



a world class African city

JOHANNESBURG WATER SOC LIMITED

Registration No: 2000/029271/07

ANNUAL REPORT ENDING 30 JUNE 2012

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

**APPROVED BY THE
BOARD OF DIRECTORS
ON 29 NOVEMBER 2012**

JOHANNESBURG WATER SOC LIMITED

COMPANY INFORMATION AS AT DATE OF SIGNATURE OF THIS REPORT

Country of incorporation and domicile	South Africa
Nature of business and principle activities	Supply of water services as defined in the Water Services Act, 1997
	Directors G Mloi (Chairperson) L Dhlamini (Managing Director) M Padiaychee (Financial Director) N Govender N Skeepers M Msezane C Tilly J Mateya C Motau I Jacobs C Mbili
Registered office	17 Harrison Street Marshalltown Johannesburg 2107
Business address	17 Harrison Street Marshalltown Johannesburg 2107
Postal address	P O Box 61542 Marshalltown Johannesburg 2107
Holding company	The City of Johannesburg Metropolitan Municipality
Bankers	ABSA Bank
Auditors	The Auditor-General
Company Secretary	G J Luden
Company registration number	2000/029271/07
Attorneys	Moodie & Robertson

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SECTION ONE

INTRODUCTION AND CORPORATE PROFILE

Corporate Profile and Overview of the Entity

Johannesburg Water SOC Ltd (JW) was incorporated on 21 November 2000 and commenced business on 1 January 2001.

JW is a municipal entity wholly owned by the City of Johannesburg and is mandated to provide water and sanitation services to the residents of Johannesburg.

The entity supplies water and sanitation services to an area stretching from Orange Farm in the south to Midrand in the north, Roodepoort in the west and Alexandra in the east. It operates in six regions with ten network depots and six wastewater treatment plants. The map overleaf depicts the operational area of JW.

The entity supplies some 750 000 domestic, commercial and industrial customers and serves an estimated consumer base of 3,8 million people.

The entity employs approximately 2 400 people and through a water network of about 11 000 km of distribution pipes and over 100 reservoirs and water towers, reticulates water to consumers. JW also collects wastewater through an 11 000 km wastewater network.

Water purchases amount to 1 470 Ml/day from Rand Water and 980 Ml/day of sewage is treated.

Vision

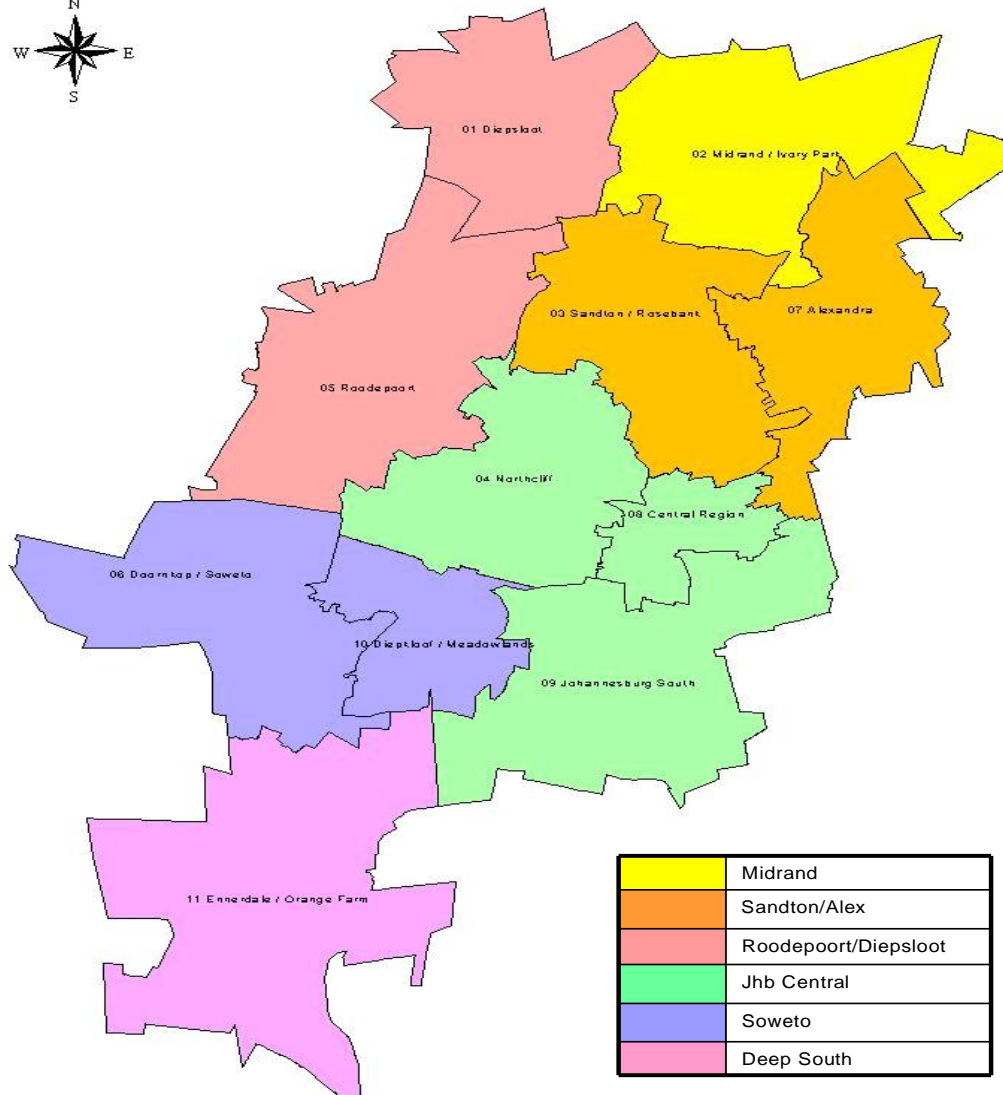
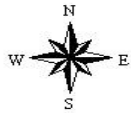
Johannesburg Water's vision is to be a world class African water and sanitation utility.

Mission

To provide all residents of Johannesburg with access to quality water and sanitation services, Johannesburg Water will:

- Deliver a sustainable, affordable and cost effective service
- Upgrade services in low income areas
- Create a customer focused culture
- Build capacity through the development of our employees
- Safeguard the health and safety of Johannesburg Water employees, contractors and the general public
- Improve the protection of the environment

Johannesburg Water Regions



Strategic Objectives

During the year under review the City undertook an intensive review of City priorities, building on existing strategies and plans, commitments and areas of delivery – while acknowledging new challenges and priorities emerging at other levels (international, regional, national, provincial and local). An extended research, analysis, reflection and stakeholder engagement process culminated in the launch of the City's Growth and Development Strategy (GDS 2040) in October 2011. The strategic objectives of JW are informed and aligned to the mayoral priorities and strategic thrusts and detailed corporate performance is reported in Section 3 of this report. These priorities will ensure -

- **The enhancement of customer service, improvement of basic service delivery and provision of free basic services**

Progressive improvement in service delivery involves the reduction of basic water and sanitation backlogs in the informal settlements. This is in alignment with both National and City commitments. The entity will ensure that the water and sanitation networks are maintained for optimal service delivery to the community and that response times to water pipe bursts and sewer blockages are within the agreed turnaround times. The allocation of Free Basic Water to poor households and those with special needs will be catered for through the Expanded Social Package.

- **The management of key projects that are of a strategic nature**

Infrastructure development, renewal and rehabilitation projects are being implemented with the primary aim of ensuring uninterrupted and sustainable delivery of water and sanitation services. The entity will continue to ensure that its operations are managed and maintained in a manner that will ensure the health and safety of employees, contractors and the general public and will promote the protection of the environment.

- **Human capital development and consolidation of HIV and AIDS initiatives and ensuring the well-being of employees**

JW has formulated human resource strategies that ensure that the entity becomes an employer of choice. The strategies focus on interventions that target the procurement, development and retention of scarce and value adding skills, and continuous competency training and development opportunities for staff in order to ensure an effective workforce that is managed for optimal performance. The entity has adopted a holistic approach in dealing with the organisational well-being of staff in the workplace. The reinforcement of HIV and AIDS awareness programmes will be enhanced and complemented by comprehensive voluntary counselling and testing programmes for these and other diseases such as tuberculosis,

diabetes and hypertension. Enhancing of the employee assistance programmes (EAP) will be supported by the entity's encouragement and support for all its employees to be medically insured.

- **Financial sustainability, economic development and job creation**

JW will, on the back of the gains achieved in the implementation of the financial turnaround strategy, consolidate on the successes achieved while moving towards a service delivery strategy and still maintaining its focus on cost containing measures, including the reduction of unaccounted for water (UFW) through: the installation of prepaid meters in deemed consumption areas; increasing revenue through the improvement of billing by data cleansing and the improvement of meter reading in conventional metered areas, water mains pipe replacement programme, reduction of high water pressure during low demand periods of the day to reduce leaks and unnecessary pipe bursts, leak detections and the conventional meter replacement programme. Operational efficiencies have been identified with the primary purpose of containing costs. Through the Infrastructure Upgrade and Renewal programme, the entity will ensure a reduction in both water purchases and unaccounted for water (UFW) and this will have a positive impact on the bottom line. JW will ensure the successful roll out of the Infrastructure Upgrade and Renewal programme and promote local economic development and job creation. The entity will link all capital projects to job creation in line with the Expanded Public Works Programme (EPWP) which entails the utilisation of local labour thereby enhancing their life-long skills and supports the local suppliers.

- **Sustainable development through the protection of the environment and the adoption of relevant technologies to ensure prolonged utilisation of assets**

JW will implement initiatives that will ensure the pursuit of environmental sustainability through adoption of technological and strategic solutions that conserve communal and non-renewable resources. The entity will continually implement resource conserving programmes that include the compliance with existing environmental legislation and the effective management of the environment, demand side management and the adaptation of new innovative, locally relevant and appropriate technologies that enhance service efficiencies and quality improvement. At operational level the entity will pursue an asset management strategy that will ensure effective benefit of assets.

SECTION TWO

LEADERSHIP REPORTING

Member of the Mayoral Committee

The Infrastructure and Services Portfolio was overseen by me after April 2012. Prior to the Executive Mayor of the City restructuring the Mayoral Committee Portfolios, my predecessor, Councillor Roslynn Greeff MMC had oversight and control of Johannesburg Water through the infrastructure and Services Portfolio.

Leadership focused on three of the main service delivery areas in the City, namely: solid waste, electricity and lastly, and most importantly, water and sanitation.

Under Councillor Greeff's oversight and guidance JW delivered on its business imperatives. The Company attained an overall performance score of 102.69%. The centrepiece of the business plan was the balanced scorecard (BSC) that aligned the business imperatives of the company, the City's ruling party election manifesto, the City's Growth and Development Strategy, the City's Integrated Development Plan (IDP) and lastly the Infrastructure and Services Department's Sector Plan.

Councillor Greeff MMC built a strong working relationship within her department, the Section 79 Committee and JW in forging more outcome based service deliverables. Emphasis is placed on water and sanitation backlog reductions.

During my short tenure towards the end of the reporting year I saw the finalisation of the Service Delivery Budget Implementation Plan which would inform the business planning processes for 2013/14.

I look forward to again leading the Infrastructure and Services Department and working with Johannesburg Water in serving the community.

Councillor Matshidiso Mfikoe MMC

Chairman's Foreword

The strategic focus of the Company is directed towards service delivery to increase customer satisfaction. The 2011/12 financial year is the third year of the three-year service delivery turn-around strategy cycle which commenced in 2009/10.

The company has delivered on its mandate to deliver water and sanitation services focusing on the strategic priorities which are aligned to the GDS, IDP and sector plans. These strategic priorities take a balanced approach in order to manage key areas of the business.

The critical issues that had a major impact on the course and direction of the Company are shown below:

IDP Programme	Key programme output in relation to IDP interventions
Financial Sustainability	Billing and payment levels have to be well managed
Access to Basic Services	Roll-out water standpipes and VIP toilets through basic services programme
Quality of Services	Response times of water bursts and sewer blockages. Drinking water Quality monitoring programme. Customer queries
Asset Management	Asset Management Plan
Demand Side Management	Water Conservation/Water Demand Management Plan

Detailed reporting is included in **sections three** (Performance) and **five** (Integrated sustainability report) of this Annual Report.

In managing the business the Managing Director reported to the Board on a quarterly basis as required. I can attest that in each of the quarters the mandatory report for eventual consideration by the Mayoral Committee and Section 79 Committee covered the Company's financial position, performance results, risks, stakeholder relations and procurement oversight and were found to be satisfactory.

Johannesburg Water has once again, received a qualified audit opinion, resulting from revenue discrepancies identified by the Auditor-General.

It is pointed out that management and control of revenue, billing and collection functions, transferred to the City of Johannesburg in January 2010 as part of the customer and revenue migration project, have remained problematic. It is understood that through the City's revenue step change project the situation will improve. Johannesburg Water is and remains committed to supporting the City in this endeavour through ensuring accurate and timely meter readings.

As a Board, my fellow Directors and I are committed to the highest standards of corporate governance. This is done as part of our ongoing decision-making process. By embedding strong governance into our routine processes, we are doing our utmost to secure the future wellbeing of the Company. The Corporate Governance

practices of the entity are reviewed and improvements effected periodically, where deemed necessary.

A special word of welcome and encouragement goes to the Company's new Managing Director, Lungile Dhlamini who has only as recently as 1 October 2012 taken up the reigns of the Company.

I have to also mention the Board appreciation of the senior staff who acted in the stead of the managing director, namely, Manu Padiaychee, Jones Mnisi, Qondi Zimu and Graham Luden since March 2011.

I take this opportunity to express my gratitude to the Shareholder, Councillor Mfikoe MMC, and the Board for the leadership provided and the support from all the staff at Johannesburg Water for the good results accomplished. I also wish to thank the Executive Management for their commitment and efficient management of the strategy implementation process and service delivery.

Gugu Molo
Chairman of the Board

Board of Directors

NAME OF BOARD MEMBER	QUALIFICATIONS	OTHER DIRETORSHIPS	SKILLS AND EXPERTISE
Gugu Moloi (Chairman)	BA (Law), MA (Town and Regional Planning), Diploma (General Management).		Expertise in the fields of municipal infrastructure, local government and water delivery .
Lungile Dhlamini (Managing Director)	BSc in Civil Engineering	Engineering Council of South Africa (ECSA) Board Councillor and Chairperson of the Finance and Staff Committee (ECSA).	Administration and Financial Management of Water and Sanitation Companies; Infrastructure Asset Management Planning and Project Management.
Manu Padiaychee (Financial Director)	B Com, B Compt. Hons CTA	None	Experience in various disciplines of accounting, including auditing and taxation in both private and public sectors
Nandha Govender	B.Sc in Mechanical Engineering	None	<ul style="list-style-type: none"> Executive management in the water sector inclusive of strategy and operations in environment, finance and commercial management
Natalie Skeepers	Masters Degree (SHE), Mphil, Post Graduate Diploma in HIV/Aids management, National Diploma in Health, B Tech (Environmental Health)	Film and Publication Board: Deputy Chair.	Risk Management, Safety, Environmental, Management HIV/Aids Management, Human Resources, Corporate Social Responsibility
Nompumelelo Msezane	MSc (Environmental Management), MDP, BSc (Hons), BSc (Ed), Certificate in Water Resource Management in Developing Countries	None	Environmental management, Water resource management, Water Quality Management, General management
Cassim Tilly	B.Compt. Hons/CTA, PG Dip Auditing, M.Com(SA Domestic & International Tax) Chartered accountant (SA)	None	Experience in Accounting, Auditing and Taxation
Cynthia Mbili	M COM CA (SA)	IRBA	Expert in auditing, risk, financial management and IFRS
J Mateya	B. Com MBA Higher Diploma in		

NAME OF BOARD MEMBER	QUALIFICATIONS	OTHER DIRETORSHIPS	SKILLS AND EXPERTISE
	Company Law LLB Snr Executive Program - SEP		
C Motau	B. Comm Higher Diploma in Computer Auditing MBL MIT Certificate in Managing ICT Projects	None	ICT Governance ICT Leadership and Management
I Jacobs (Not contactable)			

Managing Director's Report

The year under review, again, as was the case last year, proved to be another challenging year from both an international and local perspective. Uncertainty over sustainability of economic recovery continued to weigh on economic growth prospects.

The South African economy remains significantly impacted by the slump in the residential market, which is not expected to recover for some time. New developments are few and controlled. Consumer debt levels remain high. The unemployment rate continues to be of significant concern as is the disparity in earnings. All these issues impact directly on the business of the Company. This can be seen in revenue collection which was at 82% of revenue billed.

A further challenge that has impacted significantly on the business of Johannesburg Water has been the migration of the customer revenue and call centre functions to the City of Johannesburg, and its negative impact on customer services and more potently on cash management and the cash resources of the Company. These concerns have to a degree been addressed by the City through its Revenue Step Change Program and Project Zero tolerance. The real effects of these programs will be seen in 2012/13. In essence the City is refining its revenue interfaces in SAP, retraining staff and set standards for accurate meter reading.

In addition the Board and City embarked on a process to fill the vacancy of the Managing Director which culminated in my being appointed on 1 October 2012. The Company for the past 19 months was adequately managed by various senior managers acting in the stead of the Managing Director, namely, Mr Manu Padiaychee, Mr Jones Mnisi, Ms Qondi Zimu and Mr Graham Luden.

Despite these challenges, the company performed well in the majority of its strategic priorities.

Net profit was R580m and a R19m positive cash balance.

Service delivery parameters were largely exceeded. Compliance with water and effluent quality targets were slightly below target.

Progress has been made with regards to access to basic sanitation services in that 1,696 households have been provided with access to basic sanitation representing 179% achievement against a demand driven target of 950 households and thus 91.23% coverage for at least LOS1 for sanitation.. The project expenditure was R17, 429 million for basic sanitation. According to the BSC we achieved 91.23 % against a target of 91.16%

With regard to human capital development, retention of scarce skills and training expenditure were better than target. There was an employee satisfaction survey conducted during the year which recorded a considerable improvement on the score in previous years.

Targets set for the progress on the asset management plan were achieved and actual capital expenditure was 99.6% of the allocated amount. Although this bodes well for the implementation of the various infrastructure programmes, the allocated amount is less than reasonably required.

Once again inadequate capital expenditure budget allocation contributed to the non achievement of response time targets to water and sewer blockages. The aging infrastructure is of concern and the allocation for capital expenditure is a challenge.

With the high level of unaccounted for water being a concern for a number of years strategies have been formulated and interventions identified. The resumption of the infrastructure replacement program in Soweto which is aimed at addressing this challenge progressed well. Various other measures are proceeding in conventional metered areas, including pipe replacement programmes, pending adequate funding and replacement of pressure reducing valves.

During the year under review, it was considered prudent to revise the methodology for the computation of UFW, to be inclusive of all known activities and events that impact directly on the utilization of the volume of water purchased. The difference between the billed consumption volume in deemed area (area that is billed on flat rate), and actual volume consumed was also accounted for in the new methodology. A further factor that has a significant impact on the UFW computation was the considerable year end revenue accrual and the volume related to that was included in the computation of UFW.

The Company's overall unaccounted for water for the year under review was 30.3%.

The identification and management of risk has matured within the Company and the systems and processes provide the required platform to channel the efforts of the organisation in future years towards achieving its objectives of a risk based business plan.

Johannesburg Water has received a qualified audit opinion for the current financial year.

Johannesburg Water is a going concern and is budgeting to continue to make a profit and to generate enough cash to fund some of the capital projects from the ongoing cash flow, but this could all be hampered though the problems that are experienced at the City of Johannesburg' revenue and billing department who is also responsible for the collections of revenues from the consumers. This inability to collect the revenues may negatively impact on the company's abilities to provide basic and other services in the future.

I wish to express my gratitude to the Chairman, Board of Directors, management and staff for their contribution in effectively and efficiently implementing the various Company strategies and objectives during the period when my position was vacant.

Lungile Dhlamini
Managing Director

Financial Director's Report

The South African economy continued to be impacted by the continued slowing down in international economic activity. On the positive side however, interest rates were reduced further in July 2012 by 50 basis points, with the repo rate reduced to 5% and the prime lending rate to 8.5%. The housing market continues to improve, but marginally. The stock market has been robust during the year, with record highs achieved in the all share index. The growth in the gross domestic product (GDP) however, remains under stress. With the European Union being a major trading partner, exports are negatively affected by the uncertainty within the region. Unemployment continues to be of major concern to the stability and economic progress of the country. Unemployment exceeds 25%. The recent downgrade by the various international rating agencies of the rating of the South African Government and various Financial Institutions has put the spotlight on the stability of the economy of the country. The impact is likely to be an increase in the cost of borrowing by all sectors in local economic activity. The 10 year capital investment plan of Johannesburg Water would require significant loan funding which would be sensitive to interest rate fluctuations. In addition, with foreigners being significant buyers of local bonds, the downgrading could result in funds being withdrawn, contributing to deterioration in the currency exchange rate.

The factors above impact either directly or indirectly on the business of Johannesburg Water. The prognosis for economic growth and financial stability however, remains cautiously positive. The resilience of the economy is partly demonstrated by the positive, though volatile performance of the stock market. The share index of the JSE Exchange Commission achieved a record high in October, 2012.

With regard to significant changes within the Company, the project initiated by the City of Johannesburg referred to as project Phakama was rolled out during the 2010 financial year. In terms of the project, certain core functions that were managed by the company were migrated to the City of Johannesburg. The related staff were transferred from the company to the City of Johannesburg in terms of the centralised customer services and revenue management approach with effect from 1 January 2010. The result of project Phakama is that the company now has to rely on the City of Johannesburg for customer services, billing, cash collections and debtors' administration for all customers.

The centralisation of the billing function continues to result in under billings during the year. The position is however, corrected at year end and billing shortfalls are accrued for. Late billings unfortunately impact on cash collections and cash flow.

Despite the uncertain economy and significant changes in the processes and methods of operation of the business, Johannesburg Water continued to report positive results. The reported surplus for the year under review is R 580 million, which is significantly ahead of target. The goal of independent business sustainability envisaged in the business model is on track, evidenced by the consistent strong profitability achieved. Cash generation however, has been a challenge since the centralisation of the credit control function.

Early in the financial year, management identified the possible challenges the business was likely to experience resulting from the newly elected Mayors 100 day programme and various other requirements, and embarked on a stringent cost management exercise. The increase in operating costs (excluding debt impairment) compared to the previous year was contained at 6%.

The roll out of meters as part of the prepayment metering project recommenced in October 2010 and is progressing well. The project impacts directly on water demand management and the level of unaccounted for water and consequently the cost of water purchases. The project was suspended in May 2008. An appeal was lodged and a ruling announced by the Constitutional Court on 8 October 2009 in favour of the company. The project continues to contribute to water demand management and together with other projects with similar intent has reduced the level of unaccounted for water to 30.3%.

Johannesburg Water SOC Ltd was successful in its application to the South African Revenue Service for exemption from the payment of normal Company taxation since the June 2007 financial year. Consequently, no tax has been provided for.

The table below details the positive trend in the financial performance of the Company .:

Net Profit	June 2008	R327m
Net Profit	June 2009	R162m
Net Profit	June 2010	R196m
Net Profit	June 2011	R385m
Net Profit	June 2012	R580m

The following is a review of the retained earnings:

June 2008	Retained Earnings	R1.4 billion
June 2009	Retained Earnings	R1.9 billion
June 2010	Retained Earnings	R2.7 billion
June 2011	Retained Earnings	R3.0 billion
June 2012	Retained Earnings	R3.6 billion

Note: Prior year comparisons are shown before the effect of prior year adjustments in the current year.

Liquidity

The cash balance swept to the City of Johannesburg at 30 June 2012 in terms of the treasury management arrangement, was a positive R19 million.

The Company continues to experience challenges with regards to cash collections. The City of Johannesburg manages this function in terms of an agency agreement

with the Company. The City has a number of projects that are currently in progress and it is anticipated that credit control issues will be resolved in the near future.

The following is a brief history of the cash balances swept at the end of each financial year to the City of Johannesburg:

June 2008	R515 million
June 2009	R160 million
June 2010	R249 million
June 2011	R96 million
June 2012	R19 million

Solvency

The continued positive financial health of Johannesburg Water, and its potential sustainability into the future without requiring shareholder subsidies, is evident from the significant strengthening of the Company's debt to equity ratio as follows:

June 2008	57:43
June 2009	51:49
June 2010	43:57
June 2011	46:54
June 2012	42:58

It is the strategic intention of the Company to allocate approximately R8.7 billion to capital expenditure for the period from 2008 to 2017, largely to upgrade and enhance its water distribution network and treatment plant infrastructure. The expenditure will compliment water conservation and water demand management imperatives. The company has demonstrated its commitment and contribution to this achievement to date, and believes that it is financially well placed going forward to achieve this objective in terms of funding the required capital expenditure while maintaining tariff increases at reasonable levels. Capital expenditure for 2012 was R537 million, which was 99% of the allocated amount. The Company has invested R3.2 billion since the 2008 financial year on capital projects.

Executive Management

NAME	POSITON	QUALIFICATIONS	SKILLS AND EXPERTISE
Qondile Zimu	Executive Manager: Corporate Services and Human Resources	BA Social Work, BA Social Work – Honours, Masters in Management - Public and Development Management	Human Resources
Jerry Methula	Executive Manager: Marketing and Communications	B. Comm, Masters Diploma: HR Management, Certificate: Management & Administration of Non-Profit & Community Based Organisations, Certificate: Programme for Managing Public-Private Partnership (PPP), Certificate: Governance for Directors (Public Sector)	Corporate communication and stakeholder management in organs of State
Ntshavheni Mukwehvo	Chief Operations Officer	B-Tech: Eng (Civil) Masters of Business Leadership (MBL) Pr Tech Eng	Engineering and Operation management Construction management Project management Strategic management Water purification and distribution system Sewage collection systems
William Matlakala	Acting Chief Internal Auditor	N.Dip: Internal Auditing	Managing the Internal Audit Department in the performance of risk based audits, forensic investigations and IT audits.
Edward Chikonyora	Senior Manager: Risk and Compliance	BTA (Hons) - UZ Dip. Banking - IOBZ	Financial, Strategic and Operational Risk Management, Financial and Management Accounting, Auditing and Asset management.
Graham Luden	Company Secretary	BA (Hons) PG Dip in Bus. Man	Local government and business management

SECTION THREE

PERFORMANCE

Highlights and Achievements

Financial Sustainability

The profit achievement for the year under review was R580 million compared to a target of R365 million, representing an exceptional 58.9% improvement due to well managed operating costs and better than expected other income.

Capital Investment

The capital expenditure for the year was R537,681 million, which represents 99.6% of the capital budget of R539,632 million.

2679 new job opportunities were created in terms of the EPWP against a target of 3000. The reason for not reaching target is that some projects reached plateau and could not absorb any new labourers. Additionally, some projects were already near completion and so the labour force was reduced. Also, delays in investigations and designs (due to various reasons) meant that some projects did not go to tender and, hence, no work opportunities could be created.

Customer Responsiveness

During the year under review 88.79% of bursts were restored within 48 hours against a target of 90%, and 94.11% of sewer blockages were cleared in 24 hours against a target of 95%. A high number of public holidays in the months of April and May respectively had an impact on the performance for both activities which is marginally below the target.

Infrastructure Upgrade and Rehabilitation Programme (IURP)

The implementation of the Soweto Infrastructure Upgrade and Rehabilitation on revisiting properties progressed well with 50,691 properties metered with R123 million spent in the financial year. The total number of properties metered since resumption is 70,149. The project experienced high number of refusals and locked gates and the intervention to bring the services of JMPD resulted in the clearance of locked gates from the highs of 24,293 to just below 5000 which is intended to be cleared by the completion of the project. Ward 11 remained inaccessible and political interventions progressed to enable the implementation in 2012/13 financial year.

Basic Services

Notable progress has been made with regards to access to basic services in that 1,696 households have been provided with access to basic sanitation representing 178.53% achievement against a demand driven target of 950 and thus 91.23% coverage. The percentage coverage on water for LOS1 was at least 97.77%. The provision of access to basic services resulted in R14.46 million expenditure.

Operations

Number of bursts per 100km for the year was 301.42 against a target of 324 whilst sewer blockages per 100 km was 384.30 against a target of 370. Water quality compliance was 99.9% against a target of 99%. Final Effluent compliance was 96.95% against a target of 97%. The compliance was against the standard set by the Department of Water Affairs. This positive achievement enabled the City of Johannesburg once more to receive the Blue Drop status award from the Department of Water Affairs three years in succession. The UFW ratio was 30.3% against a target of 33%.

Human Resources

The total expenditure on internships for the financial year 2011/2012 is R408 922. Bursaries were administered for 19 students with the majority of 16 enrolled for Civil Engineering related studies. Of the 19 students, 4 joined the company permanently as trainees in March 2012. The company provides experiential training and vacation work for all the bursars. The company has successfully managed to achieve a positive reduction in turnover of engineers and artisans. As part of the recommendations on the Employee Satisfaction Survey; a coaching pilot was launched at two depots and it had a positive result. A Leadership coaching program for senior and executive management has been initiated with an initial group of 12 enrolled from July 2011 with 4 more managers added during the year. Three (3) of the managers could not complete the programme due to amongst other things resignation, retirements etc. From the remaining 13 managers, 8 managers have completed the programme leaving 5 managers with a few more sessions to complete the programme. In total only 31 sessions are outstanding for the remaining 5 Managers. It is the intention to add another group of senior managers sometime in November 2012.

The target to finalize 75% of Employee Assistance Programme (EAP) cases was generally achieved. As far as the filling of vacancies is concerned the target is being met and exceeded by a small margin. Although the Company has been meeting its targets in retaining its scarce skills and filling 75% of the vacancies within 13 weeks, there is however a challenge in the recruitment of Specialised skills. The Bursary scheme and technical training programme are some of the programmes introduced to alleviate this challenge in the future. The low turnover rate is also limiting any real risk in this regard. The target to increase appointment of females by 2% was met. People with disabilities constituted 3.13 % as at 30 June 2012 and the target was

2.5% by the end of the current EE Plan (30 June 2014). The target is exceeded by 0.63%.

Supply Chain Management

During the financial year under review, overall total procurement performance in terms of awards was R740 million, of which R646 million was awarded via the company's competitive bidding processes, and R94 million was awarded through the formal written price quotation method. This entails 87% of the Company's procurement requirements have been concluded via the bid committee system in terms of a formal contract, and only 13% via request for quotations process. Overall total actual procurement expenditure in terms of paid invoices closed at R366 million of which R345 million or 94% comprises BBBEE spend

Performance against Company's Balanced Scorecard

BSC Perspective	Objective	Measure	11/12 Target	11/12 Actual	10/11 Actual
Financial	Financial Sustainability (to ensure financial viability)	Profit before tax, before bad debt provision and CoJ Service fee	R 1 247	R1,591	R1,120
Customer	Ensure quality of Product	% compliance with effluent quality permit	97%	96.95%	98.0%
		% compliance with water quality standard	99%	97.70%	99.90%
	Customer Satisfaction	% Customer satisfaction level	Establish baseline and set target for 11/12 in Q1	Customer Satisfaction Survey was conducted and the baseline is 62%	Not on scorecard
		Water Bursts Restored Within 48 hours as a % of Jobs Completed	90%	88.79%	86.49%
		Sewer Blockages Cleared within 24 hours as a % of Jobs Completed	95%	94.11%	90.89
	Increase access to basic services	% coverage of sanitation – LOS 1	91.16%	91.23%	91.08%
Internal Processes	Asset Management	% expenditure on capital budget	95%	99.60%	98.81%
		Completion of phase 3b of the asset management plan	Complete phase 3b (Above ground asset verification, AM System)	Target Achieved	Done 100%

BSC Perspective	Objective	Measure	11/12 Target	11/12 Actual	10/11 Actual
Internal Processes continued			Design and Deployment)		
		Number of water bursts per 100km	324	301.42	277.62
		Number of sewer blockages per 100km	370	384.30	356.30
	Operational Optimisation	Reduction of operational costs at WWTW (Electricity KWH/MI)	365	346	Not on scorecard
		% Unaccounted for Water	33%	30.3%	39.00%
		% UFW Metered Areas	18%	27.56%	22.01%
		% UFW Un-metered Areas	73.8%	37.96%	83.82%
	Operational Resilience	Disabling Injury Incidence Rate (DIIR)	0.8	0.94	0.67
	Demand Side Management	Demand Reduction (MI)	10,000	8,405	Not on scorecard
	Knowledge Management	% implementation of knowledge management plan	100	41.75%	Not on scorecard
	Innovation and Technology	Number of technologies successfully implemented	2	Voltage Power Optimiser: Installation done but assessment of savings not completed Biogas to Energy: Installation of biogas to energy equipment (62.50%)	Not on scorecard
Community Sustainability	Number of Wastewater Works spills	300	446	562	
Learning and Growth	Develop Human Capital	% employee retention	97%	98.14%	96.69%
		Number of managers to complete coaching	At least 15 (Executives, GMs, Senior /Divisional managers)	14 Managers out of a total 15 Managers have adhered to schedule	Not on scorecard
		Training expenditure as % of payroll	1.37%	1.52%	1.27%

Service charges owed to Johannesburg Water

Assessment of directors' and senior managers' municipal accounts

Directors and senior managers are not in arrears with municipal accounts.

Recommendations and plans for next financial year

	STRATEGIC OUTCOME	STRATEGY
PRODUCT QUALITY	To maintain and continuously improve the quality of product	<ul style="list-style-type: none"> • Water (potable and effluent) quality monitoring programs • Sludge plan • Blue and Green Drop Certification program
CUSTOMER SATISFACTION	To provide reliable, responsive and affordable services in line with explicit, customer- accepted level	<ul style="list-style-type: none"> • Customer satisfaction monitoring plan • Quality enhancement • SLA management
ACCESS TO BASIC SERVICES	To provide access to basic water and sanitation services	<ul style="list-style-type: none"> • Basic services program
STAKEHOLDER MANAGEMENT	To promote understanding and support from stakeholders	<ul style="list-style-type: none"> • Stakeholder Consultation & Engagement • Public Education • External Communication • Media Relations
ASSET MANAGEMENT	To maintain and enhance the condition of assets	<ul style="list-style-type: none"> • Assets Management Plan • Pipe rehabilitation and replacement • Infrastructure upgrade and capacitation
OPERATIONAL OPTIMISATION	To ensure timely, cost effective, reliable and sustainable operation consistent with the industry trends and systems	<ul style="list-style-type: none"> • Resource optimisation • Water Management efficiency
OPERATIONAL RESILIENCE	To proactively identify, assess, and establish tolerance level for management of business risks and system reliability goals	<ul style="list-style-type: none"> • Risk management plan • OHS management strategy • Business continuity planning (inclusive of DMP)
DEMAND SIDE MANAGEMENT	To implement programmes to ensure adequate supply of water to meet current and future customer needs	<ul style="list-style-type: none"> • DSM strategy
KNOWLEDGE MANAGEMENT	To ensure that institutional knowledge is retained, improved and shared	<ul style="list-style-type: none"> • Knowledge management strategy

	STRATEGIC OUTCOME	STRATEGY
INNOVATION AND TECHNOLOGY	To ensure continuous improvement of processes through innovation and technology	<ul style="list-style-type: none"> • Innovation and technology plan
DEVELOP HUMAN CAPITAL	To recruit, retain and develop a competent, motivated workforce	<ul style="list-style-type: none"> • Implement talent management programme • Implement employee development • Implement Executive leadership development programmes

SECTION FOUR

CORPORATE GOVERNANCE

Introduction

Johannesburg Water has a unitary Board, which consists of executives and non-executive directors. The Board is chaired by a non-executive director, Ms Gugu Moloi. The Board meets regularly (at least quarterly) and retains full control over the Company. The Board remains accountable to City of Johannesburg Metropolitan Municipality, the sole shareholder, and to its stakeholders, the citizens of Johannesburg.

Statement of compliance

The Board provides quarterly and annual reports on its performance and service delivery to the parent municipality as prescribed in the SDA, the MFMA and the MSA. A Service Delivery Agreement (SDA) concluded in accordance with the provisions of the Municipal Systems Act (MSA) governs the entity's relationship with the City of Johannesburg

Non-executive directors contribute an independent view to matters under consideration and add to the depth of experience of the Board. The roles of chairman and managing director are separate, with responsibilities divided between them. The Chairman has no executive functions. Directors have unlimited access to the Company Secretary, who acts as an advisor to the Board and its committees on matters relating to, *inter alia*, compliance with company rules and procedures, statutory regulations and best corporate practices.

The Board and senior management ensure that there is full material compliance with all relevant legislation. The Company Secretary has certified in terms of Section 88 (2) (e) of the Companies Act that all statutory returns have been submitted to the Registrar of Companies

The Board or any of its members may, in appropriate circumstances and at the expense of the company, obtain the advice of independent professionals

Code of ethics

The Board of Directors has adopted the Board Charter, which encapsulates the City of Johannesburg Governance Protocol and includes matters of ethics, procedure and the conduct of committee members.

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

In summary, the Code requires that at all times, all company personnel act with utmost integrity and objectivity and in compliance with the letter and spirit of both the law and company policies. Failure by employees to act in terms of the Code results in disciplinary action. The Code is discussed with each new employee as part of his or her induction training and all employees are asked to sign an annual declaration confirming their compliance with the Code. A copy of the Code is available to interested parties upon request. A toll-free anonymous telephone facility exists for reporting of non-adherence to the Code or to ethics related matters. Furthermore, any breach of the Code is considered a serious offence and is dealt with accordingly: as a result, the Code acts as a deterrent. The directors believe that ethical standards are being met and are fully supported by the ethics programme

Breach of governance procedures

During the year under review there were no breaches of governance procedures.

Policies

The Company is managed through powers delegated to the Managing Director, resolutions of the Board and policies. All policy approval is reserved to the Board. Notable policy approvals during the year under review were the Knowledge Management Policy and IT Information Security Policy

Conflict of interest

Registers on the disclosure and declaration of interests of directors and senior management are kept and updated.

Governance structure

Board of Directors

In terms of the Company's Articles of Association there may not be more than eleven directors on the Board of which two shall be executive directors. Currently the Board has nine non executive directors and one executive director making a total compliment of ten.

Board Committee Composition

The Board has six standing committees, each of which is chaired by a non-executive director:

- Audit Committee
- Risk Committee
- Human Resources and Remuneration Committee
- Service Delivery and Procurement Oversight Committee
- Social and Ethics Committee
- Nominations Committee

Audit Committee

The Committee consists of the following non-executive directors:

- Cynthia Mbili (*Chairman*)
- Nandha Govender
- V Mokoena (*Independent member in terms of National Treasury directive*)
- K Mdutshane (*Independent member in terms of National Treasury directive*)
- R Buys (*Independent member in terms of National Treasury directive*)

The Audit Committee charter is in accordance with Section 166 of the Municipal Finance Management Act. The constitution of the committee was also aligned to this section of the MFMA and a directive from National Treasury.

The role of the Audit Committee is to assist the Board by performing an objective and independent review of the functioning of the organisation's finance and accounting control mechanisms. The committee exercises its functions through close liaison and communication with corporate management and the internal and external auditors.

The Audit Committee operates in accordance with a written charter authorised by the Board and provides assistance to the Board with regard to:

- Ensuring compliance with applicable legislation and the requirements of regulatory authorities;
- Matters relating to financial accounting, accounting policies, reporting and disclosures;
- Internal and external audit policy;
- Activities, scope, adequacy and effectiveness of the internal audit function and audit plans;
- Review / approval of external audit plans, findings, problems, reports and fees;
- Compliance with the Code of Corporate Practices and Conduct;
- Compliance with Code of Ethics;
- Overall performance of the company.

During the year under review, the Audit Committee addressed its responsibilities properly in terms of the charter. No changes to the charter were adopted during the year under review. Management has reviewed the financial statements with the Audit Committee. The quality of the accounting policies was discussed with the external auditors.

The Audit Committee considers the Annual Financial Statements of Johannesburg Water to be a fair presentation of its financial position as at 30 June 2012 and of the results of its operations, changes in equity and cash flow for the period then ended in accordance with GAAP, GRAP and the Companies Act.

The Committee met six times thereafter as the Audit Committee in the review year.

Risk Committee

The committee consists of the following directors:

- John Mateya (Chairman)
- Lungile Dhlamini (Managing Director)
- Manu Padiaychee (Financial Director)
- Cynthia Mbili
- Natalie Skeepers

The Risk Committee has the task of overseeing the quality, integrity and reliability of the company's risk management function. In terms of its mandate, it reviews and assesses the integrity and the quality of risk and ensures that risk policies and strategies are effectively managed.

The committee met four times as the Risk Committee during the review year.

Human Resources and Remuneration Committee

The committee consists of the following directors:

- John Mateya (Chairman)
- Lungile Dhlamini (Managing Director)
- Manu Padiaychee (Financial Director)
- Cassim Tilly
- Mpumi Msezane

The Human Resources and Remuneration Committee advises the Board on remuneration policies, remuneration packages and other terms of employment for all executive directors and senior executives. Its specific terms of reference also include recommendations to the Board on matters relating, *inter alia*, to policy, remuneration, bonuses and employment contracts. Independent professional advisors advise the committee.

The committee met four times during the year under review.

Service Delivery and Procurement Oversight Committee

The committee consists of the following directors:

- Natalie Skeepers (Chairman)
- Lungile Dhlamini (Managing Director)
- Manu Padiaychee (Financial Director)
- Charles Motau
- Ignatius Jacobs

The objective of the committee is to ensure service delivery and that the adopted Supply Chain Management Policy (the Procurement Policy) of the company is correctly and strictly applied as well as guide the Board and Executive Management on the overall operational direction of the Company.

The committee met four times during the year under review.

Social and Ethics Committee

The Committee only meets on a bi annual basis (as it is required to meet not less than once a year) and that the convention of the meetings be held between quarterly cycles.

As the Committee was established on 19 April 2012 and with the advent of a new Board being appointed by the Shareholder on 24 April 2012 the Committee has not yet convened.

In terms of the above Board resolution the Committee will convene for its inaugural meeting before December 2012.

The Committee comprises the following directors:

- Mpumi Msezane (Chairman)
- Lungile Dhlamini (Managing Director)
- Manu Padiaychee (Financial Director)
- Cassim Tilly
- Natalie Skeepers

Nominations Committee

The terms of reference of the Committee are consistent with Section 8 of the Group Policy on the Shareholder Governance of Boards of Directors of Municipal Entities.

Policy in essence sets out the recruitment procedure and gives the Committee authority to recommend the appointments of the Chief Executive Officer/Managing Director and the Chief Financial Officer/Financial Director to the Mayoral Committee.

After the Mayoral Committee approval the appointments are formally approved by the Board as determined by the Companies Act.

The composition of the Committee is determined on an as and when basis as the need arises to appoint the Chief Executive Officer/Managing Director and the Chief Financial Officer/Financial Director.

The Committee is currently vacant.

Board induction and information

New directorship appointments to the Board are inducted through a communications pack compiled by the Company secretary and an operations explanation and tour arranged through the Managing Director's Office.

All Company information is captured in a document management system under the control of the Company Secretary. Any access to information such as record of decision, policies, quarterly reports, annual reports, business plans etc are available and open for scrutiny.

Board evaluation

Board evaluations are conducted by the Shareholder Unit. Evaluations were completed for the year under review.

Remuneration

Board

Description (All amounts are before Tax)	Non- Executive Director: Gugu Moloi	Non- Executive Director: Natalie Skeepers	Non- Executive Director: Nandha Govender	Non- Executive Director: Nompumelelo Msezane	Non- Executive Director: Cassim Tilly	Non- Executive Director: Cynthia Mbili	Non- Executive Director: John Mateya	Non- Executive Director: Charles Motau	Non- Executive Director: I Jacobs	Acting Managing Director: Manu Padiaychee	Financial Director: Manu Padiaychee	Managing Director: Lungile Dhlamini (appointed 1 October 2012)	Total
Salaries & Wages R '000 Normal Overtime										839	588		1427
Contributions R'000 Pensions Medical Aid Other										78	78		156
Allowances R'000 Travel and motor car Accommodation Subsistence													
Other Benefits R'000 (Specify) Bonus											193		193
Meeting fees paid to non executive directors R'000	33	121	131	86	119	14	20	20	0				544
Retainer paid to non –executive directors R'000	9	26	26	26	26	4	4	4	0				125
TOTAL	42	147	157	112	145	18	24	24	0	917	859	Nil	2 445

Note:

Gugu Moloi was appointed Chairperson of the Board on 24 April 2012.

John Mateya, Charles Motau, Cynthia Mbili and I Jacobs were appointed as Non-Executive Directors on 24 April 2012

Lungile Dhlamini was appointed on 1 October 2012 after the financial year end, but is recorded as a director as at date of this report.

Resigned directors

Description (All amounts are before Tax)	Non- Executive Director: Martie van Rensburg	Non- Executive Director: Neil Macleod	Non- Executive Director: Nomonde Mabuya	Total Managing Director: Gerald Dumas	Total
Salaries& Wages R '000 Normal Overtime					
Contributions R'000 Pensions Medical Aid Other					
Allowances R'000 Travel and motor car Accommodatio n Subsistence					
Housing Benefits & Allowances R'000					
Loans and advances R'000					
Other Benefits R'000 (Specify) <u>Bonus</u>				196	196
Arrears owed to the City or the Entity					
Meeting fees paid to non executive directors R'000	116	128	73		317
Retainer paid to non –executive directors R'000	44	22	22		88
TOTAL	160	150	95	196	601

Note:

Managing Director: G Dumas seconded to CoJ w.e.f 14 March 2011, retired as a director on 20 September 2011 and resigned as Managing Director on 31 October 2011.

Martie Janse van Rensburg retired as Chairperson of the Board on 24 April 2012.

Neil Macleod and Nomonde Mabuya retired as Non-Executive Directors on 24 April 2012

Independent Audit Committee Members

Description (All amounts are before Tax)	Independent Member Masesi Malope (Resigned 6 October 2011)	Independent Member Cynthia Mbili (Resigned 24 April 2012)	Independent Member Joseph Mokwena (Appointed 24 April 2012)	Independent Member Khanyisa Mdutshane (Appointed 24 April 2012)	Independent Member Rudolf Buys (Appointed 24 April 2012)	Total
Salaries& Wages R '000 Normal Overtime						
Contributions R'000 Pensions Medical Aid Other						
Allowances R'000 Travel and motor car Accommodation Subsistence						
Housing Benefits & Allowances R'000						
Loans and advances R'000						
Other Benefits R'000 (Specify) <u>Bonus</u>						
Arrears owed to the City or the Entity						
Meeting fees paid R'000	13	20	7	14	7	61
Retainer paid to non –executive directors R'000	7	22	0	4	4	37
TOTAL	20	42	7	18	11	98

Schedule of attendance of meetings

Part of the remuneration of non-executive directors is a retainer determined by policy imposed by the Shareholder which provides for fee rates, retainers and furthermore provides for a threshold of at least a 60% attendance of all meetings.

Attendance of meetings, in terms of a ratio of attendance per meeting convened, held during the year was as follows:

Director	Months	Board 8	Audit 6	H/R 4	SD & PO 4	Risk 4	Nominat ions 3	Total 29	% (Must have 60% to qualify)	Retainer
M van Rensburg	10	6/6	N/A	4/4	N/A	N/A	3/3	13/13	100%	R44 083
N Mabuya	10	5/6	N/A	N/A	3/4	N/A	3/3	11/13	85%	R22 041
N Macleod	10	5/6	N/A	4/4	N/A	4/4	2/2	15/16	93%	R22 041
N Govender	12	4/8	6/6	N/A	N/A	3/4	1/1	14/19	74%	R26 450
N Skeepers	12	7/8	N/A	N/A	4/4	4/4	3/3	18/19	95%	R26 450
M Msezane	12	7/8	1/1*	4/4	N/A	N/A	1/1	13/14	93%	R26 450
C Tilly	12	8/8	6/6	N/A	4/4	N/A	1/1	19/19	100%	R26 450
G Moloji	2	2/2	N/A	N/A	N/A	N/A	N/A	2/2	100%	R8 817
C Motau	2	2/2	N/A	N/A	N/A	N/A	N/A	2/2	100%	R4 408
J Mateya	2	2/2	N/A	N/A	N/A	N/A	N/A	2/2	100%	R4 408
I Jacobs	2	0/2	N/A	N/A	N/A	N/A	N/A	0/2	0%	0
INDEPENDENT MEMBERS OF AUDIT COMMITTEE										
C Mbili	12	2/2*	3/6	N/A	N/A	N/A	N/A	5/8	63%	R26 450
M Malope	3	N/A	2/2	N/A	N/A	N/A	N/A	2/2	100%	R6 613
K Mdutshane	2	1/1	N/A	N/A	N/A	N/A	N/A	1/1	100%	R4 408
R Buys	2	1/1	N/A	N/A	N/A	N/A	N/A	1/1	100%	R4 408
V Mokwena	8	N/A	1/2	N/A	N/A	N/A	N/A	1/2	50%	0

Note: The membership of the committees was reconstituted during the financial year. * indicates the meetings attended by a director while they were members of a particular meeting , e.g. 1/1.

SECTION FIVE

INTEGRATED SUSTAINABILITY REPORT

Johannesburg water has endeavoured to address crucial sustainability matters that impact both on the Company and the community at large. In this respect it has focused on financial and service delivery sustainability, risk and internal controls, human development and transformation, corporate social responsibility and the environment.

Sustainability vision

To be honest in contributing to the future sustainability of the Company by ensuring efficient management strategies while not compromising its stakeholders and the environment

Sustainability policies and strategies

Johannesburg Water in developing its business imperatives for a particular year as well as three business planning cycles does so in tandem with the Shareholder's political and service delivery prescripts contained in its growth and development strategy as well as its integrated development plan. The Company's business plan and balanced scorecard addresses issues related to the integrated sustainability by addressing financial, human capital, customer and environmentally focussed objectives.

Risk Management and Internal Controls

Risk management has become part of the regular planning and control cycle. Risks and associated mitigation measures are reported monthly and quarterly to the Executive Committee and the Board respectively. In addition, the effectiveness of the control measures is tested in accordance with the Risk Based Auditing method. All important risks, current and emerging, are continuously identified and proper measures are taken in relation to any real or anticipated threats to reliable quality service delivery and financial viability. The major risks facing the Company are business continuity, inadequate infrastructure investment and potential failure of infrastructure.

The Chief Internal Auditor has designed an audit plan taking the risk overview into account to ensure that high risk areas are adequately managed and controlled by management.

The Internal Audit Department has a specific mandate from the Audit Committee and Risk Committee to independently appraise the adequacy and effectiveness of the company's risk management process, internal controls and governance processes. Internal Audit reports are issued to the Executive Committee, Divisional Management, External Auditor, the Audit Committee and Risk Committee, and the summaries to the Board of Directors.

Stakeholder engagements and socio-economic development

The key objective was to support service delivery through the following three core functions:

- a) **Communications and Marketing** aim to inform the public and give them confidence in JW's ability to deliver a service by giving assurance about the water quality, security of supply and JW's achievements, strategies, and programmes for managing the City's water and sewage infrastructure, as well as to inform them about planned service interruptions. A key focus of the unit is also on enabling internal coordination and communication among the various JW departments.
- b) **Stakeholder Relationship Management and Public Education** is the key to the success of the implementation of Johannesburg Water service delivery projects through a variety of interventions. In addition, the unit aims to mobilize communities and other stakeholders to enable buy-in and project acceptance, and also monitors those relationships. It also supports the implementation of JW's water conservation and water demand side management strategy through public education and awareness creation initiatives that promote using water wisely.
- c) **Institutional and Social Development** is mainly responsible for facilitating public participation, advocacy and community mobilization in the planning and implementation of the Soweto Infrastructure Upgrading and Rehabilitation Project as well as the basic services' provision in the informal settlements.

Black economic empowerment

The Company's efforts in attempting to narrow the divide between the first and second economies, applied the principles of Broad Based Black Economic Empowerment (BBBEE) and focused on the following areas:

- Enhancing its BBBEE Scorecard
- Promoting access to procurement opportunities to SMMEs
- Facilitating and supporting emerging enterprises

BEE compliance for the financial year under review highlights the following achievements:

- In accordance with the DTI Codes of Good Practice on BBBEE and based on an independent opinion by a verification agency, the Company managed to maintain its BBBEE Contribution Level 5 status
- Total overall BEE procurement awards were 672.9 million and this constitutes a 91% BEE compliance rate of the total overall procurement (i.e. R739.6m) against a target of 70%. These awards are made up of R587.5 million from the tendered procurement and R85.4 million from the non-tendered procurement (i.e. quotations).

- Total overall actual BEE procurement spent in terms of invoices paid closed at R344.6 million and this constitutes a 94.1% BEE compliance rate of the total procurement spend (i.e. R366.2m) against the 70% target.
- Actual SMME procurement spent based on paid invoice was R225.1 million. The Company SMMEs comprises of emerging micro enterprises (EME) with a turnover of less than R5 million and qualifying small & medium enterprises (QSE) with a turnover of between R5 million and R35 million as per the BBBBEE Codes of Good Practice.
- Efforts to support and sustain young entrepreneurs and women owned enterprises resulted in actual BEE procurement spend based on invoice payments of R47.8 million for black women (i.e. at least 25% black women equity) owned and R16.6 million for black youth (i.e. at least 25% black youth equity).
- The Company's SMME development program continued to assist emerging contractors to improve their construction industry development board (CIDB) grading levels, provision of procurement opportunities and business skills. The basic plumbing skills development program for unemployed youth was also concluded with 5 candidates obtaining the construction education and training authority (CETA) accreditation, and the remaining 25 obtained certificates of completion. The aim of the program is to empower unemployed youth with plumbing and construction skills that would enable them start their own enterprises. To date, 2 new enterprises have been established from these efforts.

Transformation and empowering employees

In terms of transformation and empowering employees the Company's Balanced Score Card strategic perspective is Learning and Growth and its strategic objective is to develop human capital with three critical measures retention of scarce skills, employee satisfaction and investment in training. The company has continued to strengthen its ability to deliver on its mandate through skilled and service orientated staff.

In its talent management development programmes, the company has developed Engineering Capacitating Programme as mitigation to respond to loss of critical skills. The company has 60 registered employee candidates with the Engineering Council of SA and mentoring is provided in a number of ways. Over the past year 3 employees have achieved their professional registration. One retired engineer is contracted to provide mentorship and skills transfer.

The turnover of identified scarce skills that is engineers and artisans, for the year was 3.59% which indicates an increase of 0.29% but is consistent with the 3.3% achieved in the previous year. All staff turnover for voluntary resignations was at 1.81%, which is more or less consistent with the 1.53% achieved in 2011. The Bursar Programme also provides a pipeline of skills for the future. Currently there

are 15 Bursars (13 engineering and 2 computer sciences. The company also provides an internship programme. As at the end of June 2012 there were 11 interns this number included 4 trainee scientist interns which the company is hosting funded by the department of Science and Technology and the National Research foundation.

In terms of ensuring that there is long term workforce succession the company has implemented a Succession Planning programme which is over seen by the functional talent forums that operates within the Company. The programme is aimed at ensuring that critical skills and knowledge are retained and enhanced overtime particularly in the light of service exits through retirements, resignations etc. Focus is on preparing certain critical groups for needed workforce succession including continued training and leadership development. Succession plans are available for key positions in Operations, Strategic Business Support, Corporate Services and Finance and IT.

In terms of Employment Equity the company achieved its target for the appointment of females and the appointment of people with disabilities. Although this is the case the target in the appointment of people with disabilities is only met in the African categories and white male categories. People with disabilities constitute 3% as at 30 June 2012 and the target was 2.5 by the end of the current EE plan, which is 30 June 2014. This indicates an increase of people with disabilities by 1.52% in 2011/2012. The current complement for female staff is at 20.39% compared to 18.40% in the 2010/2011 financial year. This indicates an increase in female representation by 2% in 2011/2012 financial year..

The Company's performance management system is in place and is constantly monitored. All levels in the Company during the year and every employee or team were evaluated. The system of providing for salary progression subject to performance is still in place and is a stabilising factor in so far as industrial relations as well as retention of scarce skills are concerned. The company trained employees from supervisory level upwards on the performance management policy and its implementation process.

In terms of the Wellness Programmes, the company held its wellness week event on the 16th to the 20th April 2012 with the intension of increasing awareness of Chronic Illness, diseases such as diabetes, hypertension and tuberculosis as well as the risk of developing long term life style related illnesses. About 49.7% of staff participated during the Employee Wellness Event and 34.5% employees underwent VCT. The Company has 65 peer educators, who are full-time employees and who have shown passion and a willingness to assist their HIV positive colleagues to ensure that HIV positive employees receive care and support in the work environment.

In the 2011 Employee Satisfaction Survey (ESS), 1343 respondents completed the survey. This figure translates to 55% response rate. Subsequent to that the company took a decision to conduct the next survey in 2014 with the intension to afford the company an opportunity to address areas of dissatisfaction. An action plan has been developed outlining areas that would have to be attended to. The focus group process is currently on going.

The following are areas that the action plan is focusing on:

Areas of greatest neutrality: the dimensions of trust and organizational communication were prominent and these are critical markers in terms of the functioning of the company. High levels of neutrality on the dimensions highlight either uncertainty or the lack of willingness to comment.

Areas of greatest dissatisfaction: 35% or more disagreed with this dimension which related to leadership, training and development and organizational contributors to job satisfaction

As at 30 June 2012 the Company employed **2427** staff compared to 2426 as at 30 June 2011.

The Company employees belong to one of the five Medical Aid schemes (LA Health, SAMWUMED, Key Health, Bonitas, and Hosmed) except for those that have medical aid with their spouses and those that are on short term contract.

The Company believes that its employment practices are free from discrimination and possible barriers to employment equity are continuously addressed. In this regard the need for enhancement of ablution facilities for operational female staff was assessed and financial provision was made to address this issue on a continuous basis. The Company complied with legal requirements and annually files its annual employment equity report with the Department of Labour. Its three year employment equity plan is for the period 01 July 2011 to 30 June 2014. The company successfully met its targets for the first year which is 01 July 2011 to 30 June 2012.

The eventual target is based on the demographics of the country but it is deemed appropriate to develop milestones towards meeting the Company target that provides for:

Africans : 72,42%
 Coloureds : 6,53%
 Asians : 3,65%
 Whites : 17,4%

The distribution as at 30 June 2012 was:

Category	Percentage Male	Percentage Female	Total percentage
African	70.37	18.08	88.5
Coloured	2.59	0.824	3.4
Asians	1.07	0.45	1.5
Whites	5.56	1.03	6.6
Total	79.6	20.4	100

As at 30 June 2012 the Company employed 73 employees with disabilities against a target of 43.

The total number of training events for the 2011/2012 financial year was 4153. with 1254 employees trained These interventions included technical, compliance, work specialization and transversal skills training. The projected number to be trained for 2011/2012 was 1342.

With regard to Subsidized Education; 11 new applications were approved for 2011/2012. The fields of study included Engineering, Human Resources and Supply Chain Management.

The Company continues to review its human resources policies and practices to ensure compliance with the relevant legislations.

Environmental responsibility

The National Environmental Management Act, 1998 (Act No 107 of 1998) gives everyone the right to an environment that is not harmful to personal health or well being, it also gives everyone the right to have an environment protected for the benefit of present and future generations through appropriate legislative and other measures. Such legislative and other measures are intended to ensure the prevention of pollution and ecological degradation, the promotion of conservation and to ensure the protection of our ecology when exploiting our natural resources in achieving a sustainable economic and social development of our communities.

Conserving natural water resources, making the most efficient use of both the water, which is abstracted, and the costly infrastructure, which delivers it, for the benefit of all communities and sectors on an equitable and sustainable basis, represents a major intellectual challenge. This challenge is at least equal to those met in the past, and which continue to be faced, in harnessing the natural resources and providing the extensive and technically complex infrastructure which enables the urban and industrial economy of the nation to flourish.

In all situations there should be a balanced and optimised position in which water conservation and demand management measures make a real and cost effective contribution to making maximum use of the existing infrastructure assets, whilst also reducing the investment cost of new infrastructure compared with the cost if the traditional approach is adopted. The company has continued implementing the strategy to reduce demand in line with national imperative, however it should be noted that funding still remains a challenge to expedite the required programs.

The standard for drinking water quality SANS241: Edition 6.1, states that at least one sample per month per 100 000 of population should be taken. The company continues to meet and exceed the required standard and this feat was recognised by the national Department of Water Affairs through the awarding of the Blue Drop Certification to the City of Johannesburg and Johannesburg Water in managing drinking water quality.

The Johannesburg Water Environmental Management Policy is aligned with that of the City of Johannesburg in the pursuit of discharging of the entity's obligations in terms of the aforementioned Act.

The Board of Johannesburg Water, its leadership and management are committed to the protection of the environment. This is indicated by the entity's endeavour in ensuring that the operational activities, in undertaking the mandate of providing water and sanitation services to the communities of the City of Johannesburg is carried out within a framework that is consciously sensitive to the protection of the environment. In the past year JW has achieved effluent quality of 96.95% against a target of 97%.

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SECTION SIX

FINANCIAL STATEMENTS