuneration

The remuneration of the managing director, who is the only executive director of the municipal entity, is determined by the board of directors within the parameters set by the City Of Johannesburg Metropolitan Municipality as provided for in section 89 of the MFMA.

# City Power Johannesburg (SOC) Limited

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Annual Financial Statements for the year ended June 30, 2012

## Directors' Report

### 13.4 Board of directors meetings

The Board has met on 7 separate occasions during the financial year. The board schedules to meet a minimum of four times per annum.

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

Name	Board meeting	Audit committee meeting	HR & remuneration	Pricing and regulatory	Board oversight
<b>Total number of meetings held</b>	<b>7</b>	<b>15</b>	<b>10</b>	<b>4</b>	<b>4</b>
Rev F Chikane - Chairperson	1 of 1	-	-	-	-
Adv G Badela	7 of 7	-	9 of 10	-	4 of 4
Ms DLT Dondur	4 of 6	12 of 15	7 of 10	-	-
Mr NE Galawe	1 of 1	-	-	-	-
Adv K-DCO Garlipp	6 of 6	-	1 of 1	4 of 4	4 of 4
Mr BM Hawksworth	-	-	-	-	-
Ms ZD Hlatshwayo	1 of 1	-	-	-	-
Mr NSA Hlubi	1 of 1	-	-	-	-
Ms J Kumbirai	3 of 6	-	6 of 10	2 of 4	-
Prof T Marwala	5 of 6	-	1 of 1	3 of 4	4 of 4
Mr JJ Mateya	6 of 6	10 of 12	10 of 10	3 of 4	-
Mr BK Mofokeng	1 of 1	-	-	-	-
Ms NP Mohlala	1 of 1	-	-	-	-
Dr MS Motebang	1 of 1	-	-	-	-
Dr Y Ndema	5 of 7	-	1 of 1	4 of 4	2 of 4
Ms KPM Simelane	5 of 6	1 of 1	10 of 10	-	4 of 4
Mr TI Sithole	1 of 1	-	-	-	-
Mr SG Xulu – Executive Acting Managing Director	4 of 7	11 of 15	5 of 6	4 of 4	2 of 4
Ms LJ Fosu (Independent Audit Committee Member)	-	9 of 15	-	-	-
Mr W Hattingh (Independent Audit Committee Member)	1 of 1	12 of 15	-	-	-
Mr H Moolla (Independent Audit Committee Member)	1 of 1	14 of 15	-	-	-

Mr BM Hawksworth was granted leave of absence for medical reasons for the period under review and could not attend any board meetings.

### 13.5 Audit committee

The chairperson of the audit committee for the majority of the year under review was Ms DLT Dondur who was not re-elected to the Board and retired with effect from 24 April 2012. Mr BM Hawksworth was retired from the committee on 20 September 2011 when Mr JJ Mateya was appointed to the committee. Mr JJ Mateya was retired from the Audit & Risk committee on 24 April 2012.

Mr NSA Hlubi and Mr BK Mofokeng (both non-executive directors) were appointed to the Audit & Risk committee on 24 April 2012. Mr NSA Hlubi was elected chairperson of the committee. The committee met 15 times during the 2012 financial year to review matters necessary to fulfill its role. The Audit & Risk committee comprises of 3 independent members and 2 non-executive directors.

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Annual Financial Statements for the year ended June 30, 2012

## Directors' Report

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In terms of Section 166 of the Municipal Finance Management Act no 56 of 2003 (MFMA), the City of Johannesburg Metropolitan Municipality, as a parent municipality, must appoint members of the audit committee. Notwithstanding that non-executive directors appointed by the parent municipality constituted the municipal entities' audit committees, 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 LJ 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 capacity 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 Limited

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

### 16. AUDITORS

The Auditor General performed the audit in terms of Section 93 of the Municipal Finance Management Act, 2003.

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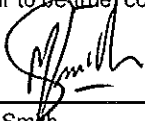
Annual Financial Statements for the year ended June 30, 2012

### Company Secretary's Certification

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

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



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Mr M Smith  
Company Secretary

Johannesburg  
Thursday, August 30, 2012

## City Power Johannesburg (SOC) Limited

(Registration number 2000/030051/07)

Annual Financial Statements for the year ended June 30, 2012

### Statement of Financial Position

Figures in Rand thousand	Note(s)	2012	2011
<b>ASSETS</b>			
<b>Current Assets</b>			
Inventories	3	128,942	29,455
Loans to shareholder	4	1,190,591	1,786,482
Trade and other receivables	5	774,200	394,040
Consumer receivables	7	3,087,975	2,541,663
Cash and cash equivalents	8	30	20
		<b>5,181,738</b>	<b>4,751,660</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	9	6,970,779	6,613,944
Intangible assets	10	186,830	188,525
		<b>7,157,609</b>	<b>6,802,469</b>
<b>Total Assets</b>		<b>12,339,347</b>	<b>11,554,129</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Loans from shareholder	4	389,517	382,990
Trade and other payables	13	1,613,919	2,777,386
VAT payable	14	830,976	699,541
Provisions	16	44,955	42,132
		<b>2,879,367</b>	<b>3,902,049</b>
<b>Non-Current Liabilities</b>			
Loans from shareholder	4	2,685,047	2,794,953
Employee benefit obligation	6	36,136	38,191
Deferred income	15	-	10,187
Deferred tax	12	1,115,601	691,029
Consumer deposits	17	278,798	186,948
		<b>4,115,582</b>	<b>3,721,308</b>
<b>Total Liabilities</b>		<b>6,994,949</b>	<b>7,623,357</b>
<b>Net Assets</b>		<b>5,344,398</b>	<b>3,930,772</b>
<b>NET ASSETS</b>			
Share capital and share premium	19	112,466	112,466
Accumulated surplus		5,231,932	3,818,306
<b>Total Net Assets</b>		<b>5,344,398</b>	<b>3,930,772</b>

## City Power Johannesburg (SOC) Limited

(Registration number 2000/030051/07)

Annual Financial Statements for the year ended June 30, 2012

### Statement of Financial Performance

Figures in Rand thousand	Note(s)	2012	2011
<b>Revenue</b>			
Service charges	20	12,088,478	9,786,301
Fees earned		37,962	49,015
Rental income		1,609	1,655
Canteen revenue		3,138	3,450
Other income	21	226,005	218,634
Government grants		186,441	202,315
Interest revenue	26	199,501	143,711
<b>Total Revenue</b>		<b>12,743,134</b>	<b>10,405,081</b>
<b>Expenditure</b>			
Employee related costs	23	(696,754)	(663,772)
Administration	24	(313,315)	(108,590)
Depreciation and amortisation	27	(222,587)	(206,764)
Finance costs	28	(388,482)	(400,187)
Bad debts	25	(705,499)	(851,248)
Repairs and maintenance		(244,555)	(293,320)
Bulk purchases	31	(7,647,830)	(5,984,046)
General expenses	22	(685,915)	(777,256)
<b>Total Expenditure</b>		<b>(10,904,937)</b>	<b>(9,285,183)</b>
Taxation	29	(424,571)	(260,832)
<b>Surplus for the year</b>		<b>1,413,626</b>	<b>859,066</b>

## City Power Johannesburg (SOC) Limited

(Registration number 2000/030051/07)

Annual Financial Statements for the year ended June 30, 2012

### Statement of Changes in Net Assets

Figures in Rand thousand	Note(s)	Share capital & Premium	Accumulated surplus	Total equity
Opening balance as previously reported		112,466	2,879,458	2,991,924
Adjustments				
Prior year adjustments		-	79,782	79,782
<b>Balance at July 01, 2010 as restated</b>		<b>112,466</b>	<b>2,959,240</b>	<b>3,071,706</b>
Changes in net assets				
Surplus for the year		-	859,066	859,066
Total changes		-	859,066	859,066
<b>Balance at July 01, 2011</b>		<b>112,466</b>	<b>3,818,306</b>	<b>3,930,772</b>
Changes in net assets				
Surplus for the year		-	1,413,626	1,413,626
Total changes		-	1,413,626	1,413,626
<b>Balance at June 30, 2012</b>		<b>112,466</b>	<b>5,231,932</b>	<b>5,344,398</b>

## City Power Johannesburg (SOC) Limited

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Annual Financial Statements for the year ended June 30, 2012

### Cash Flow Statement

Figures in Rand thousand	Note(s)	2012	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Sale of goods and services		12,471,567	8,926,136
Other income		212,712	238,487
		<b>12,684,279</b>	<b>9,164,623</b>
<b>Payments</b>			
Suppliers and employees		(12,479,721)	(7,327,319)
<b>Net cash flows from operating activities</b>	<b>32</b>	<b>204,558</b>	<b>1,837,304</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of property, plant and equipment	9	(586,500)	(982,589)
Proceeds from sale of property, plant and equipment	9	-	7,743
Acquisition of intangible assets	10	(13,429)	(39,340)
Interest income		199,501	143,711
Finance costs		(388,482)	(400,187)
<b>Net cash flows from investing activities</b>		<b>(788,910)</b>	<b>(1,270,662)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Cash flows from consumer deposits		91,850	(1,273)
Loans to shareholder		595,891	(544,104)
Payment of shareholder loan		(103,379)	(21,265)
<b>Net cash flows from financing activities</b>		<b>584,362</b>	<b>(566,642)</b>
<b>Net increase in cash and cash equivalents</b>		<b>10</b>	<b>-</b>
Cash and cash equivalents at the beginning of the year		20	20
<b>Cash and cash equivalents at the end of the year</b>	<b>8</b>	<b>30</b>	<b>20</b>

# City Power Johannesburg (SOC) Limited

(Registration number 2000/030051/07)

Annual Financial Statements for the year ended June 30, 2012

## Accounting Policies

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### 1. Presentation of annual financial statements

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

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, which is the company's functional currency. All figures are rounded to the nearest rand thousand.

These accounting policies are consistent with the previous period.

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

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

##### Valuation of loans and receivables

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

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

##### Impairment testing of non-financial assets

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

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

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

##### Provisions

Provisions are raised based on management determined estimates based on the information available. Additional disclosure of these estimates of provisions are included in note 16 - Provisions.

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

##### Post retirement benefits

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

# City Power Johannesburg (SOC) Limited

(Registration number 2000/030051/07)

Annual Financial Statements for the year ended June 30, 2012

## Accounting Policies

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### 1.1 Transfer of functions between entities under common control (continued)

The municipal entity determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipal entity considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in note 6 - Employee benefit obligations.

#### Effective interest rate

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

#### Taxation

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

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

#### Useful lives of property, plant and equipment

The municipal entity's management determines the estimated useful lives and related depreciation charges for property, plant and equipment. This estimate is based on the pattern in which an asset's future economic benefits or service potential are expected to be consumed by the municipal entity.

### 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 reporting period.

#### Initial recognition

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 municipal entity; and
- the cost or fair value of the item can be measured reliably.

# City Power Johannesburg (SOC) Limited

(Registration number 2000/030051/07)

Annual Financial Statements for the year ended June 30, 2012

## Accounting Policies

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### 1.2 Property, plant and equipment (continued)

Property, plant and equipment are initially measured at cost.

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

Where an item of property, plant and equipment is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

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

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

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

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

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

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 or service potential in excess of the originally assessed standard of performance of the existing asset will flow to the municipal entity and the cost of the items can be measured reliably.

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

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

#### Subsequent measurements

Subsequent to initial measurement property, plant and equipment is carried at cost less accumulated depreciation and any accumulated impairment losses.

#### Depreciation

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual values. 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.

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

Item	Average useful life
Land	Infinite

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# City Power Johannesburg (SOC) Limited

(Registration number 2000/030051/07)

Annual Financial Statements for the year ended June 30, 2012

## Accounting Policies

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### 1.2 Property, plant and equipment (continued)

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 accounting estimate.

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

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

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

#### Derecognition

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

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

### 1.3 Intangible assets

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

An asset is identified as an intangible asset when it:

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

An intangible asset is recognised when:

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

#### Initial measurement

Intangible assets are initially measured at cost.

Where an intangible asset is acquired at no cost or for a nominal cost, its cost is 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.

# City Power Johannesburg (SOC) Limited

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Annual Financial Statements for the year ended June 30, 2012

## Accounting Policies

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### 1.3 Intangible assets (continued)

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

#### Subsequent measurement

Subsequent to initial measurement 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 lives to their estimated residual value, if any.

#### Amortisation

The amortisation period, residual value, if any, and the amortisation method for intangible assets 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 accounting estimate.

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

The useful lives of intangible assets have been assessed as follows for the current and comparative period:

Item	Useful life
Additional capacity rights	10 years
Computer software	3 - 9 years

#### Derecognition

Intangible assets are derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the intangible asset. It is recognised in surplus or deficit when the asset is derecognised.

# City Power Johannesburg (SOC) Limited

(Registration number 2000/030051/07)

Annual Financial Statements for the year ended June 30, 2012

## Accounting Policies

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### 1.4 Financial instruments

#### Classification

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

- Loans and receivables
- Financial liabilities measured at amortised cost

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

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

Financial instruments are measured initially at 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.

The municipal entity recognises financial assets using trade date accounting.

#### Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

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

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

For amounts due to the 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.

# City Power Johannesburg (SOC) Limited

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Annual Financial Statements for the year ended June 30, 2012

## Accounting Policies

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### 1.4 Financial Instruments (continued)

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 the controlling municipality, fellow controlled entities, joint ventures and associates and are recognised initially at fair value plus direct transaction costs.

Subsequently these loans are measured at amortised 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 loans receivable'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 loans receivable'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 amortised cost would have been, had the impairment not been recognised.

Loans to group municipal entities are classified as loans and receivables.

Loans from group municipal entities are classified as financial liabilities measured at amortised cost.

#### Loans to shareholder, directors, managers and employees

These financial assets are classified as loans and receivables.

#### Receivables from exchange transactions

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised 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 reorganisation, 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.

Accounts receivable are carried at anticipated realisable 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.

#### Payables from exchange transactions

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

Trade and other payables are classified as financial liabilities at amortised cost.

# City Power Johannesburg (SOC) Limited

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Annual Financial Statements for the year ended June 30, 2012

## Accounting Policies

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### 1.4 Financial instruments (continued)

#### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents are classified as loans and receivables.

#### Gains and losses

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

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

#### Derecognition

##### Financial assets

The municipal entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the municipal entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipal entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipal entity:
  - derecognises the asset
  - recognises separately any rights and obligations created or retained in the transfer.

The carrying amount of the transferred asset is allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

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

##### Financial liabilities

The municipal entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another municipal entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

### 1.5 Tax

#### Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

# City Power Johannesburg (SOC) Limited

(Registration number 2000/030051/07)

Annual Financial Statements for the year ended June 30, 2012

## Accounting Policies

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### 1.5 Tax (continued)

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 reporting period end.

#### Deferred tax assets and liabilities

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

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting surplus or deficit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

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

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

### 1.6 Leases

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

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

#### Finance leases - lessee

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

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

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

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

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

# City Power Johannesburg (SOC) Limited

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## Accounting Policies

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### 1.6 Leases (continued)

#### Operating leases - lessee

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

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

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

### 1.7 Inventories

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

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

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

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

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

Current replacement cost is the cost the 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 those produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of other 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 in surplus or deficit when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the surplus or deficit in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### 1.8 Impairment of cash-generating assets -Intangible 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 from the cost thereof.

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

# City Power Johannesburg (SOC) Limited

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### 1.8 Impairment of cash-generating assets -Intangible assets (continued)

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 its fair value less costs to sell and its value in use.

#### Identification

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

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

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

#### Value in use

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

When estimating the value in use of an asset, the 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.

#### Discount rate

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

#### Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

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

#### Cash-generating units

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

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the entity use 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.

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.

# City Power Johannesburg (SOC) Limited

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## Accounting Policies

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### 1.8 Impairment of cash-generating assets -Intangible assets (continued)

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

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

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

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

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

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

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

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

#### Redesignation

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

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## Accounting Policies

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### 1.9 Employee benefits

#### Short-term employee benefits

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

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

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

The 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 payable.

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

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

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

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

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

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

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

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

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

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

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

#### Other post retirement obligations

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

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

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Annual Financial Statements for the year ended June 30, 2012

## Accounting Policies

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### 1.10 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 expenditure expected to be required to settle the obligation.

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

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

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

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

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

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 34 - Contingencies.

### 1.11 Revenue from exchange transactions

An exchange transaction is one in which the municipal entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

#### Measurement

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

#### Sale of goods

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

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

#### Rendering of services

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## Accounting Policies

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### 1.11 Revenue from exchange transactions (continued)

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.

#### Interest

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

### 1.12 Revenue from non-exchange transactions

#### Conditional grants and receipts

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

### 1.13 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised 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 capitalisation 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 entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation 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 realisable 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 1.8 and . In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

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

Extended periods are periods that exceed 12 months.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

# City Power Johannesburg (SOC) Limited

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## Accounting Policies

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### 1.13 Borrowing costs (continued)

When the 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 entity ceases capitalising 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 a finance expense in the period in which they are incurred.

### 1.14 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

### 1.15 Unauthorised expenditure

Unauthorised expenditure means:

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

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

### 1.16 Irregular expenditure

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

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation 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.

### 1.17 Fruitless and wasteful expenditure

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

# City Power Johannesburg (SOC) Limited

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## Accounting Policies

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### 1.17 Fruitless and wasteful expenditure (continued)

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 Budget information

A reconciliation between the statement of financial performance and the budget has been disclosed in the annual financial statements as determined by National Treasury, as the annual financial statements and the budget are not on the same basis of accounting. Refer to note 42 - Reconciliation between budget and statement of financial performance.

### 1.19 Presentation currency

These annual financial statements are presented in South African Rand.

### 1.20 Offsetting

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

### 1.21 Related parties

The municipal entity operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities under the controlled by City of Johannesburg Metropolitan Municipality are considered to be related parties.

Key management are those persons responsible for planning, directing and controlling the activities of the municipal entity, including those charged with the governance of the municipal entity in accordance with legislation, in instances where they are required to perform such functions

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

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

# City Power Johannesburg (SOC) Limited

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## Notes to the Annual Financial Statements

Figures in Rand thousand 2012 2011

### 2. New standards and interpretations

#### 2.1 Standards and interpretations not yet effective

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

- GRAP 18 - Segment Reporting
- GRAP 21 - Impairment of Non-cash-generated Assets
- GRAP 23 - Revenue from Non-exchange transactions
- GRAP 24 - Presentation of Budget Information
- GRAP 25 - Employee Benefits
- GRAP 26 - Impairment of Cash-generating Assets
- GRAP 103 - Heritage Assets
- GRAP 104 - Financial Instruments
- GRAP 105 - Transfer of Functions Between Entities Under Common Control
- GRAP 106 - Transfer of Functions Between Entities Not Under Common Control
- GRAP 107 - Mergers

### 3. Inventories

Consumable stores	134,868	32,069
	134,868	32,069
Inventory (write-downs)	(5,926)	(2,614)
	<b>128,942</b>	<b>29,455</b>

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

City of Johannesburg Metropolitan Municipality - Conduit mirror loans	-	(5,217)
City of Johannesburg Metropolitan Municipality - Capex loans	(2,449,771)	(2,547,933)
City of Johannesburg Metropolitan Municipality - Sweeping account	1,190,591	1,786,482
City of Johannesburg Metropolitan Municipality - Shareholder loans	(624,793)	(624,793)
	<b>(1,883,973)</b>	<b>(1,391,461)</b>

# City Power Johannesburg (SOC) Limited

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Annual Financial Statements for the year ended June 30, 2012

## Notes to the Annual Financial Statements

Figures in Rand thousand 2012 2011

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

#### Conduit mirror loan

The original loan is unsecured and interest is payable at 14.5% per annum and the loan is repayable in 10 years. All subsequent loans are unsecured and interest is payable at the borrowing rate of the municipal entity and has been repaid in full.

#### Capex loans

Capex loan granted in 2002. The original loan is unsecured and the loan is repayable in equal quarterly installments over the 10 year loan term. The loan bears interest at 14.02% which is compounded monthly and has been repaid in full.

Capex loan granted in 2003. The original loan is unsecured and the loan is repayable in equal quarterly installments over the 10 year loan term. The loan bears interest at 14.15% which is compounded monthly and has been repaid in full in the current reporting period.

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

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

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

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

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

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

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

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

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

#### Shareholder's loans

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

Current assets	1,190,591	1,786,482
Non-current liabilities	(2,685,047)	(2,794,953)
Current liabilities	(389,517)	(382,990)
	<b>(1,883,973)</b>	<b>(1,391,461)</b>

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Annual Financial Statements for the year ended June 30, 2012

### Notes to the Annual Financial Statements

Figures in Rand thousand	2012	2011
<b>4. Loans to / (from) shareholder (continued)</b>		
<b>Credit quality of loans to shareholder</b>		
<b>Conduit mirror loans</b>		
Loans outstanding at the end of year	-	(5,217)
Less amount payable within 12 months	-	5,217
<b>Long term portion of loans</b>	<b>-</b>	<b>-</b>
<b>Capex Loans</b>		
Loans at beginning of the year	(2,170,160)	(2,108,904)
Loans raised	(296,543)	(459,982)
Repayments	16,932	20,953
Less amount payable within 12 months	389,517	377,773
	<b>(2,060,254)</b>	<b>(2,170,160)</b>
<b>Short Term Portion</b>		
Loans outstanding at the beginning of the year	(382,990)	(336,773)
Transfer from long term loans	(389,517)	(382,990)
Less amounts paid during the year	382,990	336,773
	<b>(389,517)</b>	<b>(382,990)</b>
<b>Sweeping account</b>		
Loans at beginning of the year	1,786,482	1,242,378
Movement during the year	(595,891)	544,104
	<b>1,190,591</b>	<b>1,786,482</b>
<b>Shareholder loans movement for the year</b>		
Loans at beginning of the year	(624,793)	(624,793)
Interest charged	(109,616)	(109,616)
Interest paid	109,616	109,616
	<b>(624,793)</b>	<b>(624,793)</b>
<b>5. Trade and other receivables</b>		
Prepayments	10	-
Other deposits	68	68
Sundry receivables	69,964	157,672
Related party receivables	704,158	236,300
	<b>774,200</b>	<b>394,040</b>

## City Power Johannesburg (SOC) Limited

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### Notes to the Annual Financial Statements

Figures in Rand thousand 2012 2011

#### 6. Employee benefit obligations

##### 6.1 Defined benefit plan

###### Post-retirement liability

Post-retirement medical aid plan	(11,505)	(10,077)
Post-retirement gratuity plan	(24,631)	(28,114)
<b>Balance at end of year</b>	<b>(36,136)</b>	<b>(38,191)</b>

##### 6.1.1 Post retirement medical aid plan

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

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

###### Movements for the year

Opening balance	(10,077)	(12,835)
Interest charged	(866)	(1,160)
Actuarial gains or (losses)	(1,061)	3,438
Benefits paid	499	495
Current service cost	-	(15)
<b>Balance at end of year</b>	<b>(11,505)</b>	<b>(10,077)</b>

###### Expenses recognised in the statement of financial performance

Interest charged	(866)	(1,160)
Actuarial gains or (losses)	(1,061)	3,437
Current service cost	-	(15)
	<b>(1,927)</b>	<b>2,262</b>

###### Key assumptions used

Assumptions used on last valuation on Thursday, May 31, 2012.

Discount rates	8.60 %	8.60 %
Expected rate of return	8.60 %	8.60 %
Health care cost inflation rate	7.70 %	7.10 %
Rate of increase in employer post-retirement medical contribution subsidy payments	6.70 %	5.60 %

##### 6.1.2 Post retirement gratuity plan

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### Notes to the Annual Financial Statements

Figures in Rand thousand

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#### 6. Employee benefit obligations (continued)

The municipal entity provides gratuities on retirement or on death to certain qualifying employees who have service with the City of Johannesburg Metropolitan Municipality or the municipal entity when they were not members of one of the retirement funds and who meet certain service requirements in terms of the City of Johannesburg Metropolitan Municipality's conditions of employment. The gratuity amount is based on 1 month's salary per year of non-retirement funding service.

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

The plan is a post-retirement gratuity benefit plan.

#### Movements for the year

Opening balance	28,114	29,963
Interest charged	2,416	2,709
Actuarial gains	(4,623)	(3,307)
Benefits paid	(1,276)	(1,251)
<b>Balance at end of year</b>	<b>24,631</b>	<b>28,114</b>

#### Net expenses recognised in the statement of financial performance

Interest cost income (losses)	2,416	(2,709)
Actuarial gains	(4,623)	3,307
<b>Total included in employee benefits expense</b>	<b>(2,207)</b>	<b>598</b>

#### Key assumptions used

Assumptions used on last valuation on Thursday, May 31, 2012.

Discount rates	8.60 %	8.60 %
Expected rate of return	8.60 %	8.60 %
Health care cost inflation rate	7.70 %	7.10 %
Expected increase in salaries	6.70 %	5.60 %

#### 6.2 Defined contribution plan

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

## City Power Johannesburg (SOC) Limited

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### Notes to the Annual Financial Statements

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#### 7. Consumer receivables

<b>Gross balances</b>		
Electricity	5,921,437	4,751,427
Discounting	3,456	2,044
	<b>5,924,893</b>	<b>4,753,471</b>

The increase in consumer receivables comparative to the prior year is due to the lower than expected collection levels from customers.

<b>Less: Allowance for doubtful debts</b>		
Electricity	(2,836,918)	(2,211,808)

<b>Net balance</b>		
Electricity	3,084,519	2,539,619
Discounting	3,456	2,044
	<b>3,087,975</b>	<b>2,541,663</b>

<b>Electricity</b>		
Current (0 - 30 days)	2,419,409	1,426,772
31 - 60 days	198,289	449,415
61 - 90 days	44,140	146,183
91 - 120 days	52,135	109,418
121 - 365 days	136,407	171,538
> 365 days	234,139	236,293
	<b>3,084,519</b>	<b>2,539,619</b>

<b>Discounting</b>		
Trade and other receivables	3,456	2,044

<b>Reconciliation of doubtful debt allowance</b>		
Balance at beginning of the year	(2,211,808)	(1,361,850)
Increase in the allowance account	(705,499)	(848,669)
Debt impairment written off against provision	80,403	-
Bad debts recovered	(14)	(1,289)
	<b>(2,836,918)</b>	<b>(2,211,808)</b>

#### Credit quality of consumer receivables

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

#### Trade receivables

#### Consumer receivables past due but not impaired

As at June 30, 2012, R 312,356 (2011: R 313,273) were past due but not impaired.

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

1 month past due	184,681	134,493
2 months past due	27,697	98,913
3 months past due and older	99,978	79,867

# City Power Johannesburg (SOC) Limited

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Figures in Rand thousand

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### 7. Consumer receivables (continued)

#### Consumer receivables impaired

As of June 30, 2012, consumer debtors of R 2,836,918 (2011: R 2,211,808) were impaired and provided for.

3 to 6 months	356,536	318,681
Over 6 months	2,480,382	1,893,127

### 8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	30	20
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Cash is reflected at the carrying value which approximates fair value. There is no credit risk attached to the instrument.

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

All bank accounts are reflected at zero balance as at June 30, 2012, due to the sweeping arrangement with the City of Johannesburg Metropolitan Municipality.

The municipal entity has the following bank accounts:

- 4055151157 ABSA Third party payments
- 4055151238 ABSA Electricity deposits
- 4054799051 ABSA On site collections
- 4054799564 ABSA Unpaid collections
- 4054394728 ABSA Direct deposits
- 4054394760 ABSA Unpaid cheques
- 4055418357 ABSA Prepaid account
- 4054636689 ABSA Sundry revenue account
- 4054394744 ABSA Bank charges
- 4054394752 ABSA Salaries
- 4054394736 ABSA Main cheque

## City Power Johannesburg (SOC) Limited

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### Notes to the Annual Financial Statements

Figures in Rand thousand 2012 2011

#### 9. Property, plant and equipment

	2012			2011		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	3,544	-	3,544	3,544	-	3,544
Buildings	286,190	(148,449)	137,741	285,280	(144,738)	140,542
Plant and machinery	7,268,598	(952,389)	6,316,209	6,918,513	(793,277)	6,125,236
Furniture and fixtures	38,398	(12,474)	25,924	48,038	(22,470)	25,568
IT equipment	83,728	(39,821)	43,907	90,986	(41,500)	49,486
Capital work in progress	443,454	-	443,454	269,568	-	269,568
<b>Total</b>	<b>8,123,912</b>	<b>(1,153,133)</b>	<b>6,970,779</b>	<b>7,615,929</b>	<b>(1,001,985)</b>	<b>6,613,944</b>

#### Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	3,544	-	-	-	-	3,544
Buildings	140,542	936	-	(26)	(3,711)	137,741
Plant and machinery	6,125,236	403,601	(20,033)	-	(192,595)	6,316,209
Furniture and fixtures	25,568	3,049	-	26	(2,719)	25,924
IT equipment	49,486	3,160	(2,169)	1,868	(8,438)	43,907
Capital work in progress	269,568	175,754	-	(1,868)	-	443,454
	<b>6,613,944</b>	<b>586,500</b>	<b>(22,202)</b>	<b>-</b>	<b>(207,463)</b>	<b>6,970,779</b>

#### Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	3,544	-	-	-	-	3,544
Buildings	147,198	63	-	-	(6,719)	140,542
Plant and machinery	5,186,035	851,262	(7,222)	269,865	(174,704)	6,125,236
Furniture and fixtures	27,899	645	(28)	-	(2,948)	25,568
IT equipment	56,886	1,322	(493)	-	(8,229)	49,486
Capital work in progress	410,136	129,297	-	(269,865)	-	269,568
	<b>5,831,698</b>	<b>982,589</b>	<b>(7,743)</b>	<b>-</b>	<b>(192,600)</b>	<b>6,613,944</b>

#### Pledged as security

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

#### Borrowing costs capitalised

No interest was capitalised during the year.

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

## City Power Johannesburg (SOC) Limited

(Registration number 2000/030051/07)

Annual Financial Statements for the year ended June 30, 2012

### Notes to the Annual Financial Statements

Figures in Rand thousand

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#### 10. Intangible assets

	2012			2011		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Additional capacity rights	171,205	(28,584)	142,621	157,776	(21,167)	136,609
Computer software	93,914	(49,705)	44,209	93,914	(41,998)	51,916
<b>Total</b>	<b>265,119</b>	<b>(78,289)</b>	<b>186,830</b>	<b>251,690</b>	<b>(63,165)</b>	<b>188,525</b>

#### Reconciliation of intangible assets - 2012

	Opening balance	Additions	Amortisation	Total
Additional capacity rights	136,609	13,429	(7,417)	142,621
Computer software	51,916	-	(7,707)	44,209
	<b>188,525</b>	<b>13,429</b>	<b>(15,124)</b>	<b>186,830</b>

#### Reconciliation of intangible assets - 2011

	Opening balance	Additions	Amortisation	Total
Additional capacity rights	104,849	38,255	(6,495)	136,609
Computer software	58,501	1,085	(7,670)	51,916
	<b>163,350</b>	<b>39,340</b>	<b>(14,165)</b>	<b>188,525</b>

#### Pledged as security

No intangible assets are pledged as security.

#### 11. Financial assets by category

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

2012

	Loans and receivables	Total
Loans to shareholder	1,190,591	1,190,591
Consumer receivables	3,087,975	3,087,975
Trade and other receivables	774,200	774,200
Cash and cash equivalents	30	30
	<b>5,052,796</b>	<b>5,052,796</b>

# City Power Johannesburg (SOC) Limited

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## Notes to the Annual Financial Statements

Figures in Rand thousand	2012	2011
<b>11. Financial assets by category (continued)</b>		
<b>2011</b>		
	Loans and receivables	Total
Loans to shareholder	1,786,482	1,786,482
Consumer receivables	2,541,663	2,541,663
Trade and other receivables	394,040	394,040
Cash and cash equivalents	20	20
	<b>4,722,205</b>	<b>4,722,205</b>
<b>12. Deferred tax</b>		
<b>Deferred tax liability</b>		
At beginning of the year	(691,029)	(430,198)
Taxable temporary differences	(196,721)	(393,666)
Utilised assessed loss in the current year	(261,114)	139,717
Other movements	33,263	(6,882)
	<b>(1,115,601)</b>	<b>(691,029)</b>
<b>13. Trade and other payables</b>		
Trade payables	1,410,552	1,628,764
Retentions	-	4,077
Consumer debtors with credit balances	186,522	137,790
Related party creditor	10,796	1,003,956
Unearned interest on trade payables	6,049	2,799
	<b>1,613,919</b>	<b>2,777,386</b>
<b>Fair value of trade and other payables</b>		
Trade payables	6,049	2,799
<b>14. VAT payable</b>		
Value added tax	830,976	699,541
All VAT returns were submitted timeously during the current financial year in terms of the Value Added Tax Act.		
<b>15. Deferred income</b>		
<b>Unspent conditional grants and receipts comprises of:</b>		
<b>Income in advance</b>		
Public contributions: service connections	-	10,187
<b>Movement during the year</b>		
Balance at the beginning of the year	10,187	-
Additions during the year	182,879	211,886
Income recognition during the year	(193,066)	(201,699)
	<b>-</b>	<b>10,187</b>

## City Power Johannesburg (SOC) Limited

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### Notes to the Annual Financial Statements

Figures in Rand thousand 2012 2011

#### 16. Provisions

##### Reconciliation of provisions - 2012

	Opening balance	Additions	Utilised during the year	Total
Bonus provision	42,132	45,202	(42,379)	44,955

##### Reconciliation of provisions - 2011

	Opening balance	Additions	Utilised during the year	Total
Bonus provisions	40,373	39,752	(37,993)	42,132

#### 17. Consumer deposits

Electricity	278,798	186,948
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#### 18. Financial liabilities by category

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

##### 2012

	Financial liabilities at amortised cost	Total
Loans from shareholder	3,074,564	3,074,564
Trade and other payables	1,613,920	1,613,920
	<b>4,688,484</b>	<b>4,688,484</b>

##### 2011

	Financial liabilities at amortised cost	Total
Loans from shareholder	3,177,943	3,177,943
Trade and other payables	2,777,386	2,777,386
	<b>5,955,329</b>	<b>5,955,329</b>

#### 19. Share capital and share premium

<b>Authorised</b>		
10,000 Ordinary shares of R1 each	10	10
<b>Issued</b>		
Share premium	112,466	112,466

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

## City Power Johannesburg (SOC) Limited

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### Notes to the Annual Financial Statements

Figures in Rand thousand	2012	2011
<b>20. Revenue</b>		
Sale of electricity	12,035,409	9,791,009
New service connections	112,121	44,624
Fair value adjustments -discounting	(59,052)	(49,332)
	<b>12,088,478</b>	<b>9,786,301</b>
<b>21. Other income</b>		
Cut off fees	12,771	9,772
Demand side management levy	192,397	191,538
Disposal of obsolete materials	8,104	8,634
Meter testing fees	-	7
Cash discount received	996	879
Street pole advertising	10,362	8,184
Tender administration fees	2,219	733
Fair value adjustments -discounting	(844)	(1,113)
	<b>226,005</b>	<b>218,634</b>

## City Power Johannesburg (SOC) Limited

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Figures in Rand thousand	2012	2011
<b>22. General expenses</b>		
Advertising	9,496	7,866
Assessment rates & municipal charges	9,640	13,876
Auditors fees	3,788	2,014
Bank charges	1,228	645
Billing and meter reading charges	31,963	35,714
Cleaning	2,442	3,357
Commission paid	26,727	16,377
Conferences and seminars	1,672	1,541
Consulting and professional fees	50,240	34,824
Cut off fees	16,799	26,304
Donations	511	128
Entertainment	2,068	2,358
Fuel and oil	-	167
Insurance	40,866	22,258
Lease rentals on operating lease	326,916	424,234
Levies	5,856	5,554
Loss on disposal of assets	20,507	146
Magazines, books and periodicals	151	124
Material issues	5,181	23,188
Motor vehicle expenses	30,603	25,837
Other expenses	585	2,476
Eskom free electricity costs	3,232	16,320
Postage and courier	7	30
Printing and stationery	1,537	3,283
Refuse	-	161
Security expenses	49,108	52,824
Software expenses	2,269	5,731
Staff welfare	(2,629)	(5,588)
Subscriptions and membership fees	322	578
Telephone and fax	18,805	23,535
Training	2,846	4,033
Transport and freight	4	14
Travel - local	9,612	11,313
Travel - overseas	10	2,900
Tree pruning	17,173	18,406
Fair value adjustment	(3,620)	(5,272)
	<b>685,915</b>	<b>777,256</b>

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Figures in Rand thousand	2012	2011
<b>23. Employee related costs</b>		
Salaries and wages	390,223	374,523
Pension contributions	996	833
Gratuities	177	180
Medical aid contributions	688	562
Actuarial losses	4,366	1,639
Overtime payments	110,939	108,057
Bonus	45,203	39,752
Unemployment Insurance Fund	2,355	2,422
Workmen's Compensation	3,845	3,427
Leave pay charge	9,117	8,064
Pension cost	6 59,109	56,879
Long-service awards	3,775	5,758
13th cheques	10,611	11,702
Acting allowances	22,115	20,058
Car allowances	25,977	25,972
Cellphone allowances	2,678	2,675
Termination benefits	4,580	1,269
	<b>696,754</b>	<b>663,772</b>
<b>24. Administrative expenditure</b>		
Administration and management fees - related party	313,315	108,590
<b>25. Bad debts</b>		
Increase in allowance for doubtful debt	705,499	851,248
<b>26. Interest revenue</b>		
Interest earned - City of Johannesburg banking	89,924	38,981
Interest earned - outstanding receivables	49,681	54,294
Fair value adjustments - discounting	59,896	50,436
	<b>199,501</b>	<b>143,711</b>
<b>27. Depreciation and amortisation</b>		
Property, plant and equipment	222,587	206,764
<b>28. Finance costs</b>		
Group companies	362,946	376,598
Fair value adjustments - discounting	25,536	23,589
	<b>388,482</b>	<b>400,187</b>

## City Power Johannesburg (SOC) Limited

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<b>29. Taxation</b>		
<b>Reconciliation of the tax expense</b>		
Reconciliation between applicable tax rate and average effective tax rate.		
Income tax charge to the statement of financial performance	23.13 %	23.24 %
Non-taxable income	2.79 %	5.10 %
Non-deductible expenditure	0.01 %	(0.34)%
Under provision in prior year	2.07 %	- %
	<b>28.00 %</b>	<b>28.00 %</b>
<b>30. Auditors' fees</b>		
Fees	3,788	2,014
<b>31. Bulk purchases</b>		
Electricity	7,647,830	5,984,046
Included in bulk purchases are the following:		
Technical losses for the year amounts to R709 461 :(2011: R567 927)		
Non-Technical losses for the year amounts to R647 477 :(2011: R649 433)		
<b>32. Cash generated from operations</b>		
Surplus	1,413,626	859,066
<b>Adjustments for:</b>		
Depreciation and amortisation	222,587	206,764
Interest income	(199,501)	(143,711)
Finance costs	388,482	400,187
Loss on disposal of property, plant and equipment	22,202	-
Retirement benefit obligation	(2,055)	(4,607)
Movements in provisions	2,823	1,759
Annual charge for deferred tax	424,571	260,832
<b>Changes in working capital:</b>		
Inventories	(99,487)	41,315
Trade and other receivables	(380,160)	(162,617)
Consumer debtors	(546,312)	(1,289,522)
Trade and other payables	(1,163,466)	1,312,485
VAT	131,435	345,166
Deferred income	(10,187)	10,187
	<b>204,558</b>	<b>1,837,304</b>

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### Notes to the Annual Financial Statements

Figures in Rand thousand	2012	2011
<b>33. Commitments</b>		
<b>Commitments in respect of capital expenditure:</b>		
<b>Authorised and not yet contracted for</b>		
• Property, plant and equipment	876,719	822,134
<b>Authorised and contracted for</b>		
• Property, plant and equipment	76,181	21,783
<b>This expenditure will be financed from:</b>		
External Loans	399,100	473,465
Government Grants	295,800	120,452
Internal cash	258,000	250,000
	<b>952,900</b>	<b>843,917</b>
<b>Operating leases - as lessee</b>		
Operating lease payments represent rentals payable by the company for certain of its motor vehicles, office equipment and the capacity rights for the supply of electricity from Kelvin Power station. None of these leases are subject to escalation.		
<b>Minimum lease payments due</b>		
- within one year	378,362	376,096
- in second to fifth year inclusive	1,445,338	1,441,934
- later than five years	1,441,973	1,802,958
	<b>3,265,673</b>	<b>3,620,988</b>

#### 34. Contingencies

##### Contingent liabilities

Litigation is in process against the municipal entity by a customer, whereby the customer demands the municipal entity to repay R1 062 472 paid due to alleged irregular billing. The matter has been postponed for trial pending the outcome of R&CRM enquiry.

The municipal entity has received audit findings from South African Revenue Services on its income tax submissions for the years 2004 to 2007. South African Revenue Services is disputing the 100% bad debt deduction that the municipal entity has claimed as a deduction in its income tax returns. The matter is ongoing and the quantum of the claim is still to be determined.

## City Power Johannesburg (SOC) Limited

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### Notes to the Annual Financial Statements

Figures in Rand thousand 2012      2011

#### 35. Related parties

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

#### Related party balances

##### Trade and other receivables regarding related parties

City of Johannesburg Metropolitan Municipality	703,171	235,344
City of Johannesburg Property Company (SOC) Ltd	8	164
The Johannesburg Zoo NPC	14	4
Johannesburg City Parks NPC	198	80
Johannesburg Roads Agency (SOC) Ltd	767	708
	<b>704,158</b>	<b>236,300</b>

##### Trade and other payables regarding related parties

The City of Johannesburg Metropolitan Municipality	-	983,506
City of Johannesburg Property Company (Pty) Ltd	23	-
The Johannesburg Zoo	10	-
The Johannesburg Theatre NPC	76	-
Johannesburg City Parks NPC	6,438	17,740
Johannesburg Roads Agency (SOC) Ltd	4,249	2,710
	<b>10,796</b>	<b>1,003,956</b>

##### Loans payable to related parties

The City of Johannesburg Metropolitan Municipality	3,074,564	3,177,943
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## City Power Johannesburg (SOC) Limited

(Registration number 2000/030051/07)

Annual Financial Statements for the year ended June 30, 2012

### Notes to the Annual Financial Statements

Figures in Rand thousand	2012	2011
<b>35. Related parties (continued)</b>		
<b>Related party transactions</b>		
<b>Electricity sales to related parties</b>		
City of Johannesburg Metropolitan Municipality	119,029	147,059
Johannesburg Social Housing Company (SOC) Ltd	5,867	-
Johannesburg Metropolitan Bus Services (SOC) Ltd	3,336	-
Pikitup Johannesburg (SOC) Ltd	3,042	-
City of Johannesburg Property Company (SOC) Ltd	-	1,503
Johannesburg Water (SOC) Ltd	95,072	-
Johannesburg Zoo NPC	2,218	3
Metropolitan Trading Company (SOC) Ltd	1,831	-
Johannesburg Civic Theatre (SOC) Ltd	5,687	-
Johannesburg City Parks NPC	8,746	36
Johannesburg Development Agency (SOC) Ltd	40	-
Johannesburg Roads Agency (SOC) Ltd	12,471	-
The Johannesburg Fresh Produce Market (SOC) Ltd	22,909	-
	<b>280,248</b>	<b>148,601</b>
<b>Other Income from related parties</b>		
The City of Johannesburg Metropolitan Municipality	111,091	-
<b>Purchases from related parties</b>		
City of Johannesburg Metropolitan Municipality	370,821	523,161
City of Johannesburg Property Company (SOC) Ltd	402	428
Johannesburg City Parks NPC	18,617	25,842
Johannesburg Roads Agency (SOC) Ltd	1,453	-
	<b>391,293</b>	<b>549,431</b>

# City Power Johannesburg (SOC) Limited

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Annual Financial Statements for the year ended June 30, 2012

## Notes to the Annual Financial Statements

### 36. Director's Emoluments

#### Executive Director

	Salary R000's	Other allowances R000's	Director Fees R000's	Performance bonus R000's	Travel R000's	Total
MR. SG XULU Acting: Managing Director	1,369	121			128	1,618
	1,369	121			128	1,618

#### Non-Executive Directors

MS KPM SIMELANE			389		6	395
MR. G BADELA			175		5	180
MS. DLT DONDUR			343		6	349
ADV. K-D CO GARLIPP			146		7	153
MR. BM HAWKSWORTH						-
MS. J KUMBIRAI			85		6	91
PROF T MARWALA			116		2	118
MR. JJH MATEYA			326		10	336
DR. Y NDEMA			129		2	131
F CHIKANE			33		1	34
NE GALAWE			16			16
ZD HLATSHWAYO			16			16
NSA HLUBI			22		1	23
BK MOFOKENG			22		1	23
NP MOHLALA			22			22
MS MOTEBANG			16			16
TI SITHOLE			21		1	22
			1,877		48	1,925

#### Independent Audit Committee Members

Ms. LJ FOSU			105		2	105
MR. W HATTINGH			128		5	133
MR. H MOOLLA			206		1	207
Total			439		8	447

#### Executive committee members remuneration

		Salary R000's	Other allowances R000's	Performance bonus R000's	Travel R000's	Total R000's
Ms. MS MAFORA	Director: Corporate Services appointed 1 December 2010	1,141	88		122	1,351
Ms. NP NSELE	Acting Director: Customer Services	1,095	63	2		1,160
Ms. N SIWAHLA-MADIBA	Director: Finance	3,844	53		81	3,978
MR. MJ SMITH	Company Secretary	830	35		93	958
MR. DL PIETERSE	Director: Engineering Operations	1,219	94	181	80	1,574
MR. NW MSOMI	Acting Director: Engineering Services	843	48	2	110	1,003
Total		8,972	381	185	486	10,024

# City Power Johannesburg (SOC) Limited

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## Notes to the Annual Financial Statements

Figures in Rand thousand

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### 37. Risk management

#### Financial risk management

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

One of the risks for municipal entity identified both under the operational and strategic risk categories, is the financial sustainability of the municipal entity. The financial risks, as defined by IFRS 7, and the management thereof, form part of this key risk area. The types of financial risks which are considered to form the major part of the risk profile of the municipal entity are liquidity risk, credit risk and market risk.

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

#### Interest rate risk

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

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

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

#### Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after four years
Consumer receivables	9.00 %	3,087,975	-	-	-	-
Trade and other receivables	9.00 %	774,200	-	-	-	-
Loans to shareholder	9.00 %	1,190,591	-	-	-	-
Trade and other payables	9.00 %	(1,613,920)	-	-	-	-
Loan from shareholder	11.00 %	(389,517)	-	-	-	-

#### Credit risk

Credit risk is the risk of financial loss to the company if a customer fails to meet its contractual obligations. This arise primary from the company's consumer receivables.

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

# City Power Johannesburg (SOC) Limited

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Annual Financial Statements for the year ended June 30, 2012

## Notes to the Annual Financial Statements

Figures in Rand thousand

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### 37. Risk management (continued)

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

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

Trade and other receivables	774,200	394,040
Loans to shareholder	1,190,591	1,786,482
Consumer receivables	3,087,975	2,541,663

#### Price risk

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

#### Distribution Losses

The electricity energy losses can be classified into technical and non-technical losses, during 2011/12 financial year. The municipal entity's non-technical losses decreased from 10.29% to 8.21%. The non-technical losses are attributable mainly to the following:

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

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

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

# City Power Johannesburg (SOC) Limited

(Registration number 2000/030051/07)

Annual Financial Statements for the year ended June 30, 2012

## Notes to the Annual Financial Statements

Figures in Rand thousand 2012                      2011

### 37. Risk management (continued)

#### Liquidity risk

Liquidity risk is the risk that City Power will not have sufficient financial resources to meet its obligations when they fall due, or will have to do so at excessive cost. This risk can arise from mismatches in the timing of cash flows from revenue and capital and operational outflows. Funding risk arises when the necessary liquidity to fund illiquid asset positions, such as building new electricity capacity, cannot be obtained at the expected terms and when required. The company's risk to liquidity is a result of the funds available to cover future commitments.

The company manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored. The company's funding is managed by the City of Johannesburg Metropolitan Municipality. The City borrows money in the open market through the issue of bonds as and when required.

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

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

The ability of the municipal entity to continue as a going concern is dependent on a number of factors. The most significant of these is that the board continues to procure funding for the ongoing operations for the municipal entity and that the subordination agreement referred to in these annual financial statements will remain in force for so long as it takes to restore the solvency of the municipal entity. Further, the municipal entity is largely dependent on the shareholder's ability to raise funds for investment in assets to replace the ageing infrastructure. Any decrease in this investment will impact negatively both on the performance and the liquidity of the municipal entity.

### 39. Fruitless and wasteful expenditure

#### Reconciliation of fruitless and wasteful expenditure

Interest on late payments	16	64
Approved by Council or condoned	(16)	(64)
	-	-

### 40. Irregular expenditure

#### Reconciliation of irregular expenditure

Opening balance	-	5,779
Procurement of good and services without competitive bids and written price quotations	9,950	1,724
Payments were made to suppliers in contravention of declaration in terms of Supply Chain Management regulation 13	-	301
Condoned by Council	(9,950)	(7,804)
	-	-

# City Power Johannesburg (SOC) Limited

(Registration number 2000/030051/07)

Annual Financial Statements for the year ended June 30, 2012

## Notes to the Annual Financial Statements

### 41. Actual operating expenditure versus budgeted operating expenditure

	Actual Balance (000's)	Budget (000's)	Variance (000's)	Comments
<b>Revenue</b>				
Service charges	12,088,478	11,566,183	522,295	
Other Income	654,655	640,819	13,836	
	<b>12,743,133</b>	<b>12,207,002</b>	<b>536,131</b>	
<b>Total Operating Income</b>				
Administration and management fees	313,315	313,315	0	
Advertising	9,496	6,680	(2,816)	Increased advertising for tenders, planned outages and revenue step change
Assessment rates & municipal charges	9,640	9,412	(228)	
Auditors remuneration	3,788	1,654	(2,134)	No accrual raised for 2011 as interim audit was not performed
Bad debts	705,499	520,150	(185,349)	Collection levels less than budget
Bank charges	1,228	375	(853)	Cost due to high prepaid
Billing and meter reading charges	31,963	34,417	2,454	Lower than budget meter readings performed
Bulk purchases	7,647,830	7,794,992	147,162	KWH hrs purchased less than budgeted
Cleaning	2,442	2,916	474	Contract expired
Commission paid	26,727	15,978	(10,749)	Increase in transactions by customers using prepaid vending
Conferences and seminars	1,672	1,737	65	
Consulting and professional fees	50,240	29,416	(20,824)	Increase in consultants utilised due to strategic programs
Depreciation, amortisation and impairments	222,586	266,879	44,293	Late expenditure on the capital program
Donations	511	804	293	
Employee costs	696,752	732,606	35,854	Planned vacancies not filled
Entertainment	2,068	1,804	(264)	
Material issues	5,181	9,811	4,630	Lower consumption of printing, stationery and material from stores
Fuel and oil	0	202	202	
Hostel charges	0	2,367	2,367	No subsidized hostel fees
Insurance	40,866	45,000	4,134	Premium less than budget
Loss on disposal of assets	20,507	16	(20,491)	
Lease rentals on operating lease	326,916	414,352	87,436	Kelvin's inability to meet budgeted demand
Skills Development Levies	5,856	3,957	(1,899)	Inaccurate budgeting
Cut off fees	16,799	24,036	7,237	Customer's queries now investigated prior to cut off
Magazines, books and periodicals	151	741	590	Cost saving initiative
Motor vehicle expenses	30,603	24,855	(5,748)	Increase in petrol and diesel prices
Free basic electricity	3,232	14,418	11,186	Less customers applied for free basic electricity
Postage and courier	7	25	18	
Printing and stationery	1,537	3,182	1,645	Cost saving initiative
Repairs and maintenance	244,555	308,191	63,636	Rescheduling of planned maintenance because of the 90 days ASD
Security	49,108	37,970	(11,138)	Increase of number of guards due to site theft and vandalism
Revenue Step Change & Sundry Expenses	585	46,929	46,344	Delayed implementation of the project
Software expenses	2,269	8,543	6,274	Reduction in SAP licenses
Staff welfare	(2,629)	3,486	6,115	Adjustment of the post retirement benefit
Subscriptions and membership fees	322	486	164	
Telephone and fax	18,805	9,897	(8,908)	Increase in data costs automatic meter readings
Training	2,846	4,387	1,541	Delays in the implementation of training programs
Transport and freight	4	948	944	
Travel ( local	9,612	8,140	(1,472)	Higher than budget staff reimbursements
Travel ( overseas	10	119	109	Less overseas trips were undertaken
Utilities	17,173	32,247	15,074	Less expenditure incurred on tree pruning
Fair Valuing expenses	(3,618)		3,618	
<b>Total Operating Costs</b>	<b>10,516,454</b>	<b>10,737,440</b>	<b>220,986</b>	
<b>Operating Profit</b>	<b>2,226,679</b>	<b>1,469,562</b>	<b>757,117</b>	
Finance costs	388,482	383,488	(4,994)	Fair value adjustment
<b>Net Income Before Tax</b>	<b>1,838,197</b>	<b>1,086,074</b>	<b>752,123</b>	
Taxation	424,571	270,375	(154,196)	
<b>Net surplus for the year</b>	<b>1,413,626</b>	<b>815,699</b>	<b>597,927</b>	

## City Power Johannesburg (SOC) Limited

(Registration number 2000/030051/07)

Annual Financial Statements for the year ended June 30, 2012

### Notes to the Annual Financial Statements

#### 42. Deviation report

Supplier	Rvalue	Reason for Deviation
Access Health SA	R 68 705	Advertised,less than 3 quotes received
FEF Supplies CC	R 28,699	Advertised,less than 3 quotes received
Fisibi Development and Projects CC	R 90,000	Advertised,less than 3 quotes received
izinyoni Trading 329 (Pty) Ltd	R 94,530	Advertised,less than 3 quotes received
Rakoma and Associates Incorporated	R 148,220	Advertised,less than 3 quotes received
FEF Supplies CC	R 39,528	Advertised,less than 3 quotes received
Bay City Trading 938 CC	R 142,500	Advertised,less than 3 quotes received
Fisibi Development and Projects CC	R 153,000	Advertised,less than 3 quotes received
Fisibi Development and Projects CC	R 31,758	Advertised,less than 3 quotes received
Kamoka Computers CC	R 29,900	Advertised,less than 3 quotes received
Lesedi Corporate Technology (Pty)D	R 96,432	Advertised,less than 3 quotes received
lesedi Corporate Technology (Pty) Ltd	R 30,000	Advertised,less than 3 quotes received
Phola Aircon Enterprises CC	R 107,239	Advertised,less than 3 quotes received
Bay City Trading 938 CC	R 142,500	Advertised,less than 3 quotes received
Build-Mix CC	R 34,983	Advertised,less than 3 quotes received
Busi Ntuli Communications (Pty) Ltd	R 92,072	Advertised,less than 3 quotes received
Fisibi Development and Projects CC	R 169,874	Advertised,less than 3 quotes received
Melcob Supplies CC	R 336,000	Advertised,less than 3 quotes received
Universal Waste Solution CC	R 13,020	Advertised,less than 3 quotes received
S Mab Nursing Agency	R 85,945	Advertised,less than 3 quotes received
Unapfano Building and Project	R 121,500	Advertised,less than 3 quotes received
TJD Transport	R 43,120	Advertised,less than 3 quotes received
Rubbytad Holdings	R 172,500	Advertised,less than 3 quotes received
Kgasi Trading	R 13,980	Advertised,less than 3 quotes received
Associated chemicals	R 15,182	Advertised,less than 3 quotes received
Air Liquide (Pty) Ltd	R 16,403	Advertised,less than 3 quotes received
Contact Engineering	R 100,626	Advertised,less than 3 quotes received
Sed- Africa Technologies	R 112,608	Advertised,less than 3 quotes received
Jupiter Electrical	R 17,200	Advertised,less than 3 quotes received
Actom MV Switchgear	R 127,344	Advertised,less than 3 quotes received
Siemens Limited	R 14,379	Advertised,less than 3 quotes received
Desktop Scientific	R 29,440	Advertised,less than 3 quotes received
F.I.T Components	R 159,730	Advertised,less than 3 quotes received
Contact Engineering	R 105,190	Advertised,less than 3 quotes received
Doble Engineering Africa	R 156,622	Advertised,less than 3 quotes received
Sed- Africa Technologies	R 26,700	Advertised,less than 3 quotes received
PH Marketing cc	R 17,012	Advertised,less than 3 quotes received
Ntambo engineering	R 102,000	Advertised,less than 3 quotes received
N & R Electronic Supplies	R 27,555	Advertised,less than 3 quotes received
Sed- Africa Technologies	R 15,529	Advertised,less than 3 quotes received
Actom MV Switchgear	R 110,092	Advertised,less than 3 quotes received
Mimic Components (Pty) Ltd	R 36,500	Advertised,less than 3 quotes received
Current Electric	R 42,516	Advertised,less than 3 quotes received
Sebenzani Holdings	R 32,779	Advertised,less than 3 quotes received
PH Marketing cc	R65,351	Advertised,less than 3 quotes received
Jas Engineering	R 34,450	Advertised,less than 3 quotes received
Hennox 818 BK	R 28,875	Advertised,less than 3 quotes received
Everest Projects Development	R 175,435	Advertised,less than 3 quotes received
N & R Electronic Supplies	R 81,050	Advertised,less than 3 quotes received
PH Marketing cc	R 84,205	Advertised,less than 3 quotes received

## City Power Johannesburg (SOC) Limited

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### Notes to the Annual Financial Statements

Supplier	Rvalue	Reason for Deviation
N & R Electronic Supplies	R 59,754	Advertised, less than 3 quotes received
FEF Supplies cc	R94,500	Advertised, less than 3 quotes received
N & R Electronic Supplies	R59,754	Advertised, less than 3 quotes received
Hennox 818 BK	R 96,250	Advertised, less than 3 quotes received
Magnet electrical Supplies	R 110,100	Advertised, less than 3 quotes received
Kocos Measurement	R 175,000	Advertised, less than 3 quotes received
Power Meter Technics (Pty) Ltd	R 30,250	Advertised, less than 3 quotes received
FEF Supplies cc	R 50,760	Advertised, less than 3 quotes received
Ndou Cleaning Services	R 2,500,000	Condonation
Dipro	R 538,472	Condonation
Siemens	R 799,786	Condonation
Powertech IST	R 4,495,328	Condonation
Actom Power Transformers	R 905,457	Condonation
African Olive Trading	R 710,937	Condonation
Megatron Federal	R 1,178,522	Emergency procurement
National Air Pollution Assessment Services (NAPAS)	R 221,692	Emergency procurement
Powertech Transformers	R 580,066	Emergency procurement
Actom	R 2,470,000	Emergency procurement
Primedia	R1,415,319.53	Emergency procurement
Karebo Engineering	R 8,640	Emergency procurement
Fumigation work cc	R 6,100	Emergency procurement
ABB	R 1,005,180	Emergency procurement
Billing Online	R 1,381,409	Emergency procurement
Everest PD	R 472,000	Emergency procurement
Baymont Field Services	R 37,351	Emergency procurement
Edison Jehamo Power	R 32,027	Emergency procurement
Budget Waste	R 54,640	Emergency procurement
Drizit Environmental	R 12,580	Emergency procurement
Budget Waste	R 83,000	Emergency procurement
Strike Technologies	R 182,799	Emergency procurement
Impact Human Resources (Pty) Ltd	R 470,732	Extention of contract
Vuselela Recruitment Services	R 222,753	Extention of contract
Cox & Mckay Electrical	R 19,198	One quote received
Contact Engineering	R 11,614	One quote received
Nedspeed technologies	R 65,975	One quote received
Oracle Corporation	R 144,065	One quote received
Safic (Pty)Ltd	R235 078	One quote received
Hilltop Roast Trading	R 20,880	One quote received
Egoli Forms	R 21,977	One quote received
Safic Black Empowerment	R 99,099	One quote received
Gasket Manufacturing	R 46,227	One quote received
Kopanya Copiier Companies	R 373,769	One quote received
Sitronix	R 10,800	One quote received
Van Schalk Bookstore	R 20,157	One quote received
Channel Data	R 29,650	One quote received
Protea Hotel Parktonian	R 12,500	One quote received
TBA Travel (Pty) Ltd	R 24,965	One quote received
Trek Scale Company	R 64,536	One quote received
M Techsa (Pty) Ltd	R 215,889	One quote received
Independent Newspapers	R 170,695	One quote received

## City Power Johannesburg (SOC) Limited

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Supplier	Rvalue	Reason for Deviation
Rennies Travel	R 12,180	One quote received
Dalitsa Hr Solution	R 16,500	One quote received
Rewenju Trading	R 65,000	One quote received
Beyond Wireless	R 109,590	One quote requested
University of Stellenbosch	R 56,000	One quote requested
Reprodraft	R 15,000	One quote requested
TM Engineering	R 20,728	One quote requested
Wimann Trading	R 18,950	One quote requested
Verotest	R 10,369	One quote requested
Melco Instrumentation	R 14,350	One quote requested
Capital Air	R 15,640	One quote requested
Edison Jehamo Power	R 42,492	One quote requested
HV Test	R 2,550	One quote requested
Metrohm SA	R 62,295	One quote requested
Capital Air	R 15,640	One quote requested
Southern Africa Fault Location	R 10,470	One quote requested
FESS (Pty) Ltd	R 61,124	One quote requested
Associated Chemicals	R 14,715	One quote requested
SA Tech Craft System	R 14,529	One quote requested
Rapid Spill Response	R 73,740	One quote requested
T.M Engineering	R 46,000	One quote requested
Impact Energy	R 31,800	One quote requested
Instrument Transformer Technologies	R 11,000	One quote requested
Farad	R 90,078	One quote requested
Matla TPM	R 19,146	One quote requested
Lubri-Tech Marketing	R 49,955	One quote requested
SA fault Location	R 40,606	One quote requested
Diesel Electric Services	R 10,036	One quote requested
Inter Southern Power Maintenance	R 10,258	One quote requested
Inter Southern Power Maintenance	R 15,140	One quote requested
Fef Supplies cc	R 64,647	One quote requested
Hawkers Project cc	R 23,311	One quote requested
Simba	R 33,612	One quote requested
Instelec Services	R 24,375	One quote requested
Westrand Fire cc	R 27,890	One quote requested
Giscoe	R 7,980	One quote requested
Amtronix (Pty) Ltd	R 2,400	One quote requested
Amtronix (Pty) Ltd	R 2,340	One quote requested
New Ware Winding	R 8,350	One quote requested
Baymont Field Services	R 116,100	One quote requested
Instrument Transformer	R 11,000	One quote requested
Karebo Engineering	R 8,640	One quote requested
GF Cellular Sole Proprietor	R 7,920	One quote requested
Candor Technologies	R 6,956	One quote requested
Hawkes Projects	R 15,983	One quote requested
Mobile Telephone Networks	R 154	One quote requested
Phola Aircon Enterprises	R 34,426	One quote requested
Springbloom	R 1,000	One quote requested
Makro	R 1,968	One quote requested
Margen Industrial	R 1,719	One quote requested

## City Power Johannesburg (SOC) Limited

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### Notes to the Annual Financial Statements

Supplier	Rvalue	Reason for Deviation
Gijima AST Holdings	R 700	One quote requested
Trek Scale Company	R 64,535	One quote requested
Universal Waste Solutions	R 2,021	One quote requested
Afrox	R 9,120	One quote requested
Lesego Cleaning Services	R 3,169	One quote requested
Nick's Enviro Services	R 4,337	One quote requested
J D Osborne	R 13,440	One quote requested
Static Power	R 68,290	One quote requested
Verotest	R 17,822	One quote requested
Joint Master	R 4,260	One quote requested
Megatron Federal	R 8,340	One quote requested
Lungisa Switchgear	R 49,619	One quote requested
Inter Southern Power Maintenance	R 10,258	One quote requested
Inter Southern Power Maintenance	R 13,490	One quote requested
LH Marthinusen	R 82,965	One quote requested
Adam's Discount Centre	R 17,032	One quote requested
SG Convenience	R 193,629	One quote requested
Arees Trading	R 194,921	One quote requested
Blue Label	R 633,113	One quote requested
NUBJ Connections	R 103,222	One quote requested
Inter Southern Power Maintenance	R 51,611	One quote requested
Inter Southern Power Maintenance	R 95,920	One quote requested
NUBJ Connections	R 39,600	One quote requested
Inter Southern Power Maintenance	R 51,611	One quote requested
Balfour Park Farm Supply	R 187,573	One quote requested
Chipkins Catering Supplies	R 912,096	One quote requested
Combined Cleaners Spot on	R 11,403	One quote requested
Dairy World (Pty) Ltd	R 253,412	One quote requested
Dinner mates cc	R 99,072	One quote requested
Hoxies (Pty) Ltd	R 143,600	One quote requested
Mantseke Trading cc	R 398,978	One quote requested
Market Cash and Carry	R 935,427	One quote requested
Caxton Newspapers	R 256,633	One quote requested
Air Liquide	R 13,665	One quote requested
Deloitte Consulting (Pty) Ltd	R 9,100	One quote requested
ABI soft drinks division for SAB	R 453,006	One quote requested
Verotest (Pty) Ltd	R 10,369	One quote requested
Alcon Marepha	R 71,800	One quote requested
Air Liquide	R 13,665	One quote requested
Kopanya Project co (Pty) Ltd	R 145,831	One quote requested
Baymont Power Projects (Pty) Ltd	R 29,850	One quote requested
Consolidated Power Projects	R 50,493	One quote requested
FESS (Pty) Ltd	R 28,382	One quote requested
Rubbytad cc	R 172,500	One quote requested
Afritek (Pty) Ltd	R 22,750	One quote requested
Verotest (Pty) Ltd	R 13,190	One quote requested
F.I.T Components cc	R 15,601	One quote requested
HV Test	R 31,671	One quote requested
Verotest (Pty) Ltd	R 14,611	One quote requested
Castle Industrial & Electrical	R 11,260	One quote requested

# City Power Johannesburg (SOC) Limited

(Registration number 2000/030051/07)

Annual Financial Statements for the year ended June 30, 2012

## Notes to the Annual Financial Statements

Supplier	Rvalue	Reason for Deviation
Verotest (Pty) Ltd	R 19,825	One quote requested
Actom MV Switchgear	R 127,344	One quote requested
ABB South Africa	R 13,912	One quote requested
Verotest	R 23,280	One quote requested (Cable fault finding and repair)
Verotest	R 17,325	One quote requested (Cable fault finding and repair)
SABC Group sales and marketing	R 345,000	One quote requested targeting SABC viewers
Avusa Media	R 57,960	One quote requested targeting Avusa Media areas of coverage
The Citizen	R 72,336	One quote requested targeting Citizen readers
Kaya FM	R 311,933	One quote requested targeting Kaya FM listeners
Primedia	R 284,817	One quote requested targeting Primedia area of coverage
The Star	R 90,054	One quote requested targeting Star readers
Xavier Innovative Security	R 49,597	Original equipment manufacturer
Xavier Innovative Security	R 14,752	Original equipment manufacturer
Xavier Innovative Security	R 21,363	Original equipment manufacturer
Actom	R 19,044	Original equipment manufacturer
F.I.T Components cc	R 160,238	Sole supplier
Landis and Gyr	R 105,441,666	Sole supplier
Ikwezi Maintenance and Communication Services (Pty) Ltd	R 39,700,754	Sole supplier
Clickatell	R 41,400	Sole supplier
Davtec	R 11,440	Sole supplier
Digsilent Buyisa	R 144,640	Sole supplier
Interest CC	R 123,314	Sole supplier
Protective Structures	R 6,480	Sole supplier
ABB South Africa	R 2,782	Sole supplier - One quote requested
EmbleMarketing	R 13,763	Sole supplier - One quote requested
Sheshisa Cash Loans T/A Cable Safe	R 98,610	Sole supplier - One quote requested
Verotest	R 10,397	Sole supplier - One quote requested
Silicon Engineering	R 17,550	Sole supplier - One quote requested
HV Test	R 17,803	Sole supplier - One quote requested
Roxtec Africa	R 75,349	Sole supplier - One quote requested
Verotest	R 19,825	Sole supplier - One quote requested
Coltron (Pty) Ltd	R 3,900	Sole supplier - One quote requested
Verotest (Pty) Ltd	R 10,693	Sole supplier - One quote requested
HV Test	R 12,525	Sole supplier - One quote requested
Silicon Engineering	R 2,275	Sole supplier - One quote requested
Sheshisa Cash Loans T/A Cable Safe	R 4,275	Sole supplier - One quote requested
Verotest (Pty) Ltd	R 7,145	Sole supplier - One quote requested
Lab house(Pty) Ltd	R 6,954	Sole supplier - One quote requested
Verotest (Pty) Ltd	R 4,381	Sole supplier - One quote requested
Air Liquide (Pty) Ltd	R 2,549	Sole supplier - One quote requested
Caleb Investments	R 6,381	Sole supplier - One quote requested
Pfankomat	R 3,582	Sole supplier - One quote requested
Airshrink	R 8,718	Sole supplier - One quote requested
Infraset	R 142,659	Two quotes received
Infraset	R 28,752	Two quotes received
Rubbytad Holdings	R 172,500	Two quotes received
New Energy	R 20,000.00	Two quotes received