

a world class African city

**- CITY POWER JOHANNESBURG
(SOC)LIMITED/NON PROFIT COMPANY**
Registration No: 2000/030051/30



City Power 2012/13 Draft 3 Annual Report

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

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CITY POWER JOHANNESBURG (SOC)LIMITED / NON PROFIT COMPANY

COMPANY INFORMATION:

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

Vision

To be a world-class electricity distributor

Mission

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

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

Aspired values

City Power aspires to be:

Resourceful

Resilient

Reliable

Respectful

And to always act with integrity.

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CHAPTER ONE: LEADERSHIP & CORPORATE PROFILE

KEY ACHIEVEMENTS

- Stable and strengthened Board leadership
- Improved corporate image



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Section 1: Corporate Profile / Overview of the entity

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

City Power was established in 2001 as an independent municipal entity, wholly owned by the City of Johannesburg. The National Energy Regulator of South Africa (NERSA) granted City Power a license to trade on 19 December 2001. Today, City Power has approximately 425 000 customers; ranging from domestic to commercial and industrial properties.

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

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

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

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

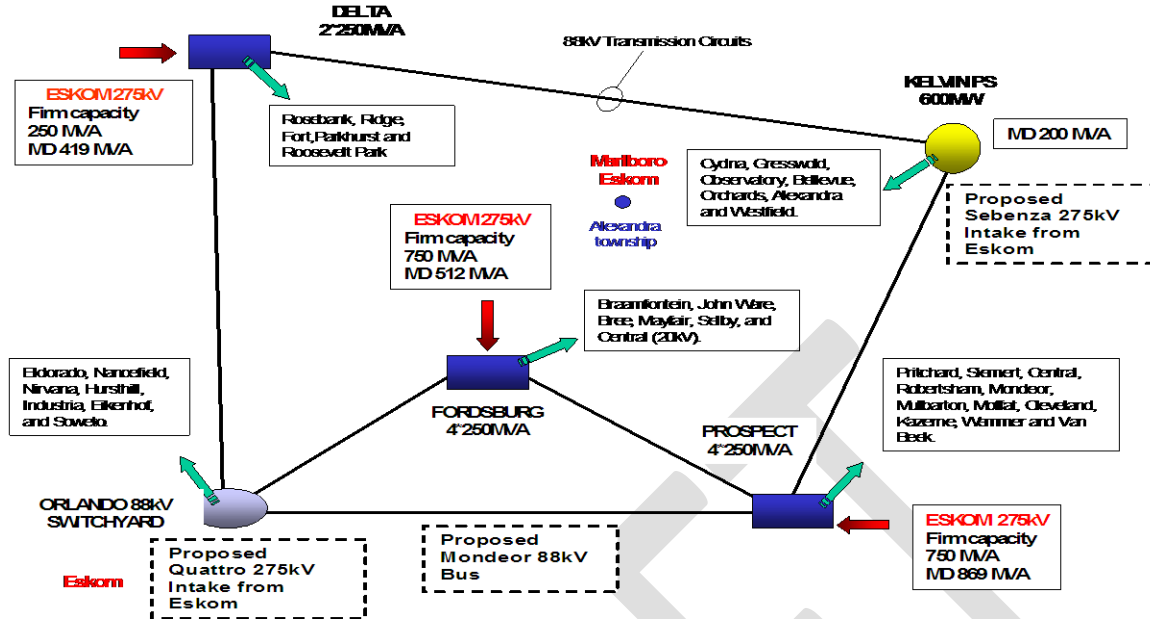
City Power is not the sole provider of electricity services for the City. The areas not covered by City Power (predominantly Soweto and Sandton), are serviced by Eskom.

City Power's Network Infrastructure

Measure Indicator	Unit	2012/13	2011/12	2010/11
Eskom Supply Points	No.	41	43	42
High Voltage Substations (Bulk Intake Points)	No.	5	5	5
Medium Voltage Substations (Major Substations) excl. Bulk Intake Substations	No.	87	87	87
Low Voltage Substations (Devices)	No.	18,366	18,366	18,366
High Voltage Overhead Transmission Lines > 44kV	km	811.37	811.37	811.37
High Voltage Transmission Cables > 44kV	km	101.1	101.1	101.1
Medium Voltage Overhead Lines >20.5kV and < 44kV	km	9.6	9.6	9.6
Medium Voltage Cables >20.5kV and <44kV	km	118.8	118.8	118.8
Ripple Relays Installed	No.	196,000	196,000	192,000
Ripple Relays In-service	No.	128,800	128,800	124,800

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

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City Power's Johannesburg transmission system and power nodes

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

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

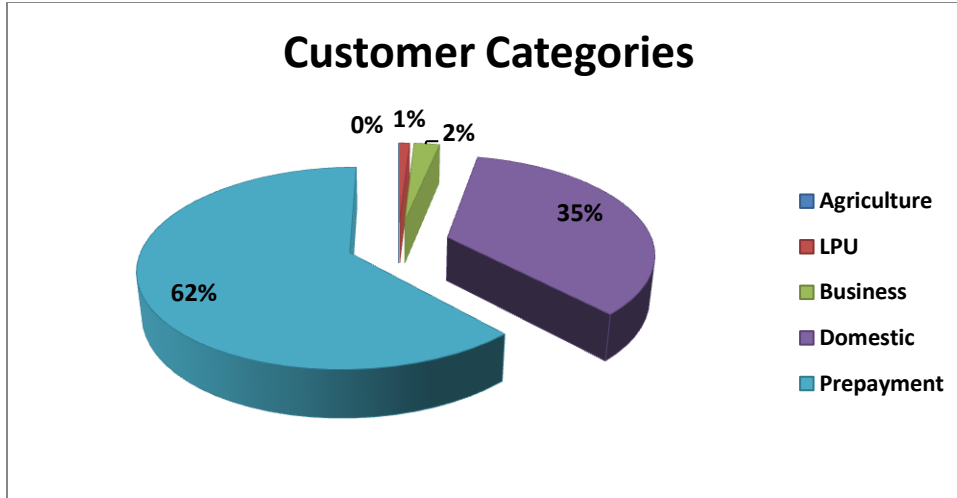
Customer Base

As can be seen from the table below, the total number of customers supplied by City Power has gradually increased since 2010/11.

Type	2012/13	2011/12	2010/11
Agriculture	26	29	29
LPU	3 883	4,113	4,078
Business	10 063	10,744	10,209
*Domestic	147 516	158,268	177,571
Prepayment	263 163	249,213	216,019
Total	424 659	422,367	407,906

*Conventional customers reported are above are based on customers invoiced as at end of June 2013, therefore they do not represent total active accounts as there are customers were not billed or invoiced.

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Electricity Sales and Purchases

Sales

Measure Indicator	Unit	2012/13	2011/12	2010/11
Electricity sales	MWh	9 719 597	9 776 936	11,272,961
Growth in electricity sales	%	0.6	-13.3	-3.1
Revenue	R'000	12 364 732	10 982 623	9,786,301
Growth in revenue	%	12.58	12.2	35.26
Number of customers	No.	424 659	422 367	407,906
Gross margin	%	33.72	36.73	40.22

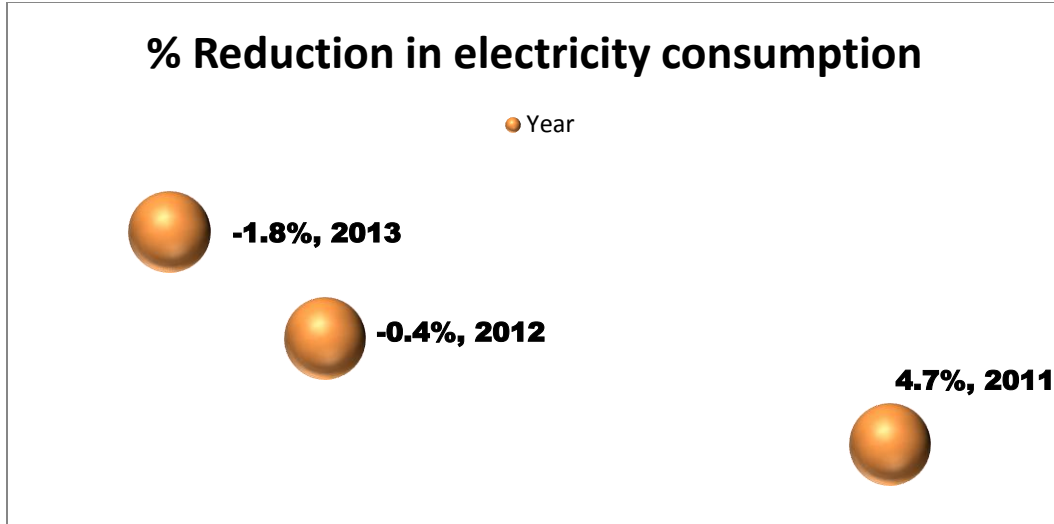
Purchases

Measure Indicator	Unit	2012/13	2011/12	2010/11
Bulk purchases	MWh	12, 825, 510	13,064,152	13,116,388
Direct costs of bulk purchases	c/kWh	65.35	56.71	47.7
Gross Margin	%	33.72	36.73	40
% reduction in electricity consumption	%	-1.8	-0.40	4.7

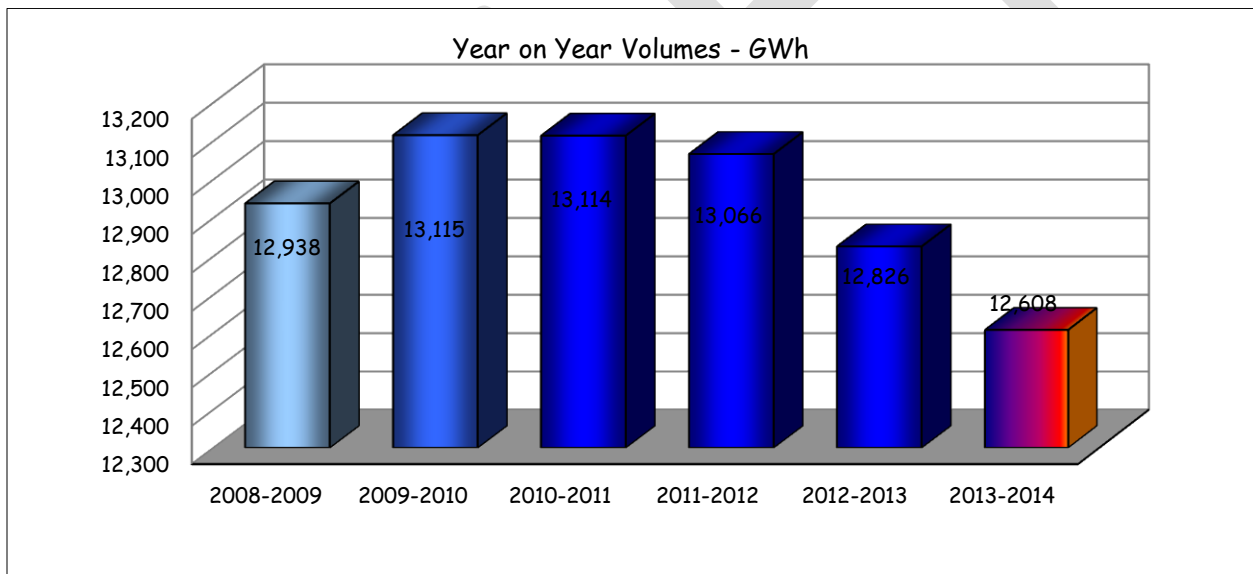
Despite the decrease in purchases volumes, revenue has been increasing due to the tariff increase.

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

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Over the last 3 years the trend in terms of units purchased has been a downward one.



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City Power Staff Complement

City Power fosters effective human resources practices with a view to contributing to the organisation's goals. It has a total staff complement of 1,622 (permanent and contract).

Categories	Male				Male Total	Female				Female Total	TOTAL
	African	Coloured	Indian	White		African	Coloured	Indian	White		
Top Management (Executives)	1	-	-	1	2	1	-	-	-	1	3
Senior Management	12	1	2	4	19	3	-	-	1	4	23
Professionally qualified and experienced specialists and mid-management Managers and Professionals	119	6	4	68	197	99	1	1	7	108	305
Skilled technical and academically qualified workers, junior management, supervisors and Technicians	80	19	4	29	132	22	2	-	5	29	161
Artisans (All types)	243	15	3	68	329	26	1	-	-	27	356
Administrative	39	1	1	5	46	82	6	3	27	118	164
Semi-skilled and discretionary decision making	494	8	-	5	507	35	2	-	1	38	545
Elementary positions	16	-	-	-	16	47	2	-	-	49	65
Total (Permanent and Contract)	1,004	50	14	180	1,248	315	14	4	41	374	1,622

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Section 2: Strategic Objective

City Power was established in 2001 according to the principles of the Egoli 2002 Plan and it is wholly owned by the City of Johannesburg. The review of the Growth Development Strategy 2030 was brought about by a shift in the light of climate change and natural resource scarcity. Natural resource scarcity affects both human and economic development. Without securing natural resources, cities cannot sustain human and economic development. "Cities are seeking new ways of overcoming critical natural resource constraints, 'decoupling' as a concept has emerged to assist national governments and cities to 'decouple' economic production and consumption from resource use. The emphasis has shifted in an important way, reframing economic and human development within the context of sustainability."

Several themes emerged from the document, which will impact on how City Power does business in the future, if it is to align itself to the goals of the City of Johannesburg. These themes gave rise to Joburg 2040: master programmes and flagship programmes, which are outlined below.

Joburg 2040 : Towards Implementation

EMERGING MASTER PROGRAMMES

ENABLING RESILIENCE, INCLUSION & SUSTAINABILITY	Transforming deprived spaces, integrated planning for inclusive development, area-based economic initiatives, informal settlements to interim sustainable settlements, single window for poor & vulnerable, long & healthy life for all, food resilience
ENABLING GROWTH & JOB CREATION	Transforming the economy, targeted economic growth, proactive land management, transit oriented development, competitiveness support,
EMPOWERING CITIZENS & PARTNERSHIPS	customer care, civil and business sector mobilisation Multi-level Skills development, support to schools and lifelong learning and ECD
GOING GREEN	Green ways & shift to green, low carbon economy, reduce recycle reuse, integrated urban water management systems, building climate change resilience
INSTITUTIONAL RENEWAL	Metro system of governance, institutional leadership development, IGR, communication, financial resilience

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GDS Master Programs

Master Program	City Power Program
Master Program 1: Enabling Resilience, Inclusion & sustainability	<ul style="list-style-type: none"> • Refurbishment of Ageing Network • Improve Network performance and quality of supply and service • Refurbishment of aging infrastructure
Master Program 2: Enabling growth & job creation	<ul style="list-style-type: none"> • Revenue Step Change (Revenue Generation and protection) • Expansion and Strengthening of Bulk Infrastructure
Master Program 3: Empowering citizens & partnerships	<ul style="list-style-type: none"> • Improve Customer Centricity and people development
Master Program 4: Going Green	<ul style="list-style-type: none"> • Demand Side Management • Supply Side Management • Smart Grid Solutions
Master Program 5: Institutional renewal	<ul style="list-style-type: none"> • Continuous improvement of the business

GDS Flagship Programmes

City Power's revised business plan ensures alignment with the City's strategic direction and the GDS 2040. City Power forms part of the sustainable infrastructure cluster and the cluster has identified six flagship sub-programmes which driven by different departments and ME's. The specific sub program driver by City Power is the "Shift to low carbon infrastructure".

GDS – Flagship IDP Sub Programs	
1. Urban Water Management	<ul style="list-style-type: none"> - Water Loss Management - Repairs and maintain dams
2. Green Ways and Mobility	<ul style="list-style-type: none"> - Pedestrian bridges - Rea Vaya BRT - Repair and Maintenance of Roads
3. Integrated Waste Management	<ul style="list-style-type: none"> - Separation at Source - Landfill to gas
4. Shift to low Carbon infrastructure	<ul style="list-style-type: none"> - Smart metering - Energy efficiency
5. Sustainable Human Settlement	<ul style="list-style-type: none"> - Basic Needs - Upgrading of marginalized Areas

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Shift to low Carbon infrastructure

City Power has the following short, medium and long term objectives for the low carbon infrastructure program

Short term	Medium term	Long term
<ul style="list-style-type: none"> • Focus on Revenue generation and protection programs through roll out of pre-paid and smart metering infrastructure • Reduction of electricity distribution losses • Demand Side Management (DSM) including SWH for RDP and energy efficient lighting • Consider “bi-directional” metering arrangements (smart meters) to support renewable energy 	<ul style="list-style-type: none"> • Review electricity products • Introduce “Green Tariff” to stimulate renewable energy and carbon reduction • Develop “wheeling charges” to facilitate transport of 3rd party electricity across City Power networks • Introduce time of use management at household level 	<ul style="list-style-type: none"> • Move towards a network/ wires company as opposed to electricity distributor • Consider DSM, SSM and network de-congestion through “buy-back” schemes (energy mix) • Enable Smart Grids electricity networks in support of the Smart City concept

City Power has introduced the revenue war plan which will focus on helping to achieve many of the short and medium term objectives of the low carbon infrastructure programme. This includes:

- Introduction of Pre-paid and Smart Metering technology
- Restructuring of the organisation to ensure that the Retail Services Unit deals with Revenue protection/generation Programme (this will ensure return on investment)
- Identification and repair/replacement of broken/faulty meters.
- Identification and calibration/replacement of inaccurate meters.
- Identification and correction of meters that have been bypassed or tampered with
- Securing meters against tampering
- Identification and correction of all customers without meter readings or with estimates.
- Performance of data validation checks to identify any obvious billing errors (trend analysis).
- Consideration of alternative ways of collecting meter readings, preferable remote meter reading (e.g AMR)
- Assistance in speedy resolution of billing queries, with specific focus on platinum customers
- Ensuring efficient and accurate information exchange between City Power and COJ's Customer Service Unit.
- Management of the interface between City Power and COJ's Customer Service Unit by setting standards, monitoring performance, reporting on performance, act on poor performance.
- Introduction of a specific KPI to measure percentage reduction in arrear debt

In terms of developing long term programmes which will have the desired impact, City Power has begun installing smart meters which are part of the overall smart grid concept, in line with the City's objective of being a “Smart City”:

Carbon Emissions

To align the city with the international requirement to reduce carbon emissions, a number of renewable energy and DSM initiatives have been developed.

Supply Side Management

City Power takes the majority of its power from Eskom and a very small contribution from Kelvin Power Station. Almost 98% of this power is produced from coal which is one of the major contributors of CO2 emissions. The country has committed itself to reduce certain amount of emissions and through participation in Integrated Resource Plan 2010 (IRP2010), City Power has to come up with meaningful

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contribution to the goals of IRP2010. These initiatives will be confined within the useful renewable resources within the City of Johannesburg.

These are initiatives will help reduce heavily reliance on Eskom and Kelvin supply especially in isolated areas where City Power does not have adequate infrastructure to satisfy the load requirement while helping the city to reduce its carbon footprint. The city has embarked on a number of solar projects i.e. solar water heaters, photovoltaic and waste to energy to reduce dependency on coal produced electricity. City Power is also investigating an affordable off grid solutions for informal settlements where there are no services installed.

Demand Side Management

The city has also embarked on a number of energy efficiency initiatives like the replacement of incandescent lights with compact fluorescent lights. This has seen massive savings in residential dwellings and city buildings. City Power is also busy with the replacement of current induction lamps with the energy efficient and LED lights. These technologies are helping tremendously in reducing technical losses and improve the life time of those components

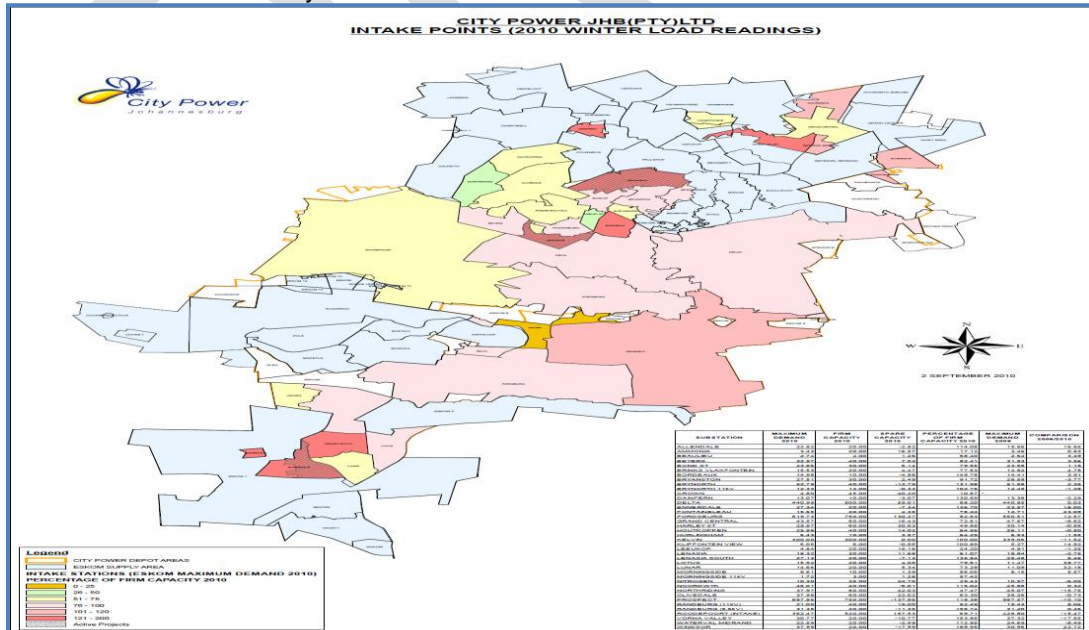
Inadequate Infrastructure

Johannesburg is one of the oldest cities in South Africa and it still requires huge investment to address the old infrastructure associated with the city's age. The old infrastructure poses big threats on the network and is associated with long outages as there are no spares to repair the current fleet. City Power has done an extensive study and programme to replace, standardize and refurbish this infrastructure

With the closure of Orlando Power Station and the reduced output of the Kelvin Power Station, network instability was created, which if not attended to can cause cascading blackouts that will be negatively affect the economic growth of the city and have a measure impact on the overall growth in the country.

To address the challenge, the master plan suggests the establishment of Sebenza (Kelvin alternative) and Quattro (Orlando alternative). It also came up with a number of expansion and strengthening projects on substations and high voltage overhead lines.

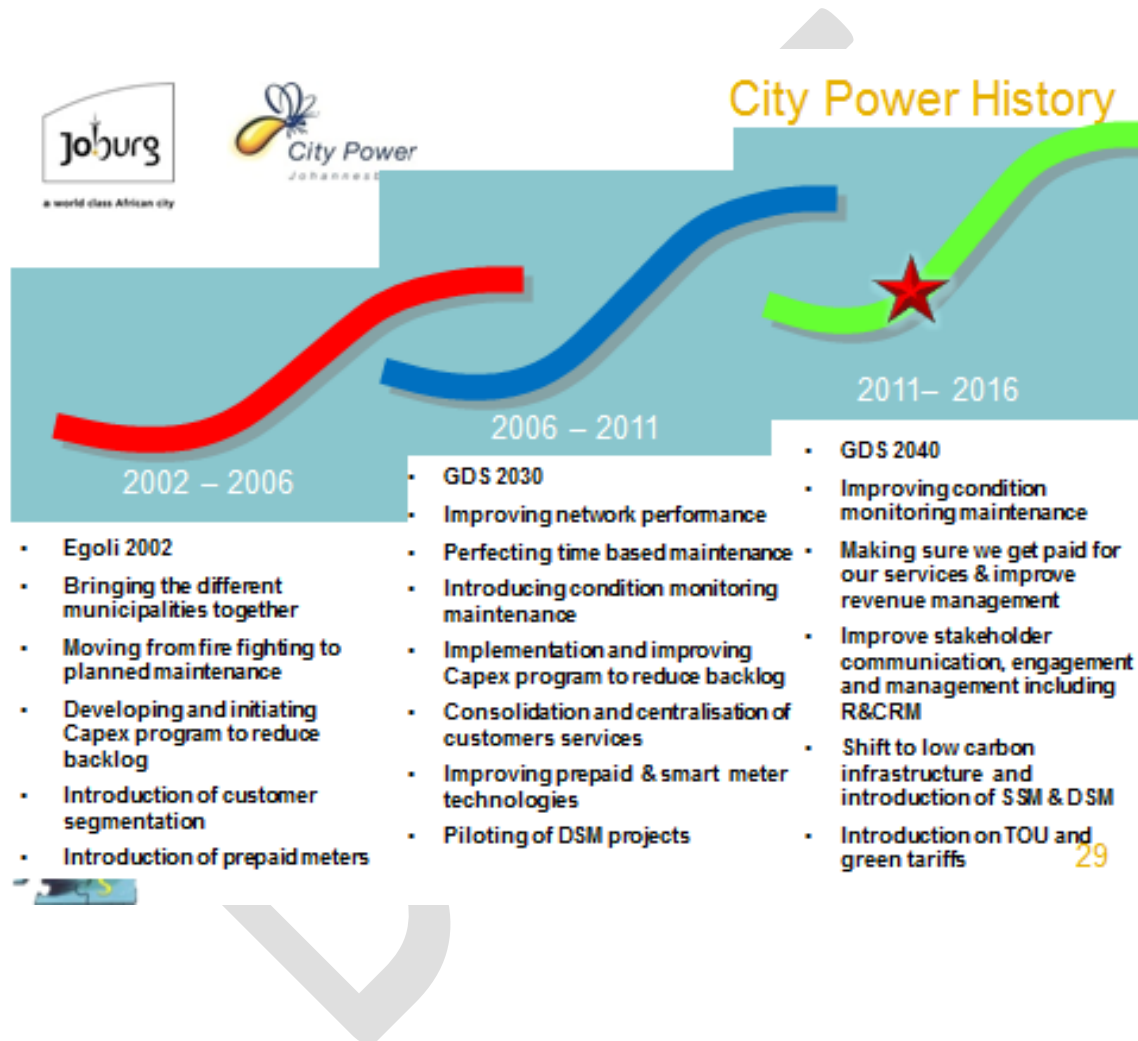
Below is the hot spot map showing critical areas that needs urgent attention in terms of infrastructure investment. Without this investment, Johannesburg will not sustain the required economic growth and this will cascade nationally.



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City Power shifting the Strategic Focus (Changing the Course)

Board and management the company recently reviewed the strategic direction of the organization and it became clear that the entity is at a strategic inflection point. Ten years on, an assessment must be made as to whether the current business model is still relevant and is aligned to stakeholder expectations and to the GDS 2040. In addition, the current business model needs to be reviewed in light of the creation of R&CRM unit at COJ. In light of the changing energy landscape City Power must consider becoming a provider of alternative sources of energy. This strategic direction will impact on how the company conducts its business going forward, requiring the need to review the business model. This will help redefine the company strategy and ensure alignment to the Growth and Development Strategy and IDP.



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City Power has identified 6 Key focus Areas for 11/12 and 12/13 to assist the business to align to the GDS and to shift to low carbon economy.

GDS Alignment	Key Focus Area	Objectives	Achievements for 2012/13
Institutional Renewal	Review Business Model	To re-align business operating model to better enable delivery of strategy.	<ul style="list-style-type: none"> City Power is in the process of reviewing and updating the Information security policies and the Disaster recovery strategy. The strategic choices model was updated with reworked customer data and expanded to allow the analysis of financial viability A Tariff Design Model was developed Core value chains were reviewed and mapped to level 3 with integration points The Fixed Asset Register process was developed, approved, signed off and communicated
Going Green	Energy Management	To define revenue and energy management strategy	<ul style="list-style-type: none"> DSM initiatives have been implemented such as Solar Water Heating (SWH) installations: 27 091 SWH have been installed against a target of 20 000 Additional Grant Funding is being sourced. Removal of illegal Connections and replaced with tamper proof meters with protective structures. Currently utilising JMPD & SAPS to enforce by-laws.
Enabling Growth and Job Creation	Revenue Step Change (Revenue Generation and Protection)	Improve meter reading performance, Ensure accurate billing on large power users, Management of the agency agreement, Roll out pre-paid metering in line with strategy	<ul style="list-style-type: none"> Actual meter reading performance for the year is 78.05% A project has been undertaken to convert meters from conventional to pre-paid
Enabling resilience, inclusion and sustainability	Obtain Unqualified Audit	Put in place a process to achieve and maintain an unqualified audit.	<ul style="list-style-type: none"> There is a plan and on-going action to address the qualification and other matters, including ensuring that monthly monitoring and approval of audit reconciliation is done.
Enabling resilience, inclusion and sustainability	Improve Asset Management	Develop techniques and processes for creating, maintaining & accounting of assets.	<ul style="list-style-type: none"> As part of City Power's institutional renewal project and the maintenance strategy journey map to progress from reactive to preventative maintenance a new Plant Condition Monitoring section has been created. The primary function of this section has been to undertake the condition monitoring of all components forming part of the electricity supply chain. The components to be monitored are overhead lines, major substations, the distribution networks, secondary

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GDS Alignment	Key Focus Area	Objectives	Achievements for 2012/13
			<p>plant and public lighting. The section has successfully achieved the following:</p> <ul style="list-style-type: none"> ○ All 7 bulk intake and switching nodes (Prospect, Delta, Fordsburg, Roodetown, Sentraal, Kelvin and Orlando) have been fully inspected and tested (PD, IR and acoustic). ○ All 87 major substations have been inspected and tested. ○ A database, summarizing the defects found, has been compiled and is updated on a weekly basis to indicate the status of the rectification process
Enabling Growth and Job Creation	Improve Public Lighting	To quantify PL costs and find innovative means to manage PL.	<ul style="list-style-type: none"> ● A War room has been set up to prioritise issues and improve processes, and as a result the TAT for June 2013 has improved to 4 days
Empowering citizens and partnership	Human Capital Investment	Ensuring that the right people with the right skills are in the right positions to deliver strategy.	<p>The organization embarked on a restructuring process in 2012/13 with the objectives of :</p> <ul style="list-style-type: none"> ● Segregation of duties ● Clarity of roles and responsibilities ● Separation of execution and planning activities ● Logical grouping of functions (synergy) ● Clear distinction between core and supporting function

The Six Key Focus Areas have been linked to various KPI's which are included in the Company Compact and are reported on a quarterly basis in the Chairperson's Quarterly and various other reports to the Executive Committee and the Board.

The various projects of the Turnaround Strategy have also been incorporated into some of the Key Focus Areas.

The performance of the Managing Director and the focus areas including the performance of the business in general is incorporated and integrated into the quarterly report.

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

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

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

Section 3: Salient Features

City Power has improved on metering issues and clearing of billing errors as part of the War Plan. Over 10 000 faulty meters were identified and replaced or repaired as part of the Metering War Plan.

Below are some more of the organisation's major achievements for the 2012/13 financial year:

- Payment levels at 94.77% for the year
- Installation of 27 091 solar water heaters (geyser) in various areas including Alexandra, Devland, Lehae, Tshepisoong and Vlaktefontein. The programme will continue in the first quarter of 2013/14 financial year.
- Net profit of R1 317 million
- Yet again in this financial year, City Power retained the full ISO accreditation certificate within the three ISO standards listed:
 - ISO 14001:2004 (Environment Management System)
 - ISO 9001:2008 (Quality Management System)
 - OHSAS 18001:2007 (Health and Safety)
 - There has been a general improvement in employee safety standards. DIFR for the period under review is 0.40 which is significantly below the international benchmark of less than 1.
- Performance on overall meters read that are within the By-Law compliance has improved to 90%.

Financial:

Key financial indicators	2012/13	2011/12	2010/11
	R'000	R'000	R'000
Total assets	13,351,778	11,497,306	11,554,129
Total equity	6,327,949	5,010,664	3,930,772
Total equity and liabilities	13,351,778	11,497,306	11,554,129
Short-term loan to shareholder	2,705,337	1,190,591	1,786,482
Bank balances	42	30	20
Capital expenditure	1,288,536	(702,663)	(1,089,833)
Municipal infrastructure grants (MIG)		45,000	54,516
Revenue	13,087,612	12,493,692	9,786,301
Grant and subsidies	168,909	186,441	202,315
Direct cost	(8,194'936)	(7,647,830)	(5,984,046)
Employee costs	(694,132)	(696,754)	(663,772)
Finance income	217'486	193'946	143,711
Finance costs	(395,820)	(388,482)	(400,187)
Surplus before tax	1,361,670	1,588,592	1,119,898
Income tax expense – deferred	(44,385)	(356,237)	(260,832)
Surplus for the year	1,317,285	1,232,355	859,066
Net cash from operating activities	2,957,092	222,583	1,837,304
Net cash used in investing activities	(1,367,154)	(807,025)	(1,270,662)
Net cash from financing activities	(1,589,926)	584,452	(566,642)
Financial ratios	2012/13	2011/12	2010/11
	R'000	R'000	R'000
Liquidity	1.77:1	1.74:1	1.22:1
Solvency	2.00:1	1.79:1	1.21:1
Total operating expenditure/revenue	24.36%	23.32%	28.27%
Interest coverage	4.44	5.09	3.44

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Non-Financial:

GDS Master Programmes	CP IDP Programme	KPI	Unit	Actual 2011/12	Plan 2012/13	Actual 2012/13	
Shift to low carbon Economy	Improve Network performance and quality of supply	SAIDI	Minutes	94.98	702	1 336.57	
		SAIFI	Number	3.08	3.08	4.78	
		CAIDI	Minutes	368.73	368	280	
		CAIFI	Number	0.08	1.20	0.07	
		Planned: Unplanned Maintenance	%	62:38	70:30	64:36	
		NRS 047 Compliance: % customers supply restored within					
		1.5 HRS	%	30.51	30	29.35	
		3.5HRS		73.58	60	69.14	
	7.5HRS		91.96	90	84.68		
	24HRS		98.85	98	98.59		
	NRS 048 Compliance	%	100	100	100		
		Refurbishment of ageing infrastructure	Average age of infrastructure	Years	55	53	39
		Expansion of electricity network	Provision of public Lights	Number	5 164	4 200	5 343
			Electrification	Number	5 610	3 000	3 307
	Demand Side Management	After Diversity Maximum Demand (ADMD)	KvA	0	0.12	0.12	
		Energy Mix	%	New	6.2	7.5	
		Energy Efficiency	MW	New	2.3	0	
	Revenue step change	Payment Levels (Current consumption)	%	92	93	94.77	
		Meter Rollout	Number	NEW	20 000	19 958	
		Meter Reading performance	%	98	97	78.05	
		Reduction of arrear debt book	%	New	45	0	
		Losses Technical Non-Technical	%	19.31	15	25.6	
		EPWP	Number	2 333	2 500	3 220	
	Revenue step change programme	FBE	kWh/ Household	150	150	150	
Shift to low carbon economy	Improve Customer Centricity and people development	Customer Satisfaction	%	65	65	56.6	
		Affirmative Action (all)	%	79.23	83	86.6	
		Gender Equity (all)	%	20.91	22	23.10	
		People with Disability	%	2.89	2	2.89	
	Continuous Improvement of the business	DIFR	Ratio	0.51	0.45	0.40	
		ISO accreditation	Audit Report	Unqualified audit with minor findings per accreditation		Unqualified Audit Report	
		Attainment of an unqualified audit report	Audit Report	Qualified audit report with matters of emphasis, material adjustment and other matters	Unqualified audit with matters of emphasis	Unqualified audit with matters of emphasis	

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Section 4: Foreword: MMC *(Subject to finalisation)*



CITY OF JOHANNESBURG

Member of the Mayoral Committee for Environment and Infrastructure Services Department,

Councillor: Matshidiso Mfikoe



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

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

City Power has delivered on a number of important strategic areas during the year and has aligned itself to the strategies and goals of the City of Johannesburg. Progress has been made in solving metering problems and clearing billing errors, which resulted in the identification and replacement or repair of over 10 000 faulty meters this year. In addition, City Power installed over 27 000 solar water heaters in various areas which contributed in the reduction of electricity demand whilst providing an improved service to residents of the City.

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

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

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Section 5: Foreword: Chairperson *(Subject to finalisation)*

Chairperson of the Board of City Power

Rev. Frank Chikane

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



City Power has obtained a clean audit opinion for the year under review, following a period of 3 years of qualified audit opinions. This is a significant development and was achieved by a mammoth commitment on the part of the Board and Management of City Power to constantly guide the progress with vigilance. I acknowledge the immense effort which went into implementing the action plans designed to resolve the problem areas previously raised by the Auditor General.

Productivity and efficiencies have improved at City Power this year. As a result of the programme undertaken on behalf our shareholder, City of Johannesburg, we reported increased capital expenditure. We also welcomed two new Board members, which added to the depth of leadership of the organisation.

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

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Section 6: Foreword: MD *(Subject to finalisation)*

Managing Director of City Power

Mr. Sicelo Xulu

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



During the year under review, City Power reported a number of successes against target. The average time taken to resolve queries which require investigations is markedly lower than target at 1.15 days. The number of households with access to basic electricity services is 427 029 - an increase on last year's performance and in excess of target. In addition, customer payment targets were exceeded as a result of a number of interventions put in place by City Power.

A new Plant Condition Monitoring section has been created within City Power to monitor the condition of all components of the electricity supply chain. The initiative has already seen some success during the year and we expect that this will continue to gain momentum.

The Revenue Step Change (RSC) Programme was introduced last year to provide solutions to challenges faced by the City in terms of revenue, billing and cash collection. The next phase of this programme has been implemented and the target is to reduce losses to 10% during 2013/14.

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

A key focus area this year was the implementation of a broad range of controls and measures to address the issues raised in the Auditor General's qualified audit opinion on last year's annual financial statements. I am pleased to report that concerns raised over management's difficulty in stabilising the revenue control environment have now been addressed and additional measures have been instituted, to the extent that City Power has been given a clean audit for the period under review.

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

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Section 7: Statement of Responsibility

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

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

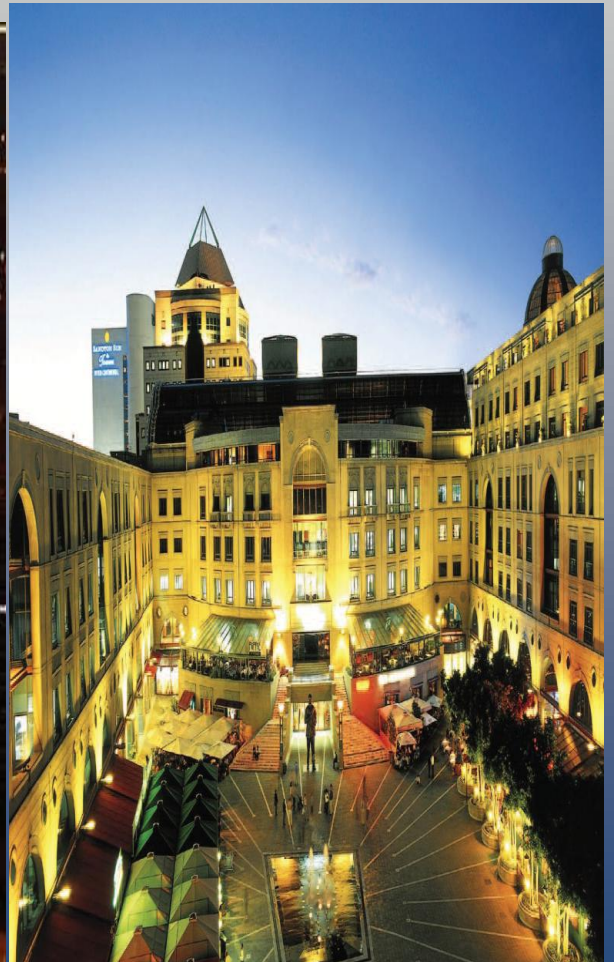
The Auditor-General, who was given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the Board of Directors and committees of the Board, has audited the financial statement. The directors believe that all representations made to the Auditor-General during their audit are valid and appropriate. The Auditor-General's report is presented in Annexure C. The financial statements were approved by the Board of Directors on 29th of November 2013.

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CHAPTER TWO: GOVERNANCE

KEY ACHIEVEMENTS

- **Stable and strengthened Board leadership**
- **Active Fraud Prevention Initiatives**
- **Successfully underwent ISO 90001 recertification audits Unqualified report was received**
- **Successfully cleared the Six (6) ISO 14001: 2004 and OHSAS 18001: 2007 Audit findings (November 2012)**



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Section 1: Corporate Governance Statement

Ethical Leadership

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

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

Corporate Governance

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

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

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

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

Corporate Citizenship

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

Compliance with laws, rules, codes and standards

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

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Section 2: Board of Directors

City Power has a unitary Board, which consists of executive and non-executive Directors. An annual general meeting was held on 11 March 2013 at which two non-executive directors were retired. The three independent Audit Committee members were retained. During the year under review two non-executive Directors resigned from the Board.

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

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

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

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

Attendance at meetings held during the year was as follows:

Directors	Board	HR	Risk, Assurance & Compliance	Social & Ethics	Quarterly Review	Audit
NR OF MEETINGS HELD FOR THE FINANCIAL YEAR	5	5	4	4	3	7
Rev. F Chikane	5 of 5	-	-	3 of 3	3 of 3	-
Adv. G Badela <i>(retired: 11 March 2013)</i>	4 of 4	5 of 5	-	-	2 of 2	-
Mr. N Galawe	5 of 5	-	4 of 4	3 of 4	-	-
Ms. Z Hlatshwayo	4 of 5	-	-	3 of 4	2 of 3	-
Mr. N Hlubi	5 of 5	-	-	-	3 of 3	7 of 7
Mr. B Mofokeng <i>(resigned: 4 March 2013)</i>	4 of 4	-	3 of 3	-	-	4 of 6
Ms. N Mohlala	5 of 5	4 of 5	-	4 of 4	-	-
Dr. M Motebang <i>(resigned: 7 November 2013)</i>	2 of 2	2 of 4	-	1 of 1	-	-
Dr. Y Ndema <i>(retired: 11 March 2013)</i>	1 of 1	-	3 of 3	-	1 of 1	-
Mr. T Sithole	5 of 5	3 of 5	4 of 4	-	-	-
Mr. S Xulu	4 of 4	5 of 5	4 of 4	4 of 4	3 of 3	6 of 7

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Directors	Board	HR	Risk, Assurance & Compliance	Social & Ethics	Quarterly Review	Audit
<i>Independent Audit Committee</i>	-					
Ms. L Fosu	1 of 2	-	-	-	-	4 of 7
Mr. W Hattingh	2 of 2	-	-	-	-	7 of 7
Mr. H Moolla	2 of 2	-	-	-	-	7 of 7
DATES OF MEETINGS :	14 Aug '12 30 Aug '12 30 Nov '12 22 Feb '13 30 Apr '13	8 Aug '12 28 Aug '12 2 Oct '12 1 Nov '12 29 Jan '13	6 Aug '12 19 Oct '12 15 Feb '13 16 Apr '13	27 Aug '12 4 Dec '12 14 Feb '13 18 Apr '13	12 Oct '12 25 Jan '13 18 Apr '13	13 Aug '12 27 Aug '12 30 Oct '12 13 Nov '12 26 Nov '12 1 Feb '12 17 Apr '13

Section 3: Board Committees

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

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

3.1 Audit Committee

The Audit Committee consists of the following non-executive Directors and Independent Audit Committee Members:

- Nhlanhla Hlubi
- Bernard Mofekeng (Resigned from the Board on 24 March 2013)
- Linky Fosu
- Waldo Hattingh
- Haroun Moolla

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

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

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

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3.2 Social and Ethics Committee

The Social and Ethics committee consists of the following non-executive and executive directors:

- Zanele Hlatshwayo
- Frank Chikane
- Nceba Galawe
- Nomaswazi Mohlala
- Maria Motebang (Resigned from the Board on 07 November 2012)
- Sicelo Xulu (executive director)

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

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

3.3 Human Resources Committee

The Human Resources Committee consist of the following non-executive and executive directors:

- Ghandi Badela (Retired from the Board on 11 March 2013)
- Nomaswazi Mohlala
- Maria Motebang (Resigned from the Board on 07 November 2012)
- Thulani Sithole
- Sicelo Xulu (executive director)

The Committee met 5 times during the year under review.

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

3.4 Risk, Assurance & Compliance Committee

The Risk, Assurance & Compliance Committee consists of the following non-executive and executive directors:

- Yondela Ndema (Retired from the Board on 11 March 2013 and Reappointed on 25 July 2013)
- Nceba Galawe
- Bernard Mofokeng (Resigned from the Board on 24 March 2013)
- Thulani Sithole
- Sicelo Xulu (executive director)

The Committee met 4 times during the year under review.

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

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3.5 Quarterly Review Committee

The Quarterly Review Committee consists of the following non-executive and executive directors:

- Frank Chikane
- Zanele Hlatshwayo
- Nhlanhla Hlubi
- Yondela Ndema (Retired from the Board on 11 March 2013 and Reappointed on 25 July 2013)
- Sicelo Xulu (executive director)

The Committee met 3 times during the year under review.

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

Section 4: Director's Remuneration

Executive Directors' Remuneration

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

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

Non-executive directors' and Independent Audit Committee members' fees are only paid in accordance with City Power's approved budget.

Executive Director

Name	Salary R'000	Other Allowances R'000	Directors Fees R'000	Performance Bonus R'000	Travel Allowance R'000	TOTAL R'000
Mr. S G Xulu	1 933	161	0	0	128	2 222
Total	1 933	161	0	0	128	2 222

Non-Executive Directors: Retired

Name	Directors Fees R'000	Travel Allowance R'000	TOTAL R'000
Adv. G Badela	138	4	142
Mr. B K Mofokeng	93	3	96
Dr. M S Motebang	46	1	47
Dr. Y Ndema	70	1	71
Total	347	9	356

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Non-Executive Directors: Current

Name	Directors Fees R'000	Travel Allowance R'000	TOTAL R'000
Rev. F Chikane	336	7	343
Mr. N E Galawe	114	2	116
Ms. Z D Hlatshwayo	131	2	133
Mr. N S A Hlubi	260	7	267
Ms. N P Mohlala	150	2	152
Mr. T I Sithole	137	3	140
Total	1 128	23	1 151

Independent Audit Committee Members

Name	Directors Fees R'000	Travel Allowance R'000	TOTAL R'000
Ms. L J Fosu	60		60
Mr. W Hattingh	97	3	100
Mr. H Moolla	108	1	109
Total	265	4	269

Executive Committee Members (as at 30 June 2013)

Name	Position	Salary R'000	Other Allowances R'000	Performance Bonus R'000	Travel Allowance R'000	TOTAL R'000
Directors						
Mr. S G Xulu	Managing Director	1 933	161	0	128	2 222
Ms. M S Mafora	Director: Human Resources	1 212	96	0	119	1 427
Mr. N W Msomi	Acting Director: Engineering Services	858	66	0	110	1 034
Mr. T G Nkgoedi	Acting Director: Retail Services	1 012	89	0	0	1 101
Mr. D L Pieterse	Director: Engineering Operations	1 293	96	0	80	1 469
Mr. M J Smith	Company Secretary	888	48	0	93	1 029
Mr. J Tefu	Acting Director: Risk and Assurance	763	61	0	93	917
Total		7 959	617	0	623	9 199

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SENIOR MANAGEMENT REMUNERATION (R'000)

SURNAME	INITS	POSITION	BASIC SALARY	PENSIO N FUND	MED AID	OTHR ALLOW	TRAVEL ALLOW	SUBSISTANCE	ENCASH OF LEAVE	GLA	PERF BONUS	OTHR	T/TAL
Golden	RA	General Manager Remuneration Services	794	101	35	12	102	0	0	50	0	30	1,126
Govender	J	General Manager: Engineering Workshop	699	106	68	12	149	1	0	53	0	30	1,119
Hlongwa	NP	General Manager: Capital Programme Exec	652	91	75	12	113	0	0	42	0	29	1,015
Hlubi	NR	General Manager OD	736	107	94	12	156	1	0	53	0	32	1,191
Lishivha	MA	General Manager: Legal & Compliance	691	85	89	13	0	0	0	42	0	29	949
Magida	LV	General Manager: Energy Management	674	96	89	12	130	0	0	48	0	31	1,080
Maropefela	K	General Manager: Employee Relations	622	83	46	12	98	0	0	33	0	29	923
Masolo	CS	General Manager	778	94	35	12	50	0	0	47	0	29	1,045
Matsheketsheke	LD	General Manager: Bus. Financial Support	631	88	65	12	113	0	0	44	0	29	983
Mazibuko	RHB	General Manager: Field Services PP North	648	80	0	9	90	14	0	21	0	29	892
Mbewu	NS	General Manager Strategy	734	93	63	12	61	0	0	46	0	29	1,039
Mntambo	BA	General Manager: SCM	549	83	98	9	121	0	138	39	0	29	1,066
Msomi	NW	General Manager: Field Services PP North	677	92	61	1	110	9	0	46	0	29	1,024
Nkgoedi	TG	General Manager Customer Services	825	93	33	12	0	9	0	46	0	30	1,049
Nsele	NP	General Manager Assets Management	811	100	108	12	0	0	0	50	0	30	1,112
Pienaar	N	General Manager: Bus.Performance Report.	777	85	0	12	2	0	0	39	0	29	944
Pillay	L	General Manager: Financial Reporting	716	100	60	7	148	0	0	50	0	30	1,112
Ramagaga	IM	General Manager Supply Availability	571	79	24	12	132	0	0	34	0	29	881

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SURNAME	INITIALS	POSITION	BASIC SALARY	PENSION FUND	MED AID	OTHR ALLOW	TRAVEL ALLOW	SUBSISTANCE	ENCASH OF LEAVE	GLA	PERF BONUS	OTHR	TOTAL
Setshedi	L	General Manager:Engineering Tech Service	711	93	33	12	111	0	0	46	0	29	1,036
Smith	MJ	Company Secretary	715	144	29	12	93	0	0	23	0	29	1,046
Tefu	JL	General Manager: SHEQ	562	84	115	13	93	0	0	22	0	29	918
Teunissen	GR	GM: Learning Academy	960	110	0	12	56	0	0	55	0	31	1,224
Truter	TL	General Manager: Security Risk Managem.	576	75	0	13	101	0	0	37	0	28	830
Webb	GS	General Manager: Plant Condition Monitor	751	177	63	12	135	1	0	26	0	30	1,195
		Total	16,860	2,340	1,285	273	2,164	34	138	993	0	711	24,798

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Section 5: Company Secretarial Function

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

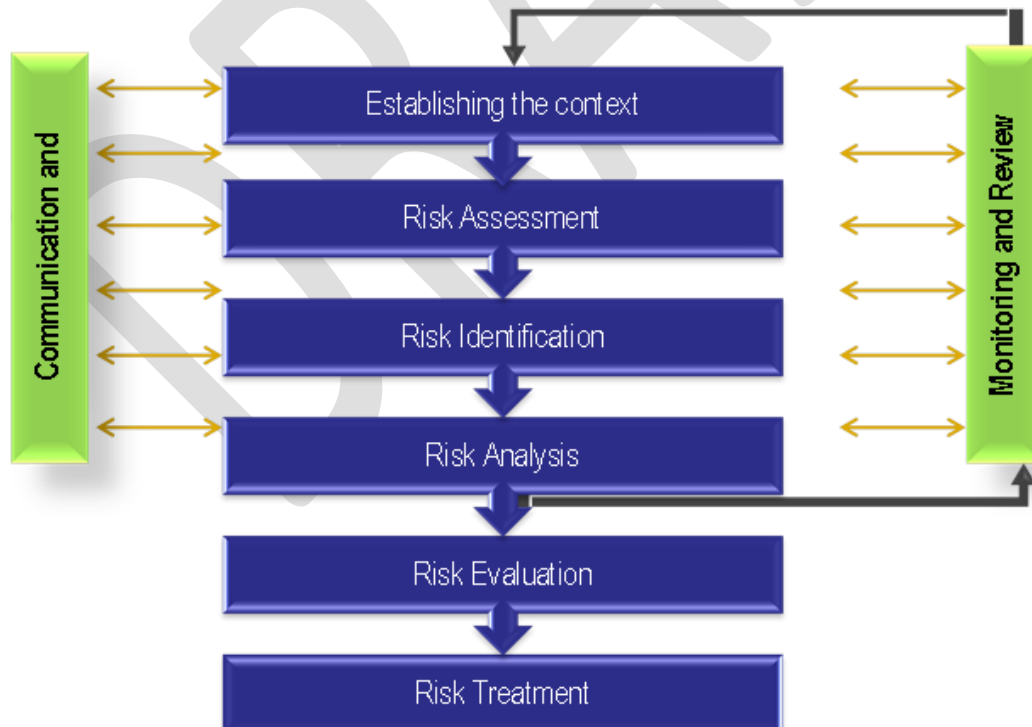
The Company Secretary in conjunction with the Risk, Assurance and Compliance Group, is responsible for advising the Board of applicable legislation and regulations and ensuring the Board acts in compliance therewith including with the Company's policy and procedures. The Company Secretary is also responsible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

Section 6: Risk Management and internal controls

Background

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

The City of Johannesburg (CoJ) has established the Group Risk Advisory Services unit within the Group Assurance Services Department. Group Risk Advisory Unit is responsible for the enterprise risk management process and operates in accordance with the approved Group Governance Framework and Policy, which are also applicable to all Departments and Entities. City Power is continuously ensuring alignment and compliance to CoJ requirements such that its Risk Management Process is aligned and has adopted the City's Enterprise Risk Management Process as depicted by the diagram below:



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Update on Risk Management Process

The City Power Board now has a Risk, Assurance & Compliance Committee. The main role of the Committee is to:

- Assist the Board in fulfilling its responsibility of ensuring that there is an effective and embedded risk management process in place throughout the Company.
- Make recommendations to the Board concerning the levels of risk tolerance and the risk appetite of the Company.
- Ensuring that Management has effective policies and plans for risk and compliance management that will enhance the Company's ability to achieve its strategic objectives.
- Ensuring that Management has effective processes that identifies and monitors the management of legislative and regulatory compliance together with the key risks facing the Company in an integrated and timely manner.
- Ensuring that Management has a comprehensive, timely and effective process for the disclosure of Risks and legislative and regulatory compliance.

The Committee does not assume the functions of management, which remain the responsibility of the Accounting Officer/ Accounting Authority.

Risk identification

The City Power risk identification process is aligned to the COJ framework. The company risks are identified annually and they form part of the risk register. These risks are influenced by the executive committee, taken for the Audit Committee of the board and then approved by the board. The approved risks are then incorporate in the business plan.

Risk Assessment and Treatment

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

Risk is measured in two ways:

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

The City of Johannesburg has developed a two-stage assessment process to assess and quantify the identified risks.

Stage One – Impact and likelihood

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

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

Assessment of impact / severity		Financial	Reputation	Stakeholders	Customers
1	Not significant	Event would have little financial impact on either income or budget	Contained within individual service area. From a regulatory perspective, minor fines or penalties may have been suffered.	Employees may have suffered minor first aid injuries. Event may have resulted in localised staff morale problems.	Customers may have been minimally impacted. Event may impact minimally on achieving a performance target.
2 – 3	Minor	Event would have moderate financial impact (>2% on budget/income or >2%) on either income or budget.	Affects significant number of service areas but with likely short-term impact on public memory. From a regulatory perspective, fines or penalties >R50k may have been suffered. Customers may have been impacted resulting in complaints with media coverage (suburban newspaper).	Employees may have suffered temporary disabling injuries. Event may have resulted in staff loss causing minor to moderate consequences.	Event may impact on achieving a performance target where a major milestone was missed by more than 1 month, impacting on a client segment.

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Assessment of impact / severity					
		Financial	Reputation	Stakeholders	Customers
4 – 5	Moderate	Event would have serious financial impact (>4 -6% on budget/income or >4%) on either income or budget.	Regulator inquiry with medium-term impact on public memory. From a regulatory perspective, fines or penalties >R100k may have been suffered. Customers may have been impacted resulting in complaints with media coverage (local newspaper not front page).	Employees may have suffered multiple temporary disabling injuries. Event may have resulted in staff loss, causing serious consequences.	Event may impact on achieving a performance target where a major milestone was missed by more than 3 months and subsequent interruption over several days to customers.
6 – 7	Major	Event would have very serious financial impact (>8% on budget/ income or >8%) on either income or budget.	Medium-term public impact with minor political implications. From a regulatory perspective, fines or penalties >R150k may have been suffered. Customers may have been impacted resulting in complaints with media coverage (national TV headlines) and loss of service >1 month.	Employees may have suffered multiple permanent disabling injuries. Event may have resulted in staff loss, causing very serious consequences.	Event may impact on achieving a performance target where a major milestone was missed by more than 6 months, resulting in a major customer impact.
8 – 9	Catastrophic	Event would have catastrophic financial impact (>15-25% on budget/income or >15%) on either income or budget.	Long-term impact on public memory and major political implications. From a regulatory perspective, fines or penalties >R500k may have been suffered. Customers may have been impacted resulting in complaints with media coverage (national TV headlines) and loss of service >6 months.	Employees may have suffered fatalities. Event may have resulted in staff loss, causing catastrophic consequences.	Event may impact on a performance target, where a major milestone was missed by more than 8 months to over 1 year.

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

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

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

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Stage two – Development of Risk Drivers and Risk Casual Model

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

Monitoring and reporting

Both the Strategic and Operational risks of the company are monitored on a monthly and quarterly basis and the Strategic risk register of the company forms part of the Risk, Assurance & Compliance Committee standing agenda items

Auditing

This process will be audited continuously.

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Strategic Risks Report

TOP 13 STRATEGIC RISKS STATUS REPORT

	Objectives	Risk Category	Risk Description	Background to the risk	Risk Consequence	Impact	Likelihood	Inherent Risk	Current controls	Risk Owner	Actions to improve management of the risk	Time scale
1	Energy Management	Financial / Process / Governance	Poor Revenue Collection	1. Inadequate credit control measures 2. Billing not correct/complete	Poor cash flow and liquidity problems.	Major	Almost Certain	Red	1. Conversion from conventional to pre-paid 2. Manage the Service Level Agreement with the City. 3. Advised the City to segment customer as required by accounting standards and NERSA. 4. Advised the City to re-introduce key customer executives.	Director : Retail Services & Director Finance	1. Continuous management of the SLA. 2. Conversion from Conventional to Pre-Paid Meters. 3. Need to segment customers and reintroduce the key customer exec.	1. Monthly 2. Monthly as per project plan. 3. Discussed with the City on a monthly basis.
2	Improve Asset management	External Environment / Financial / Network	Cable theft	Increase in copper price led to increase in network tempering and vandalism	1. Power interruptions. 2. Company image. 3. High insurance claims. 4. Loss of revenue. 5. Increase in operational expenditure.	Major	Almost Certain	Red	1. Improved security in hot spot areas. 2. Implemented Crime Intelligence systems. 3. Crime prevention strategy in place. 4. Implementation of crime prevention technologies.	Director RAC	Review additional prevention strategies.	Review annually within 1st quarter of financial year.
3	Business Model Review	Integrity / Financial / Process	Customer dissatisfaction.	Causes include: outages, capacity demand, billing, etc. *Low level of positive public opinion	1. Low payment level. 2. Poor company image. 3. Loss of NERSA License 4. Loss of Customer	Major	Almost Certain	Red	1. Manage SLA with the City. 2. Working with City to improve processes. 3. Internet faults logging system.	Director : Retail Services	Reviewing value chains.	Review Quarterly

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	Objectives	Risk Category	Risk Description	Background to the risk	Risk Consequence	Impact	Likelihood	Inherent Risk	Current controls	Risk Owner	Actions to improve management of the risk	Time scale
				(company image) Poor performing Call Centre	Satisfaction				4. SMS messaging system for planned outages. 5. BC Forums.			
4	Energy Management	Financial	High primary energy pass through costs.(OCGT & KPS)	Inadequate capacity nationally will result in the starting up of the gas turbines and increase in Kelvin dispatch resulting in high pass through energy costs.	Increased cost of bulk purchases.	Major	Likely	Red	1. Strict control over PPA and penalties on poor delivery. 2. Hold monthly meeting with Kelvin Management. 3. Limited provision for the gas turbines in the current budget.	Director: Engineering Operations	1. Explore additional funding for the gas turbines. (e.g. Off-takers) 2. Engage with 3rd parties to buy power at the cost of generation.	Monthly review
5	Energy Management	Financial	Business's inability to fund high capital and operational requirements out of current cash flows nor future tariff applications	Lack of funding. Company not able to obtain own funding.	<ol style="list-style-type: none"> 1. Unable to meet the GDS, IDP, and Business Plan targets including electrification, inner-city project, public light, SHEQ etc. 2. Unable to refurbish the aging network at an acceptable rate *Not enough funds to upgrade the network e.g. 4th and 5th intake points 3. Compliance to MFMA requirements. 	Major	Likely	Red	<ol style="list-style-type: none"> 1. Revenue Generating projects 2. PPP initiatives 3. Sourcing additional Grant Funding 	Director : Finance Director : Engineering Services	<ol style="list-style-type: none"> 1. Exploring the off Balance Sheet Arrangements with Funding institutions. 2. See additional grants from National Treasury and other departments. 	Quarterly review
6	Business Model Review	Technology / Governance / Process	Non availability and reliability of Information & communication	<ol style="list-style-type: none"> 1. Extensive reliance on ICT 2. Lack of investment in 	<ol style="list-style-type: none"> 1. Low productivity 2. Negative company image 3. Poor business 	Major	Likely	Red	Currently reviewing and updating the Information security policies	Director: Engineering Services	1. Programme to align to King III recommendatio	Quarterly

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	Objectives	Risk Category	Risk Description	Background to the risk	Risk Consequence	Impact	Likelihood	Inherent Risk	Current controls	Risk Owner	Actions to improve management of the risk	Time scale
			technology (ICT).	ICT due to competing business priorities	performance				and the Disaster recovery strategy		ns. 2. Review and strengthen the current controls. 3. Modernising and upgrading infrastructure.	
7	Human Capital Investment	Human Capital / Process / Governance	Fraud & Corruption	Any form of Fraud & Corruption taken place, including financial, asset, gift, collusion, etc. Conflict of interest	Loss of assets and funds. Entity image is tarnished.	Major	Possible	Red	1. A fraud Policy has been introduced. 2. A fraud & corruption prevention plan is in place. 3. An illustrative list of strategic fraud risks is in place.	Director RAC	1. Awareness campaigns on anti-fraud and corruption.	Quarterly
8	Obtain Unqualified Audit Opinion.	Financial / Governance	Qualified audit report.	Inadequate internal controls. Insufficient Financial Staff. Non-compliance to GRAP standards.	Weak Internal Controls. Non Compliance to GRAP Non-compliance to MFMA Improper Reporting	Major	Possible	Red	1. Practicing good governance 2. Actively addressing all issues raised in the previous year's Management Report.	Managing Director	1. Alignment with King III requirements. 2. Continue to comply with legislation. 3. Implementation of GRAP 4. Integrated Reporting 5. Staff Development	Quarterly
9	Energy Management	Technology / Financial / Process	Increase in non-technical losses	1. Meter tampering. Illegal Connections. 2. Faulty Meters and no-access unable to bill customers 3. No meters at all	Loss of revenue and or cash NERSA Licence	Major	Almost Certain	Red	1. Installation of semi AMR, Tamper proof meters and pre-paid meters with protective structures; 2. Removal of illegal Connections and replaced with tamper proof	Director : Retail & Director: Engineering Services	Continue with present controls and monitor the effectiveness.	Monthly as per project plans

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	Objectives	Risk Category	Risk Description	Background to the risk	Risk Consequence	Impact	Likelihood	Inherent Risk	Current controls	Risk Owner	Actions to improve management of the risk	Time scale
									meters with protective structures. 3. Currently utilising JMPD & SAPS to enforce by-laws. 4. Continuous installation audits;5. Customer education programs;			
10	Improve Asset management	Process / Network	Network interruptions	1. Age of the network 2. Uncontrollable events such as insufficient capital for upgrading and refurbishment of MV and LV network. 3. Theft & vandalism of infrastructure.	Low productivity Negative company image Poor business performance	Major	Almost Certain	Red	1. Maintenance & Capital Investment program in place. 2. Asset Management system in place. 3. Crime prevention strategy in place.	Director: Engineering Operation	Introduction of condition monitoring project and continue to review additional crime prevention strategies	Annual review
11	Improve Asset management	Process / Financial	Inadequate capacity to meet the demand. (Eskom & Kelvin)	1. Eskom's failure to supply (generation and transmission) 2. Ability of the Eskom network to sustain the new capacity demand. Inability of Kelvin Power Station to supply at the required level in	Load Shedding.	Major	Likely	Red	1. City Power has applied for increased capacity from Eskom. 2. Investigating distributed generation options. Implementing DSM Program. Resuscitate Gas Turbines.	Director: Engineering Operations	1. Investigating alternative sources of energy e.g. 2. Piloting Solar Powered Streetlights.	Quarterly

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	Objectives	Risk Category	Risk Description	Background to the risk	Risk Consequence	Impact	Likelihood	Inherent Risk	Current controls	Risk Owner	Actions to improve management of the risk	Time scale
				terms of the PPA.								
12	Human Capital Investment	Human Capital	Impact of HIV/AIDS and other sicknesses on productivity in the company	Increased absenteeism due to sick leave , impacting on overall performance. Loss of skills.	Reduced productivity.	Moderate	Possible	Amber	1. Reinforcing partnership with CoJ and other stakeholders. 2. Provision of immune boosters and nutrition. Dispense and administer ARV's. 3. Staging of wellness days. 4. Voluntary testing	Director: RAC	Continue to improve the awareness campaign.	Monthly newsletter and annual campaign
13	Human Capital Investment	Human Capital/ Financial	Insufficient Skills capacity to support the business	Ineffective talent management. Vacant positions	Low productivity.	Minor	Likely	Amber	Retention strategy implemented. Remuneration strategy partly implemented. Training and development of staff.	Director: HR	1. Monitor the effectiveness of current controls. 2. Training	Quarterly review

STATUS OF RISK REGISTER

City Power has identified 13 Strategic Risks for the current Financial Year but these risks may increase due to the continuous monitoring of the Framework and Business Operations. The key new risks recently identified emanated from the following streams:

- Fraud and Corruption per Department/Group
- Recent Unprotected Strike which resulted in sabotage activities
- National Key Point declaration

This process is receiving urgent attention and the RAC Department (under the newly appointed Director) has prioritised some of the challenges facing the organisation and commits to addressing such in due course.

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Section 7: Internal Audit Function

The City Power' internal audit function is mandated by the audit committee to provide independent, objective assurance and consulting services designed to add value and improve the organisation's management, administration and operations. The Internal Audit plan is developed on a risk based approach to evaluate and improve the effectiveness of risk management, control and governance processes within the organisation. The coverage plan is updated annually, based on the risk assessment of the organizational strategic and operational risks as well as the results of the audit work performed. This ensures that the audit coverage is focused on and identifies areas of high risk.

The department coordinates its annual plan with the Auditor General and the performance of the execution of the plan is reported to the Audit Committee on a quarterly basis.

The Head of Internal Audit reports administratively to the Managing Director and functionally to the Audit Committee and has direct access to the chairperson of the audit committee

Section 8: Corporate Ethics and Organisational Integrity

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

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

Section 9: Sustainability Report

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

Sustainability Policies and Strategies

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

Material Issues

There were no material issues to be reported.

Sustainability Commitment

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

Economic development

Providing electricity to all residents within the CoJ supply area is an integral part of City Power's supply mandate. The electrification of new areas and public lighting programs are critical components of the capital budget. In the past year City Power has created 3,220 jobs through the EPWP (Expanded Public Works Programme) utilizing its capital projects. The company is looking at ways to increase the EPWP job creation to ensure higher levels of sustainability

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Environmental development

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

Safety

There has been a general improvement in employee safety incidents, where the Disabling Injury Frequency Rate (the "DIFR") for the year is 0.40 which is significantly below the international benchmark of less than 1, despite one Employee fatality. This is mainly attributed to the implementation and maintenance of an effective Behaviour Based Safety Programme.

There also been eight public fatalities which were mainly caused by illegal connections. It is with deep regret that management reports these fatalities and Exco extended their condolences to the persons' families and colleagues. While some of these events may seem beyond our control, no fatality on duty or involving our stakeholders is acceptable and City Power will continue to work with all employees, unions, consumers and stakeholders to reduce the number of fatalities to zero.

Financial Sustainability

Revenue streams

The main revenue stream for City Power is electricity sales.

Financial performance

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

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

	2012/13	2011/12
GEARING		
Debt/Equity		
Total liabilities	7 023 829	6 486 642
Equity	6 327 949	5 010 664
Ratio:	1.11	1.29
Interest Cover		
Profit before interest and tax	1 757 490	1 977 464
Net interest	395 820	388 872
Ratio:	4.44	5.09
Current Assets	5 336 021	4 328 932
Current Liabilities:	3 022 860	2 491 109
Current Ratio:	1.77	1.74
Profit Margin		
Nett Profit/Turnover	1 317 285	1 232 355
Total Revenue	13 087 612	12 493 692
Ratio	10.07%	9.86%
Total Turnover	12 469 888	11 844 592
Average Assets	12 424 542	11 525 718
Ratio:	1.00	1.03

Financial assistance

City Power obtains financial assistance via grants from government.

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Sustainability risks

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

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

Section 10: Corporate Social Responsibility Report

City Power Public Relations & Communications through the Community Social Investment programme has contributed to a number of communities in various ways. As part of this programme we have built vegetable gardens in the following areas.

1. We built a vegetable garden as the Amazing Grace children's home in Eikenhof in Region G on the south of Johannesburg. The garden is mainly built to support the food supply for the children's home. **See pictures**



2. In the area called Sweet Waters in the South of Johannesburg, City Power also built a vegetable garden at the Emthonjeni fountains of life which cares for orphans of HIV. The garden also compliments the food supply at this centre. See pictures
3. At the Tshwaranang Hospice which is based in Midrand we also established a vegetable garden to supplement the food supply. **See pictures**

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We have also identified some of the disadvantaged homes mainly in informal settlements across the city and supported also supported them through the same vegetable gardens. With the assistance of local Councillors, City Power identified six impoverished homes which were also assisted with the building of vegetable gardens. **See pictures**



Future projects

Our collaboration with local ward councillors has assisted us to identify additional six non-government organisation which are targeted for the building of vegetable gardens. The vegetable gardens are targeted to be completed before

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the end of November 2013. Over thirty impoverished homes have also been identified across the city and we are of view that we will complete the homes before the end of the financial year.

Skills Training

The ongoing development of employees in the workplace is a high priority for City Power. A great deal of emphasis is currently placed on the procurement of service providers for all mandatory training courses. These training courses include both technical and soft skills e.g. fire-fighting, first aid, rigging & slinging for Team Leader, Electrician and Artisan Assistant development.

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

Social development

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

Bursars

The Company had 14 active bursars studying towards various degrees and diplomas. 5 of these bursars have subsequently absconded their studies. The remaining 9 bursars comprise of 9 African males.

The Company also has 8 bursars that have completed their studies and are currently in the working back phase. These bursars comprise of 4 African males and 4 African females.

ABET

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

Levels	African	
	Male	Female
Level 1	2	0
Level 2	10	0
Level 3	8	0
Level 4	15	0

Section 11: Anticorruption and Fraud

The company has an anti-corruption and anti-fraud policy and its main objective is to combat and deter corrupt and fraudulent activities that might become a challenge to the normal business activities.

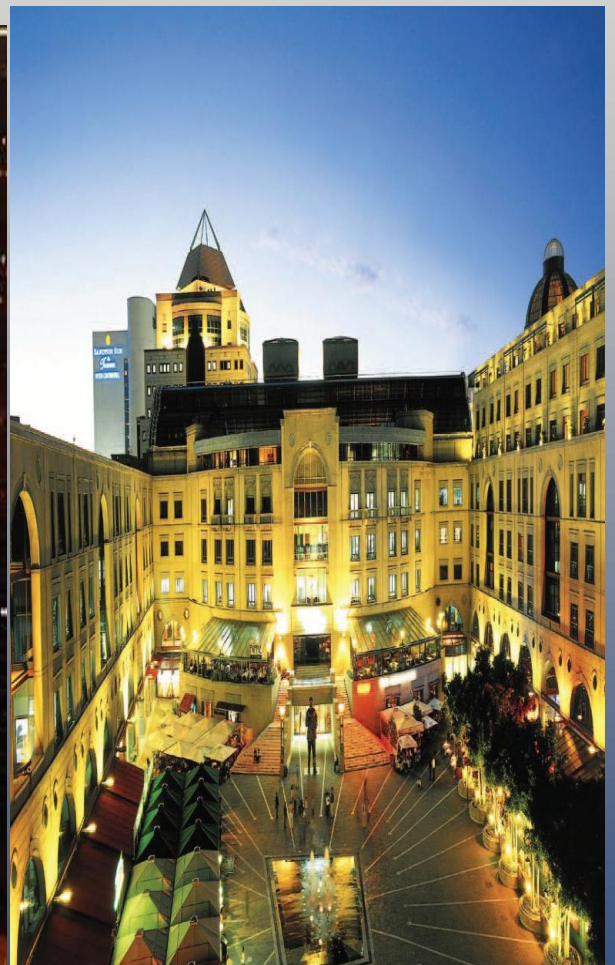
The anti-corruption and anti-fraud policy is updated annually and it includes an anti-corruption and anti-fraud prevention plan which is implemented through fraud risks assessments, internal audit plans and conducting of preventative fraud awareness and education campaigns.

The company has also an independent whistleblower line, called Tipp Off anonymous to encourage members of the public and employees to use it to report all corrupt activities

CHAPTER THREE: SERVICE DELIVERY PERFORMANCE

KEY ACHIEVEMENTS

- Install 27 091 Solar Water Heaters.
- Create 3 220 EPWP jobs
- Normalisation of pre-paid meters
- Implementation of new Metering Data Management System
- A total of 3 307 households have been electrified



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Section 1: Highlights and Achievements

Item	Project Category (PL, Bulk, etc)	Priority	GDS Output	2013/14 Budget R'000	2014/15 Budget R'000	2015/16 Budget R'000
1	Buildings	Investment Attraction, Retention and Expansion	Financially and administratively sustainable and resilient city	R 0	R 40 000	R 30 000
2	Bulk Infrastructure	Investment Attraction, Retention and Expansion	Financially and administratively sustainable and resilient city	R 466 771	R 1 021 980	R 1 136 280
3	DSM Load Management	Smart City	A Smart City JHB that is able to provide quality services to its citizens in an efficient and reliable manner	R 5 400	R 10 000	R 0
4	Electrification	Sustainable human settlements	Sustainable human settlements	R 46 380	R 71 000	R 95 000
5	Fire and Security	Smart City	A Smart City JHB that is able to provide quality services to its citizens in an efficient and reliable manner	R 40 000	R 30 000	R 5 000
6	Information Technology	Smart City	A Smart City JHB that is able to provide quality services to its citizens in an efficient and reliable manner	R 41 000	R 45 500	R 40 500
7	Meters	Smart City	A Smart City JHB that is able to provide quality services to its citizens in an efficient and reliable manner	R 700 000	R 800 000	R 565 000
8	Network Development	Investment Attraction, Retention and Expansion	Financially and administratively sustainable and resilient city	R 6 000	R 13 000	R 8 000
9	Operating Capital	Investment Attraction, Retention and Expansion	Financially and administratively sustainable and resilient city	R 21 660	R 20 000	R 0
10	Protection	Smart City	A Smart City JHB that is able to provide quality services to its citizens in an efficient and reliable manner	R 28 221	R 14 000	R 13 000
11	Public Lighting	Safer City	A safe and secure City	R 77 834	R 27 300	R 20 100
12	Scada	Smart City	A Smart City JHB that is able to provide quality services to its citizens in an efficient and reliable manner	R 10 000	R 15 000	R 10 000
13	Service Connections	Investment Attraction, Retention and Expansion	Financially and administratively sustainable and resilient city	R 120 730	R 167 115	R 167 115
14	Support Services	Investment Attraction, Retention and Expansion	Financially and administratively sustainable and resilient city	R 0	R 10 000	R 10 000
15	Telecoms	Smart City	A Smart City JHB that is able to provide quality services to its citizens in an efficient and reliable manner	R 15 000	R 10 000	R 0
17	Upgrade of Electrical Network	Investment Attraction, Retention and Expansion	Financially and administratively sustainable and resilient city	R 138 661	R 327 500	R 372 500

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

City Power successfully executed a number of service delivery initiatives and projects in the 2012/13 financial year, the five key projects are listed below:

- Installation of 5 343 Public Lighting in a number of areas including Tshepisoong West, Soweto and Diepsloot
- Electrification of 3 307 households in a number of areas including Rabie Ridge, Tshepisoong and Alexandra
- Installation of 98km of Arial Bundled Conductor to replace Bare Conductors (to reduce nuisance outages and minimise electricity theft)
- Installation of 27 091 Solar Water Heaters in a number of areas including Devland, Lufhereng, Leratong Village, Alexandra, Vlakfontein and Tshepisoong
- City Power created 3 220 job opportunities through the Expanded Public Works Programme (EPWP)

Section 2: Financial Performance

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

2.1.1 Revenue

The Company posted revenue of R13,088 million for the year, an increase of 4.75% over the previous year. The result is due to the tariff increase of 7%, this has been offset by the decrease in unit sold.

2.1.2 Results of Operations

Operational costs increased by 7, 5% on the previous year to R821 million during this period (2012: R10 905 million). The key operational costs that contributed to the increase were mainly as a result of the Kelvin lease being shown as an expense for 2013, while the cost was reflected as part of bulk purchases during 2012. Professional fees exceed prior year expense of R56m due to additional consultants engaged to assist the company on strategic programmes. Commission paid exceeds the prior year expense due to the increase in transactions by customers utilising vending machines and other third parties for payments at Post Office & Pick & Pay. This led to the increase in the commission paid to the collecting agencies.

Public relations expenses are also more than the previous year due to the sponsoring of the Starlight Express theatre production.

Stores and material exceed the prior year expense by R309m as solar water heaters are now accounted for in the stores and material account as opposed to being classified as stock in 2012. The prior year stock value for solar water heaters of R109m was also expensed in 2013.

The Company posted a surplus of R 1, 3 million for the period under review, against a surplus of R 1,2 million for the previous year.

2.1.3 Statement of Financial Position

Fixed assets increased by a net R 848 million. This increase was due to the replacement of aging and obsolete equipment.

The ability of the Company to meet its financial obligations decreased over the previous year, with the current ratio test increasing to 1, 77: 1 (2012 = 1, 74: 1). This was largely due to the increase in trade payables. The net current asset base has however improved from R5,010 million to R6,328 million at year-end.

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

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Section 3: Capital Projects

The originally approved City Power capital budget for the 2012/13 financial year is R953 million. However this budget has been revised to R1,097 billion, as a result of the additional budget allocated under both the controllable and the non-controllable portion of the budget. This approved revised budget is inclusive of R399 million worth of loans, R245 million own funding, R192 million DSM funding, R32 million Engineering services contribution and the remaining R229 million is made up of grants and public contributions.

Although the revised approved budget amounts to R 1,097 billion it should be noted that there has been additional spending of R191 million, bringing total expenditure for the year to R1,289 billion.

The expenditure for the year amounted to R1,3 billion compared to the full year revised budget of R1,1 billion. This reflects overspending of R191 million. The reason for the over expenditure was necessitated by the performance of the network and the winter season in terms of unplanned outages due to equipment and cable failure. Approval for the overspend is being sought from the City in accordance with s32 of the MFMA.

Project Detail (By Project)	Total Original Budget for the year	Total Revised Budget for the year	Expenditure for the year	Variance for the year
	R'000	R'000	R'000	R'000
Electrification	54,349	8,712	8,712	0
Service Connections	125,065	70,000	68,343	1,657
Township Reticulation	0	0	2,437	-2,437
Upgrading of Electrical Network	90,000	255,862	276,371	-20,509
Network Development	18,000	39,730	39,396	334
Building Alterations/ Construction	2,211	646	646	0
Office Equipment/Computers	11,617	3,267	3,426	-159
Computer Software	1,864	44,000	44,000	0
Tools and Loose Gear	2,941	3,055	3,291	-236
Plant and Machinery	31,347	41,389	41,389	0
Meters and Load Man	425,000	377,887	557,544	-179,657
Scada	12,700	2,510	2,510	0
Protection	1,043	12,166	12,166	0
Furniture	99,886	303	557	-254
Public Lighting	76,877	115,499	103,781	11,718
Refurbish of Bulk Infrastructure	0	102,311	107,506	-5,195
Insurance		20,000	16,461	3,539
TOTAL	952,900	1,097,337	1,288,536	-191,199

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Controllable Capex

The year-end expenditure on Controllable capital projects, which are projects funded from CoJ loans, the DSM funding, Grants, own cash and the Engineering Services contributions amounted to R 1,2 billion, which reflects almost R185 million overspending compared to the budget of R 1 billion.

Project Detail (By Project)	Total Original Budget for the year	Total Revised Budget for the year	Expenditure for the year	Variance for the year
	R'000	R'000	R'000	R'000
Electrification	54,349	8,712	8,712	0
Public Lighting	99,886	115,499	102,415	13,084
Electrical Infrastructure	518,553	675,988	872,301	-196,313
Power Systems	17,700	12,166	12,165	1
Other Capex & asset purchases	51,023	92,662	93,308	-646
Refurbish of Bulk Infrastructure	86,324	102,310	103,295	-985
TOTAL	827,835	1,007,337	1,192,196	-184,859

Electrical Infrastructure

Electrical Infrastructure includes the upgrade of electrical networks, network development and meters and load management projects. The budget was expended in projects such as metering, conversion of LV bare conductor to ABC, emergency projects and various upgrades of electrical infrastructure projects. The expenditure for the year amounted to R872 million which is R196 million above the budget of R676 million.

Electrification

The expenditure for the year amounted to R9 million which is in line with the full year revised budget of R9 million.

Public Lighting

The year-end expenditure amounted to R102 million, compared to the year-end budget of R115 million. This reflects an under spending of R13 million. The DoE made money available for the Building Retrofit project, but this project could not start as the procurement process was not finalised in 2012/13, and the funds are being deferred. It should be noted that there has been engagement with the Department of Energy for the deferment of the funds.

Power Systems

Power Systems includes projects relating to the protection of the network. The expenditure includes projects such as the 88 kV protection upgrade projects, power factor correction at Orlando and installation of new IED's in substations. The expenditure for the year amounted to R12 million, which is on par with the budget of R12 million.

Bulk Infrastructure

The expenditure includes projects such as Sebenza, transformer programme, upgrade of Kelvin - Cydna substations. The expenditure for the year amounted to R103 million compared to the revised budget of R102 million, which is R1 million over spent.

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Non-Controllable Capex

(Non - Contrallables) Project Detail (By Project)	Total Original Budget for the year	Total Revised Budget for the year	Expenditure for the year	Variance for the year
	R'000	R'000	R'000	R'000
Electrification	0	0	0	0
Public Lighting	0	0	1,366	-1,366
Electrical Infrastructure	0	0	3,520	-3,520
Service Connections	125,065	70,000	68,343	1,657
Township Reticulation	0	0	2,437	-2,437
Refurbish of Bulk Infrastructure	0	0	4,213	-4,213
Insurance	0	20,000	16,461	3,539
TOTAL	125,065	90,000	96,340	-6,340

The non-controllable capital projects are projects which are funded by public contributions and through insurance claims. The expenditure for the year amounted to R96 million compared to the full year revised budget of R90 million. The overspending is as a result of high demand in electricity connections.

Public Lighting

The expenditure for the year amounted to R1,4 million as a result of public contributions.

Electrical Infrastructure

The expenditure for the year amounted to R3,5 million as a result of public contributions.

Service Connection

The expenditure for the year amounted to R 68 million as a result of public contributions. The number of applications was below the initial projections.

Insurance

This category of projects is funded by insurance and the budget has been revised to reflect actual expenditure. The year-end expenditure amounted to R8 million. The number of insurance related claims was below initial projections.

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Section 4: Performance against IDP and City Scorecard

Within the strategy map, value propositions are linked to key balanced scorecard perspectives. This section outlines these value propositions, key performance areas, indicators and actual performance for the financial year 2012/13 from financial, customer, internal and learning and growth perspectives.

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

See Annexure A for detailed quarterly performance information.

Financial Perspective

City Power has had a mixed performance from a financial perspective. Performance from the financial perspective is detailed in the table below. Performance that met or exceeded target is highlighted green and below target performance is highlighted in red.

The value drivers for the Financial Perspective are:

- Sustained cash flow
- Low operating costs
- Sustained profit
- Sustained revenue growth
- High asset productivity

(a) Financial								
PIP Alignment	CP IDP Programme	Value Propositions	Key Performance Area	Key Performance Indicator	Unit	2011/12 Actual Baseline (unaudited figures)	Year to Date	
							Target	Actual
		Sustainable Revenue	Effective Financial	Net Profit	R'000	1,410,956	1,394,466	1,317,285
				Gross Margin	%	36.22	34.07	33.72
		Growth/ Low Operating Costs	Revenue Improvement	Total Losses	%	19.31	15.00	25.59
				Technical Losses	%	9.00	9.00	9.00
				Non - Technical Losses	%	10.31	6.00	16.59
		Sustainable Cash Flow	Effective Financial Management	Net Cash Flow Position	Rbn	1,191	1,566	2,705
		Improve Revenue Collection	Revenue Improvement	Payment Levels – All Customers	%	92.37	93.00	94.77
				Reduction of arrear debt	%	New	45.00	0

Net profit is less than target as a result of a decrease in revenue of 7% offset by a decrease in expenditure of 3%. Any surpluses realised are returned to the city for reinvestment in infrastructure.

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Payment levels for customers were exceeded as a result of a number of interventions that City Power has put in place. These include:

- An integrated plan, which includes the installation of smart meters, the repair of faulty meters and the installation of protective structures to reduce losses and improve payment levels.
- Co-operation with CoJ on the billing and collection of customer debt by R&CRM.

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

Impact on City Power Non –Technical losses

- The creation of customers at COJ impact on City Power in instances where customer meter data is not created timeously. This creates a gap in that customers consume electricity but are not billed due to incomplete data on the system.
- Not all customers are billed at month end due to billing exceptions not fully cleared. This results in City Power not accounting for all the revenue for the month. In addition, customers' tariffs, meter changes and meter readings are changed without following due process.

Customer Perspective

From a customer perspective, City Power is pleased that the strategic decisions taken are having a positive effect. Performance from the perspective of customers is detailed in the table below. Performance that met or exceeded target is highlighted green and below target performance is highlighted in red.

The value drivers for the customer perspective are as follows:

- Quality of supply
- Quality of revenue collection
- Quality service experience
- High product availability
- Affordable product price
- Positive company image
- Quality of customer information
- Quality of key customer relations

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PIP Alignment	CP IDP Programme	Value Propositions	Key Performance Area	Key Performance Indicator	Unit	2011/12 Actual Baseline (unaudited figures)	Year to Date				
							Target	Actual			
Empowering citizens and partnerships	Improve Customer Centricity and people development	Quality Service Experience	Customer satisfaction and responsiveness	Customer Satisfaction Index Consolidated Customers	%	65.00	65.00	56.60			
Enabling Resilience, Inclusion and Sustainability	Improve Network performance and quality of supply	Quality Service Experience/ Governance	Regulatory Compliance (NERSA) NRS 047 (Quality of Service)	CAIDI	Minutes	368.73	368.00	280.00			
				CAIFI	Number	0.08	1.20	0.07			
				SAIDI	Minutes	94.98	702.00	1,336.57			
				SAIFI	Number	3.08	3.08	4.78			
				Faults restoration within the specified time							
				Within 1.5 Hrs	%	30.51	30.00	29.35			
				Within 3.5 Hrs	%	73.58	60.00	69.14			
	Within 7.5 Hrs	%	91.96	90.00	84.68						
	Within 24 Hrs	%	98.85	98.00	98.59						
	Enabling Growth and Job Creation	Refurbishment of ageing infrastructure	High Product Availability/ Service Delivery/ shift to low carbon infrastructure	Regulatory Compliance (NERSA) NRS 048 (Quality of Supply)	Average age of the network	Years	55	39	39		
Enabling Growth and Job Creation					Revenue step change programme	Quality Service Experience	Customer satisfaction and responsiveness	Meter Roll out	Number	20 000	19 598
Empowering citizens and partnerships	Improve Customer Centricity and people development	Socio Economic Development	Economic Development & Job Creation	Meter reading performance	%	98.00	97.00	78.05			
				Empowering citizens and partnerships	Improve Customer Centricity and people development	Socio Economic Development	Economic Development & Job Creation	FBE	kWh/ household	150.00	150.00
Going Green	Demand Side Management	High Product Availability/ Service Delivery/ shift to low carbon	Regulatory Compliance (NERSA) NRS 048 (Quality of Supply)	After Diversity Maximum Demand (ADMD)	kVA	0	0.12	0.12			
				Additional Capacity	MW	0	45.00				
				Energy Mix (Non Eskom)	%	New	6.2	7.5			
				Energy Efficiency	MW	New	2.3	0			
Empowering citizens and partnerships	Improve Customer Centricity and people development	Positive Company Governance	Health and Safety	Public Fatalities: Controllable	Number	1	0	2			
				Public Fatalities: Uncontrollable	Number	3	0	6			
		Socio Economic Development	Health and Safety	Employee job related fatalities	Number	0	0	1			
				Economic Development & Job Creation	Job opportunities created as per EPWP (Expanded Public Works Program) policy: Temporary jobs.	Number	2,333	2,500	3,220		
Enabling Growth and Job Creation	Expansion and Strengthening of Network	Socio Economic Development/ shift to low carbon infrastructure	Households with at least basic services	Number of new electrification customers	Number	5,610	3,000	3,307			
		Socio Economic Development	Improve Public Lighting	Provision of new Public lights in the formal Areas and Informal Areas	Number	5,164	4,200	5,343			

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Customer Satisfaction Index is a survey for consolidated COJ customers, which is not electricity, nor City Power specific. City Power is looking at having its own survey that will be electricity specific in the City Power areas of supply.

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

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

There has been mix performance as there have been 8 public fatalities and 1 staff fatality. The *Public Fatalities: Controllable* KPI refers to the number of public fatalities due to electricity related incidents caused by City Power. In an effort to maintain low controllable public fatalities, City Power conducts staff and contractor training. *Public Fatalities: Uncontrollable* KPI refers to the number of public fatalities that are mainly due to electrocution as a result of various factors such as customer negligence, tampering with electricity installations, attempted theft of infrastructure, etc. In an endeavour to educate our customers and communities, City Power is conducting awareness campaigns to ensure greater within communities of the danger of electricity.

Job opportunities created as per EPWP (Expanded Public Works Program) have been exceeded.

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Internal Perspective

The organisation has done well in this perspective except for performance on planned : unplanned maintenance and the NRS047 targets. Performance from an internal perspective is detailed in the table below. Performance that met or exceeded target is highlighted green and below target performance is highlighted in red.

The value drivers for the internal process perspective are as follows:

- Product delivery processes
- Revenue collection processes
- Service delivery processes
- Governance and compliance processes
- Product pricing processes
- Strategy management processes

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PIP Alignment	CP IDP Programme	Value Propositions	Key Performance Area	Key Performance Indicator	Unit	2011/12 Actual Baseline (unaudited figures)	Year to Date	
							Target	Actual
Enabling Growth and Job Creation	Improve Network performance and quality of	Service Delivery	Improve Public Lighting	Maintenance of Public lights	%	98.00	85.00	98.22
Empowering citizens and partnership	Improve Customer Centricity and people development	Service Delivery/ Governance	Regulatory Compliance (NERSA) NRS 047 (Quality of Service)	% planned: unplanned maintenance	Index	62.00	65.00	63.56
				Total number of calls answered in 30 seconds as a percentage of calls received (NRS 047)	%	50.90	80.00	26.89
				Number of customer complaints/queries resolved per total queries received SAP CRM	%	98.00	90.00	45.28
				Average time taken for City Power to resolve queries that are referred to them that require investigations (NRS 047)	days	21.75	10.00	1.15
Enabling Growth and Job Creation	Improve Network performance and quality of supply		Regulatory Compliance (NERSA) NRS 048 (Quality of Supply)	NRS 048 Compliance – Category 4 - Domestic	%	100.00	100.00	100.00
				NRS 048 Compliance - Category 3 - Rural	%	100.00	100.00	99.47
				NRS 048 Compliance - Category 2 - Industrial	%	100.00	100.00	100.00
Enabling Growth and Job Creation		Internal Service	Improve Information Technology Management	Information systems Network availability	%	98.00	98.00	98.79
				Information systems Applications availability	%	98.00	98.00	99.07
		Internal Service	Improve Information Technology	Data Recovery at PC level	%	100.00	100.00	100.00
				Data Recovery at Application (Server) level	%	100.00	100.00	100.00
Enabling Resilience, inclusion and sustainability	Continuous Improvement of the business	Business Performance	Effective Financial Management	Attainment of unqualified audit report	Index	Qualified audit report with matters of emphasis, material adjustment and other matters	Unqualified audit with matters of emphasis	Unqualified Audit Report
Enabling Resilience, inclusion and sustainability		Governance	BEE and Engendered Companies empowerment		Procurement spend from all suppliers	%	New	140.00
	Procurement spend from QSE's or EME's				%	New	4.00	7.67
	Procurement spend from suppliers that are 50% black owned				%	New	5.00	8.72
	Procurement spend from suppliers that are 30% black women owned				%	New	2.00	3.45
	Environment		ISO Management System Compliance – SHEQ	Index	Unqualified audit with two minor findings	Unqualified audit with minor findings per accreditation	Unqualified Audit Report	

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

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

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

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

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

The company has attained and exceeded performance on all of the KPIs that are information technology related, BBBEE Spend, Engendered Spend, public lighting maintenance and ISO Management System Compliance.

The company has a plan in place to ensure the attainment of unqualified audit report.

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Learning and Growth Perspective

Performance from the perspective of learning and growth is detailed in the table below. Performance that met or exceeded target is highlighted green and below target performance is highlighted in red.

The value drivers for the learning and growth perspective are as follows:

- Human Capital Utilization
- Information Capital Utilization
- Organizational Capital Utilization

PIP Alignment	CP IDP Programme	Value Propositions	Key Performance Area	Key Performance Indicator	Unit	2011/12 Actual Baseline (unaudited figures)	Year to Date	
							Target	Actual
Empowering citizens and partnership	Improve Customer Centricity and people development Continuous Improvement of the business	Optimal Human Capital Utilisation	Effective Human Resources Management	Percentage (%) of total grants received back from EW-Seta	%	74.00	55.00	19.79
				Total number of performance scores based on performance discussions submitted as a percentage of total staff complement	%	79.48	80.00	95.20
				Signed compacts in place as a percentage of total complement	%	95.00	80.00	91.00
				Number of voluntary scarce / critical skills separations as a percentage (%) of total number of separations	%	47.05	44.00	0
		Service Delivery	Effective Human Resources Management	Loss time rate: Number of all leave days(Sick Leave and Suspension only) x 100 Total work days	%	3.30	2.20	1.24
				Disabling Injury Frequency Ratio (DIFR)	Ratio	0.51	0.45	0.40
				Governance	Human Resources Development	Employment Equity (Affirmative Action)	%	79.23
		Employment Equity (Gender Equity Ratio)	%			20.91	22.00	23.06
				% of People/ Employees with Disabilities	%	2.89	2.00	2.88
				Number of tasks undertaken to comply with CoJ environmental management framework	Number	6.00	2.00	4.00
Socio-economic Development	Health and Safety	HIV/Aids workplace interventions executed and achieved the stated results	Number of Projects	1 Program + 9 Projects	1 Program + 9 Projects	7.00		

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City Power has identified human capital investment as one of its Key Focus Areas (KFAs) which is contributing to ensuring that there are right people, with right skills in the right positions. Ultimately, this is expected to result in improvements on the following KPIs:

- Percentage of total grants received back from EW-Seta
- Total number of performance scores based on performance discussions submitted as a percentage of total staff complement
- Signed compacts in place as a percentage of total complement
- Number of voluntary scarce / critical skills separations as a percentage of total number of separations
- Loss time rate
- Individual absenteeism frequency rate

The EW-Seta grants received in the current financial year (ending 30/6/2012) relate to the skills development levies paid in the previous financial year (ending 30/6/2012). The scores are submitted in January and July will therefore be finalised in August 2013.

City Power has performed well in terms of the following KPIs:

- Disabling Injury Frequency Ratio (DIFR) 0.40: on-going activities to prevent possible accidents as far as possible, such as continuing enhancement of management practices and development of a safety culture.
- Employment Equity (Affirmative Action): City Power exceed the EE target by more than 3% (achieving 86.60% against a target of 83%)
- Percentage of Employees with Disabilities: the Human Resources department embarked on road shows to clarify the definition of People with Disabilities in line with the Employment Equity Act No 55 of 1998.
- Number of tasks undertaken to comply with CoJ environmental management framework.
- HIV/Aids workplace interventions were executed and achieved the stated results. An integrated wellness strategy was implemented, which incorporates programs such as wellness days, employee assistance programs, awareness campaigns and HIV/AIDS education and awareness.

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Stakeholder Requirement Reporting

The KPIs outlined in the table below are reported for monitoring purposes and not for performance measurement. For this reason, no value drivers are linked to each Key Performance Area. The KPI's are included as they could have an impact on turnover, direct costs, Opex and bad debts as it impacts on net profit. Likewise, they could impact Capex and its impact on BBBEE and engendered spend. Performance that met or exceeded target is highlighted green and below target performance is highlighted in red.

Key Performance Area	Key Performance Indicator	Unit	Baseline	2012/13	
				Target	Actual
Effective Financial Management	Direct Costs	C/kWh	58.47	69.93	65.35
Effective Financial Management	Turnover	R'000	10 908 871	12 381 909	11 555 483
Effective Financial Management	Opex	R'000	2 871 295	2 502 543	2 419 538
Effective Financial Management	Bad Debts contribution	R'000	705 499	435 000	689 011
Effective Financial Management	CAPEX: Controllable	R'000	499 899	961 927	1 181 974
Effective Financial Management	CAPEX: Non-Controllable	R'000	203 214	135 181	99 387
Effective Financial Management	Opex spent on maintenance programmes as a % of overall Opex budget	%	8.9	14.5	13.98
Effective Financial Management	Capex spent on network as a percentage of the overall Capex budget	%	92	85.06	84.80
Effective Financial Management	% of ME's capital budget spent	%	99.9	100	116.79
Effective Financial Management	% Variance against ME's operating budget	%	253.60	-	3.71
Effective Financial Management	Reconciliation of intercompany balances with the CoJ	%	100	100	100
Effective Financial Management	Reconciliation of intra company balances with other ME's	%	100	100	100
Effective Financial Management	Fully SA GRAP compliant register of assets	%	100	100	100
Power Outages	HV (High Voltage) Outages – NPR (Network Performance Related)	Number	68	80	79
Power Outages	MV (Medium Voltage) Outages – NPR (Network Performance Related)	Number	940	900	1 046
Households with at least basic services	Total Number of Customers	Number	423 386	423 386	427 029
Households with at least basic services	Number of active prepaid customers	Number	249 213	249 213	263 163
Households with at least basic services	Number of active billed / invoiced customers	Number	175 173	175 173	167 661
Households with at least basic services	Number of households receiving free basic electricity	Number	3 260	3 260	3 720

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

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

Total Debt	Current	30 days	60 days	90 days	Above 90 days
4,973,045,248	866,706,351	406,036,407	339,980,241	195,495,239	3,164,827,010

An amount of R 586 million was written off as at 30 June 2013

5.2 Amounts owed by entity for service charges

Name of Entity	Amount Owed	Status	Comments
City Power	R 74 957 864	Amount provided for in the entity's books	Amount to be collected

5.3. Assessment of Directors' and senior managers' municipal accounts

Directors' municipal accounts				
Name	Designation	Municipality	Municipality account number	Account status
Mr. S Xulu	Managing Director	Ekurhuleni Municipality	BML OF025C1	Current
Ms. L Jarvis	Acting Director: Finance (Seconded)	City Of Johannesburg	202818208	Current
Ms. S Mafora	Director: Human Resources	City Of Johannesburg	MDM0001A	Current
Mr. N Msomi	Acting Director: Engineering Services	City Of Johannesburg	505422660	Credit
Mr. T Nkgoedi	Acting Director: Retail Services	City Of Johannesburg	505490974	Credit
Mr. L Pieterse	Director: Engineering Operations	Ekurhuleni Municipality	2101015625	Current
Mr. M Smith	Company Secretary	City Of Johannesburg	300949880 301192578	Current
Mr. J Tefu	Acting Director: Risk and Assurance	City Of Johannesburg	504677553	60 Days

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

Account Number	Name	Balance
220068999	JOHANNESBURG HOSPITAL	35,909,751.80
220004811	NUWE LANDROS GEBOU	3,757,742.05
221211031	DEPT OF ROADS AND TRANSPORT	3,568,479.04
220017137	SOUTH RAND HOSPITAL	2,562,859.93
220052075	SAP FLATS / Yvonne	1,768,407.87
221087497	Gauteng Shared Service Centre	1,654,978.55
221092105	Sizwe Tropical Disease Hospital	1,623,204.99
220091003	JHB HOSPITAL	1,554,899.20
220028442	DIEPKLOOF PRISON P W D	1,354,330.24
221211024	DEPT OF ROADS AND TRANSPORT	1,226,015.69
220010501	EDUCATION MODEL C SCHOOLS 87369371	1,117,010.76
220022970	DIE STREEKSVERTEENWOORDIGER	1,098,753.02
221165106	DEPARTMENT OF PUBLIC TRANSPORT&WORKS	992,393.39
220047364	ODIN-PARK PRIMARY	868,555.40
220007153	SAP BARRAKKE MAINWEG	771,431.69
220055421	SOUTHVIEW SECONDARY SCHOOL	735,719.24
220024991	FOREST HIGH SCHOOL	656,298.51
220057193	MODEL PRIMARY SCHOOL	632,322.86
220003751	DEPT. PUBLIC WORKS & LAND AFFAIRS	625,503.46
220058550	PNEUMOCONIOSIS RESEARCH PWD	596,241.96
221038725	EDENVALE HOSPITAL	591,763.39
220031580	WILGEHEUWEL HOSPITAL (PTY) LTD	528,220.20
220092208	HILLCREST PRIMARY SCHOOL	513,431.24
220042510	R S A PUBLIC WORKS	504,253.61
220028410	DIEPKLOOF MILITARY CAMP	491,284.11
220025000	HOERSKOOL DIE FAKKEL	486,276.27
220059151	SAP DODEHUIS EN KWARTIERE PWD	439,676.27
220057299	GREYVILLE PRIMARY SCHOOL	423,960.83
220055534	LENASIA SOUTH SECONDARY	395,808.40
221167015	DEPT. OF PUBLIC TRANSPORT/ ROADS & WORKS	389,399.69
220057179	ALPHA PRIMARY SCHOOL	357,471.83
220059120	SAP DODEHUIS EN KWARTIERE PWD	353,481.94
220061150	NANCEFIELD LAERSKOOL	338,155.68
220068100	JHB HOSPITAL	334,969.63
220078845	R S A OPENBAREWERKE&GRONDSAKE	328,263.48
220058937	TRINITY SECONDARY SCHOOL	326,657.14
220091388	SA DEFENCE QUEENS HIGH	307,614.23
220080386	SA POLICE FLATS (TRIOMF)	260,050.91
220061009	DEPT.HOUSING AND LOCAL GOVT.	247,921.60
220061030	SILVER-OAKS SEKONDERE SKOOL	237,214.43
220057355	M.H JOOSUB TECHNICAL	220,992.48
220058944	IMPALA CRESCENT PRIMARY	219,451.94
221087673	KIASHA PARK PRIMARY	213,649.92
220055453	PARKSIDE PRIMARY SCHOOL	190,844.36
221515061	NATIONAL DEPARTMENT OF PUBLIC WORKS	189,270.27

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Account Number	Name	Balance
220092173	MALVERN HIGH SCHOOL	177,187.91
220059151	SAP DODEHUIS EN KWARTIERE PWD	135,205.83
220093787	OPENBARE WERKE EN GRONDSAKE	131,787.37
220091356	KENSINGTON SECONDARY SCHOOL	127,871.46
220061023	WILLOW CRESCENT HOERSKOOL	124,690.43
221387003	NATIONAL DEPT OF PUBLIC WORKS	117,869.70
220057274	SAP LENASIA	112,336.96
220093794	ALEXANDRIA POLICE STATION	107,824.59
22006865	P W D WERKSWINKEL & STORE	107,746.13
220069512	JEPPE POLICE STATION	106,072.81
221442060	NATIONAL DEPARTMENT OF PUBLIC WORKS	91,887.89
220028435	SAP MOTOR WERKSWINKEL	89,910.69
220078806	SAP RADIO STATION	84,254.17
220000253	BRAMLEY PRIMARY SCHOOL	82,352.81
220056954	HOSPITAL HILL POLICE STATION	82,007.65
220035859	R S A PUBLIC WORKS & LAND	77,902.54
221087401	SA.POLICE ELDORADO PARK	73,255.43
221192163	GAUTENG PROVINCIAL GOVERNMENT	64,243.53
220055573	SIERRA NEVADA PRIMARY	63,933.40
220008118	DEPT OF JUSTICE	58,819.01
220079207	NORTHCLIFF HIGH SCHOOL	58,784.92
220079334	R S A DEPT OF PUBLIC ROADS ATT: STELLA	57,002.74
221449041	GAUTENG PROVENCIAL GORVENMENT	54,118.55
220008816	DIE HOOFDIREKTEUR/ Stella	52,886.04
220075925	JHB Secondary School	52,489.46
220009104	DIE STREEKSVERTEENWOORDIGER	47,548.30
220079197	SOPHIATOWN S.A.P.S	46,452.89
220078676	GEN.CHRISTIAAN DE WET SKOOL	45,620.21
220056993	SAP SAM HANCOCK STR	40,937.93
220027946	DEPT.PUBLIC WORKS&LAND AFFAIRS	40,604.93
220028700	PHILIP KUSHLICK SCHOOL	40,249.08
220047406	ENNERDALE SECONDARY SCHOOL	39,809.19
221019218	NATIONAL DEPARTMENT OF PUBLIC WORKS	39,112.44
220062002	SAP LAW COURTS LENASIA	37,808.34
220083813	EAST BANK HIGH SCHOOL	37,719.86
220069696	PARKVIEW SENIOR SCHOOL	32,596.10
220055608	AZARA SECONDARY SCHOOL	31,573.96
220065596	CYRILDENE PRIMARY SCHOOL	29,307.33
220059120	SAP DODEHUIS EN KWARTIERE PWD	28,729.32
220010332	DIE STREEKSVERTEENWOORDIGER	27,008.19
220100709	RIVERLEA LAERSKOOL	26,029.15
221068046	NATIONAL DEPT OF PUBLIC WORKS	18,123.10
220025770	DEPT OF PUBLIC TRANSPORT,ROADS & WORKS	17,471.24
220057098	SA NEVHUHULWI	13,512.79
220903752	DEPT. PUBLIC WORKS & LAND AFFAIRS	13,246.34
220092430	7TH DIV HEADQUARTERS PWD	11,544.70
220057080	SAP SAM HANCOCK STR (PWD)	11,136.08
220028957	S A POLICE STATION HONEYDEW	8,095.08

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Account Number	Name	Balance
220088177	BEREA PRIMARY SCHOOL	4,732.68
221141137	INKULULEKO YESIZWE PRIMARY SCHOOL	2,492.90
220077094	LAERSKOOL LOUW GELDENHUYS	2,438.23
220933683	SAP STATION BOOYSENS	1,983.17
220057027	SAP SAM HANCOCK	1,490.93
220056986	LS MODISE	1,287.68
220057041	SAP SAM HANCOCK	1,048.24
220057010	SAP SAM HANCOCK	728.77
		<u>74,957,864.67</u>

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Section 7: Recommendation and Plans for next financial year

The approved budget for the 2013/14 financial year is outlined in the table below:

	2013-2014
Turnover	13,276,206
Sales to Eskom	568,000
Cost of Sales	(9,248,990)
Gross Margin	4,595,216
Gross margin %	33.19%
Other Income	98,289
Grants & DSM	546,110
Net Operating Income	5,239,615
Operating overheads	(3,043,838)
Employee Related Costs Salaries	(793,439)
Gen.exp - Other	(1,085,497)
Repairs and maintenance	(472,647)
Contribution bad debts	(433,782)
Depreciation and amortisation	(258,473)
Operating Profit before interest and taxes	2,195,777
Interest Payable	(388,005)
Interest Receivable	87,374
Profit before taxation	1,895,146
Taxation	(530,641)
Profit after tax	1,364,505

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Key Focus Areas for the 2013/14 financial year

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

Business initiative	Project Stream	Project Manager	Business Alignment	Proposed completion
Attaining an Unqualified audit in a sustainable manner	<ul style="list-style-type: none"> Revenue Audit Internal Audit Controls 	Director: Finance	Audit Compliance	Ongoing
Reduce losses to 10%	<ul style="list-style-type: none"> Revenue Step Change 	Director: Retail Services	Retail Services	December 2015
Achieving 98% meter reading (100% Compliance to the by-law)	<ul style="list-style-type: none"> 99% Meter Reading AMR LPU customers 95% Manual Meter Reading for Domestic customers 98% Meter Reading for Domestic AMR 	Director: Retail Services	Retail Services	June 2013
Achieving 100% payment level for key and LPU customer	<ul style="list-style-type: none"> 100% payment level 	Director: Retail Services	Retail Services	June 2013
Achieving 90% data accuracy	<ul style="list-style-type: none"> Data Governance Customer domain Employee domain Network domain 	GM: Data Management	Data Management	2015
Installing 100 000 SHW	<ul style="list-style-type: none"> Energy mix Megawatts reduced 	Director: Engineering Services	Asset Management	December 2016
Achieving full compliance to NRS 047 and 048	<ul style="list-style-type: none"> NRS 047 	Director: Retail Services	Retail Services	Immediately
	<ul style="list-style-type: none"> NRS 048 	Director: Engineering Services	Asset Management	Immediately
Achieving 90:10 Planned: Unplanned	<ul style="list-style-type: none"> Power Outages Restoration Times 	Director: Engineering Operations	Asset Management	December 2015
Accelerated Visible Service Delivery .	<ul style="list-style-type: none"> 100% compliance to the SLA, 	Director: Retail Services	Retail Services	Ongoing
	<ul style="list-style-type: none"> Electrification, Public Lighting 	Director: Engineering Services	Asset Management	Ongoing
Innovative Product Pricing	<ul style="list-style-type: none"> Introduction of Domestic Time of Use Green Tariffs 	Director: Retail Services	Retail Services	2015

CHAPTER FOUR: HUMAN RESOURCES & ORGANISATIONAL MANAGEMENT

KEY ACHIEVEMENTS

- Obtained fifteen out of seventeen trade test certificates for City Power apprentices from EWSETA
- 7 bursars have been appointed for work-back
- The Company submitted an electronic version of the EE Report to the Department of Labour and achieved a “zero finding” meaning our report met the standards of DoL
- As part of the City Power institutional renewal project and the new Board approved structure, a new training department called the Learning Academy was created on 1st December 2012. The purpose of this department is to co-ordinate and administer technical training in line with City Power requirements
- City Power was accredited by EWSETA to perform Cable Jointing training. This is part of the bigger plan. With full accreditation, City Power will be able to render training services to the private sector and generate an income
- The People with Disability figure ended at 2.88%



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Section 1: Human Resource Management

The entity's overall objective as set out in its employment policy is to ensure that the company's employment practices and remuneration policies motivate and retain talented employees and create an attractive environment for all employees. The employment policy is periodically reviewed to ensure that it remains relevant and practical for the changing needs of current and potential employees.

Our vision is to be the employer of choice in our field. Our vision is to be at the top end of compliance by including such requirements into our working practices.

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

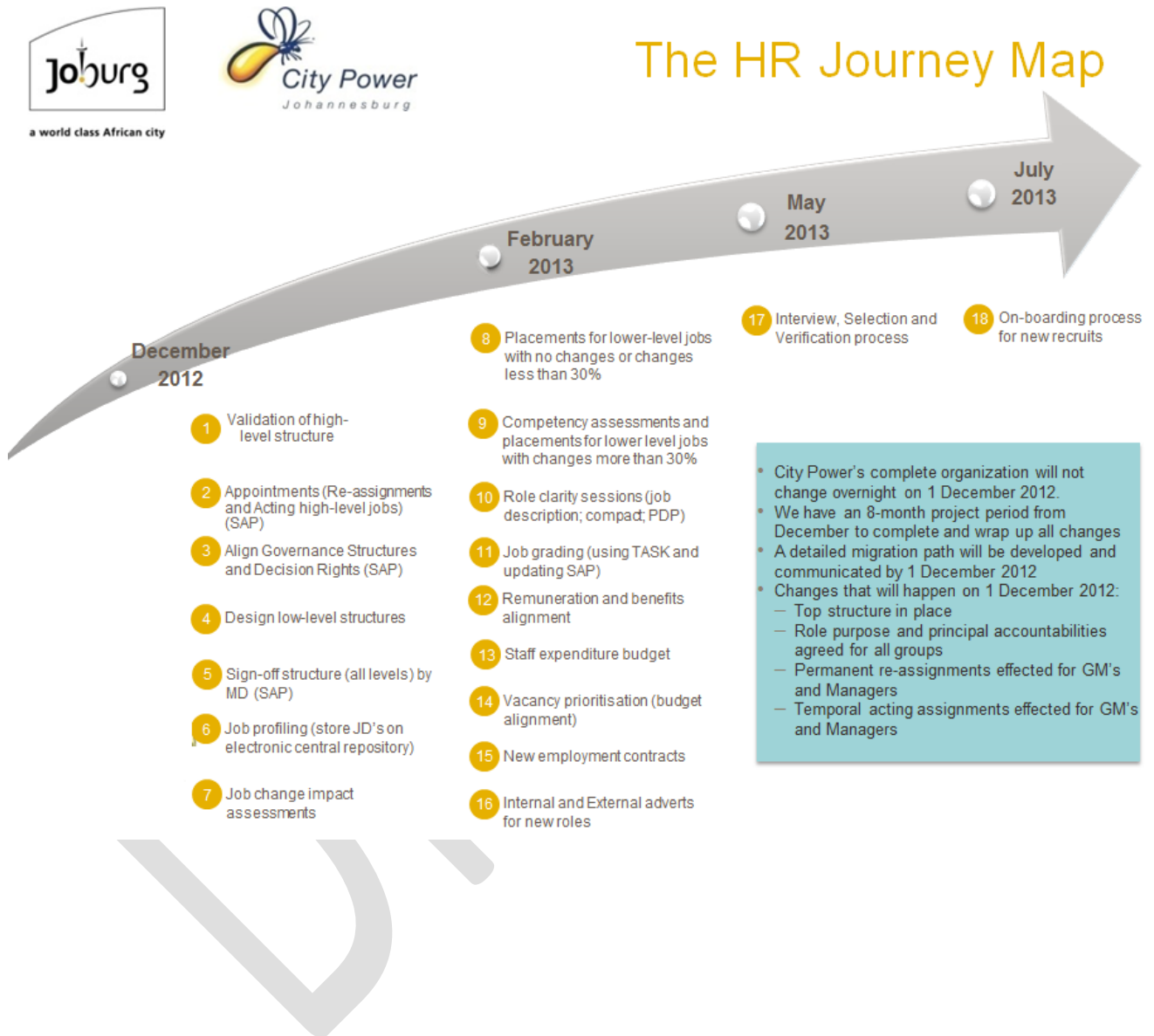
The Structural Alignment Programme is a planned change from a deliberate decision to alter the current state, improve business performance and enhance service delivery. The organization re-design initiative (structural alignment) which really began to be felt and be visible with effect from 1 December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



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For 2012/13 the strategic partner role of HR was to focus on aligning the organisation structure to the organisation strategy as outlined in the action plan which was put in place. Human Resources expertise had a vital role in the quest to ease organizational change. It is for this reason that at City Power, HR has to be an integral part of the organization's strategic planning and implementation which will have a huge effect on business performance.

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



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Section 2: Employment Equity

The Company has employment policies that it believes are appropriate to the business and the market in which it trades. Equal employment opportunities are offered to all employees. We firmly endorse the four key areas of employment equity identified by the Employment Equity Act:

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

The entity's employment equity programme was extremely progressive and we exceeded the targets set. Our conviction to ensure material participation of previously disadvantaged companies and individuals is demonstrated by the degree of procurement spent on the designated companies and individuals.

The previously disadvantaged (especially Women and People with Disabilities) currently have an equal opportunity to progress in their individual careers / aspirations and the aim is to continue along these lines and do even better by improving the prevailing conditions through initiatives informed by prescripts such as the Employment Equity Act (Employment Equity Plan with clear targets / goals).

Section 3: Skills Development and Training

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

In the 2013/14 financial year, our training will focus on the development of specific competencies relating to our future strategy for the company i.e. project management, risk management, quality assurance, supply chain management, financial management, including technical development such as high voltage operators, cable jointing and electrical trade test preparation. Information on the requirements for specific training is obtained from submitted Personal Development Plans by the employees. Compliance to legislation in terms of the Occupational Health and Safety Act is obtained via or Mandatory Training Courses that are presented on an as and when required basis.

The present focus on staff development is aimed to improve performance of our technical staff. For this to happen we have to upgrade our Technical Training Centre firstly. The proposal to upgrade the Training Centre was approved and is now in the implementation phase.

The area shown in the picture is part of the training area to be upgraded.



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Provision is made in the 2013/14 Financial Year to appoint Training Instructors as well as a few other critical positions ensure that practical training can commence once the renovation and upgrading of the training centre is complete.

Advertisements for bursars were placed and 350 applications were received. A selection process is currently happening. The focus for the appointments will be based on the best performers and persons from disadvantaged backgrounds with the emphasis on female students.

Section 4: Performance Management

Performance Management was implemented for all management levels on the organisational structure. The balanced scorecard is the tool being used for measurement. The performance indicators are linked to the Company objectives and the IDP scorecard. Additional objectives are included to reinforce the culture of governance and risk management among managers.

The Company started the rollout process to ensure that all employees in supervisory positions are included in the performance management strategy. Training of underperforming officials is being introduced as part of our coaching and mentorship process to improve the performance levels. Performance Management is being adopted as a positive management strategy rather than a punitive process, and in this way employees feel comfortable to be part of the process.

The entity will continue to set new standards of service delivery and our customer relationship programme will serve as a pillar for our on-going success. We remain firm in our commitment to sound stakeholder relationships and are committed to managing both short-term and long-term plans to standards that will ultimately benefit our communities. The challenges that we face are the increasing portfolio and a budget that is not scientifically proportionate to it. We will, however, continue to strive for operational effectiveness and, with our customers and stakeholders, we will collectively focus on improving the environmental well-being of our society.

Section 5: HIV/AIDS on the Workplace

The management of HIV/Aids is an important challenge facing every organisation in our country. The entity has determined that HIV/Aids will have an impact on the following risk areas: operations, target market risk, supplier risk, legal risk and health risk. Whilst all these risk are under further investigation, and has adopted the following core principles as a basis for its HIV/ Aids policy:

- Continuously assess the risks posed by HIV/Aids on the business;
- Limit the number of new infections among employees;
- Ensure employees living with HIV/ Aids are aware of their rights and that their rights are respected and protected;
- Provide care and support to employees living with HIV/Aids.

1.1. HIV/Aids Structures

In order to achieve the policy objectives, entity has formed an HIV/Aids committee which consists of three experienced independent medical practitioners, four union representatives and five members of senior management. The company has trained five peer educators, who are fulltime employees, who have shown passion and willingness to assist their fellow HIV positive colleagues to ensure that HIV positive employees receive care and support in their work environment.

1.2. Prevalence rate

To identify the current prevalence rate, the committee with the co-operation and support of the union conducted two studies: an actuarial study of the company's risk profile and a survey to measure the employee's knowledge, attitudes, practices and beliefs (KAPB) about HIV/Aids.

1.3. Actuarial impact analysis

The company employed the services of an actuary to assess the current and future expected cost to the organisation, resulting directly and indirectly from HIV/Aids. The company recognises the cost involved to both the company and the community of not taking progressive steps in combating the disease has therefore allocated an additional [R 5 million] worth of resources from its annual budget to fighting the disease. The HIV/Aids committee has approved the budget.

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1.4. Awareness of the disease

The committee has focussed its attention on identifying and measuring the extent of the risk of HIV/Aids to the organisation. In order to identify employees' level of awareness, the committee used the help of three psychologist and qualified counsellor to anonymously survey all staff numbers through the KAPB survey.

1.5. Education

To build on the awareness programme, an ongoing education programme has been instituted. The first place of this programme was to train peer educators who will then provide HIV/Aids education to all staff on an ongoing basis. Peer educators received training on lay counselling, grief management, company benefits, first aid and treatment of workplace injuries.

Section 6: Employee Benefits

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

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

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

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

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

Section 7: Supply Chain Management and Black Economic Empowerment

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

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

7.2 BBBEE spend in respect of suppliers and contractors

The fourth quarter spend on 50% Black Owned companies amounted to R389m which is 15%, bringing the year-to-date procurement spend to 9% which is above the set target of 5%. Procurement spend on 30% Black Women Owned companies amounted to R134m, which equates to 5% of the total procurement spend and is above the set target of 2%.

Status of the implementation of the COJ integrated supply chain management policy

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

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BBBEE Spend

	Quarter 1	Quarter 2	Quarter 3	Quarter 4	YTD-Actual
Procurement spend from suppliers that are 50% black owned R'000	167,524	266,608	187,469	388,828	1,010,429
% Spend	4%	10%	8%	15%	9%
Target	5%	5%	5%	5%	5%
Procurement spend from suppliers that are 30% black woman owned R'000	81,627	99,483	85,215	133,992	400,317
% Spend	2%	4%	4%	5%	3%
Target	2%	2%	2%	3%	2%

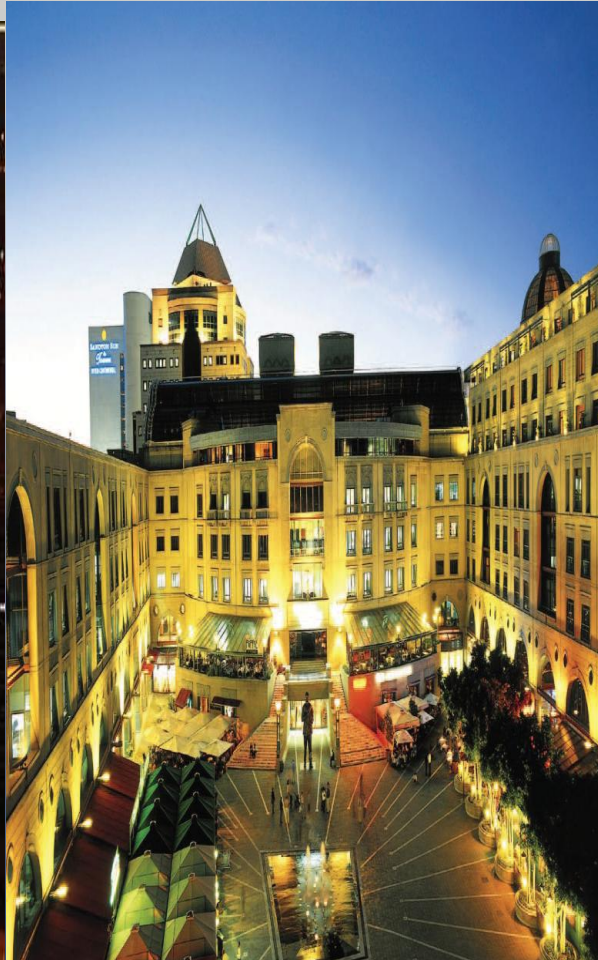
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CHAPTER FIVE: FINANCIAL PERFORMANCE

See Annexure B for detailed Annual Financial Statements.

KEY ACHIEVEMENTS

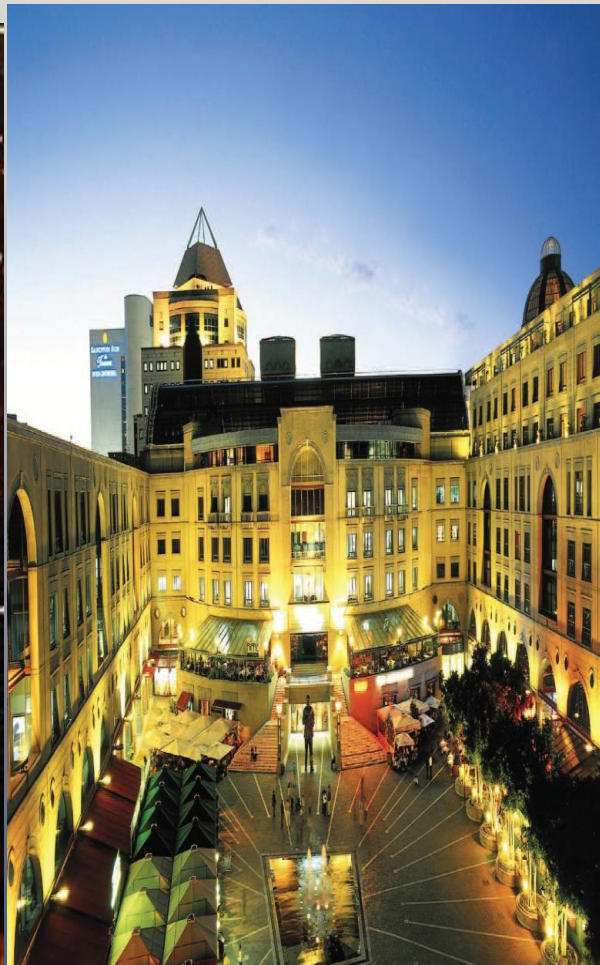
- Net surplus is exceeding budget
- Operating cost is 3.8% less than budget
- Net cash from operating activities exceed budget



CHAPTER SIX: AUDITOR-GENERAL AUDIT FINDINGS

KEY ACHIEVEMENTS

- Unqualified Audit report
- Progress made on resolving historical audit findings



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

See Annexure C

	2009/10	2010/11	2011/12	2012/13
Audit Opinion	Qualified	Unqualified	Qualified	Unqualified

Section 2: Historical Audit Findings and Remedial Action

No.	Issue	Finding	Finding Description	Resolved or Not Resolved in Quarter	Resolved or Not Resolved at year End
REVENUE					
1	Matter Affecting Audit Report	Customer where meter readings were disregarded for billing purposes	<ul style="list-style-type: none"> Management could not provide evidence that the estimations used were correct nor could justify why meters which were deleted were not used; Meters were not read for excessive periods of time. 	Partially resolved	Partially resolved
2	Matter Affecting Audit Report	Bills greater than R3000 residential electricity	<ul style="list-style-type: none"> Management could not provide evidence that the estimations used were correct nor could justify why meters which were deleted were not used; Meters were not read for excessive periods of time. 	Partially resolved	Partially resolved
3	Matter Affecting Audit Report	Bills greater than R20 000 commercial electricity	<ul style="list-style-type: none"> Management could not provide evidence that the estimations used were correct nor could justify why meters which were deleted were not used; Meters were not read for excessive periods of time. 	Partially resolved	Partially resolved
PROCUREMENT AND SUPPLY CHAIN MANAGEMENT					
4	Other Important Matter	Deviations disclosure – awards above R200 000	Inadequate procedures and processes in place to ensure compliance with applicable laws and regulations.	Resolved	Resolved
5	Other Important Matter	Awards made to people in service of the state – Non-compliance to SCM regulation 44	Awards made to people in service of the state.	Partially resolved	Partially resolved
6	Other Important Matter	Deviations not disclosed	Sufficient quotes not obtained or approved by CFO and not disclosed in the financial statement.	Resolved	Resolved

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No.	Issue	Finding	Finding Description	Resolved or Not Resolved in Quarter	Resolved or Not Resolved at year End
7	Other Important Matter	Disclosure Fruitless, Wasteful and Irregular Expenditure	Inadequate procedures and processes in place to ensure compliance with applicable laws and regulations.	Resolved	Resolved
IAS 39					
8	Other Important Matter	Incorrect amount posted on general ledger	Management does not prepare regular, accurate and complete financial and performance reports that are supported and evidenced by reliable information.	Resolved	Resolved
PROPERTY, PLANT AND EQUIPMENT					
9	Administrative Matter	Incorrect Classification of Assets	Incorrect classification of solar geysers as PPE instead of inventory.	Resolved	Resolved
10	Other Important Matter	Tagging of Assets	Non network assets not tagged.	Resolved	Resolved
11	Other Important Matter	Completeness of non network assets	Assets could not be traced back to fixed asset register.	Resolved	Resolved
12	Other Important Matter	Network assets which could not be conclusively verified	Network assets not tagged.	Resolved	Resolved
13	Administrative Matter	Assets capitalised at incorrect cost	- Assets capitalised at the incorrect costs.	Partially resolved	Partially resolved
14	Administrative Matter	Incorrect asset descriptions on the fixed asset register	A laptop was classified as a projector on the fixed asset register.	Resolved	Resolved
15	Administrative Matter	Assets incorrectly grouped together	- Assets incorrectly grouped together on the fixed asset register.	Resolved	Resolved
16	Administrative Matter	Inadequate tracking and reporting of rotatable assets	<p>The inventory process flow requires that when an item of asset (network assets), has been damaged and is brought back to the warehouse, the item should be booked back into the stores using the asset's serial number.</p> <p>The process was however currently done manually and SAP is not updated, as a result of this, the items of PPE sitting in the stores waiting to be repaired are still showing on the fixed asset register and thus the financial statement.</p> <p>Since the above process is not done on SAP, the PM04 forms cannot be issued and as a result an assessment of the assets cannot be done on the assets resulting in this assets being redundant in the warehouse.</p>	Resolved	Resolved

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No.	Issue	Finding	Finding Description	Resolved or Not Resolved in Quarter	Resolved or Not Resolved at year End
17	Administrative Matter	PPE costs incorrectly expensed	Items which should've been capitalised were expenses.	Resolved	Resolved
18	Administrative Matter	Non network No useful life and assets: residual value assessment	Assets that have net book value of zero and are still in use were identified.	Resolved	Resolved
RELATED PARTY DISCLOSURE					
19	Other Important Matter	Related party balances do not agree	Related party balances in the financials do not agree with written confirmations.	Partially resolved	Partially resolved
AUDIT OF PREDETERMINED OBJECTIVES					
20	Administrative Matter	Variances between the Business Plan and Budget	Inconsistencies between the business planning and the IDP or the initial master plan were identified.	Resolved	Resolved
21	Administrative Matter	Variances between performance report and the stats used	Inconsistencies between the business planning and the IDP or the initial master plan were identified.	Resolved	Resolved
22	Other Important Matter	Illegal connections	Illegal connections were not being measured and reported on as required by legislation.	Resolved	Resolved
COMMITMENTS					
23	Administrative Matter	Contracts not signed by both parties	Certain contracts were not signed by both parties in the agreement.	Resolved	Resolved
DIRECTORS EMOLUMENTS					
24	Administrative Matter	Non- executive directors' fees and allowances	During the audit of director emoluments disclosure, it was noted that the lump sum retrenchment/ retirement benefit for Ms. N.D Siwahla Madiba was not included as part of the director's emoluments amounts disclosed in the financial statements.	Resolved	Resolved
25	Administrative Matter	Directors fees and allowances	Directors fees paid in the prior year were disclosed in the current year.	Resolved	Resolved
LEAVE PROVISION					
26	Administrative Matter	Opening balances on leave pay provision	Leave per the payslips did not agree to the leave pay reports.	Resolved	Resolved
27	Administrative Matter	Compulsory leave days not taken in a leave cycle	Leave days are in excess of company policy.	Resolved	Resolved

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No.	Issue	Finding	Finding Description	Resolved or Not Resolved in Quarter	Resolved or Not Resolved at year End
PREPAID ELECTRICITY					
28	Administrative Matter	Prepaid control account not cleared to zero	Prepaid Debtors accounts were not reconciled to zero.	Resolved	Resolved
INFORMATION TECHNOLOGY					
29	Administrative Matter	Information technology governance	IT Strategic plan was still in draft at the time of the review.	Partially resolved	Partially resolved
30	Administrative Matter	Security management	IT management had not formally designed SAP security baseline controls (policies, procedures, guidelines) to mitigate the risk of unauthorised access and security vulnerability to the application and information systems.	Partially resolved	Partially resolved
31	Administrative Matter	User access controls	IT management had not adequately implemented SAP user account controls (policies, procedures, guidelines) to mitigate the risk of unauthorised access to the application system.	Partially resolved	Partially resolved

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APPENDIXES AND ANNEXURES

ANNEXURE A: PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2013

BALANCE SCORECARD WITH KEY PERFORMANCE AREAS AND INDICATORS

(a) Financial						2011/12 Actual Baseline (unaudited figures)	Quarter 1		Quarter 2		Quarter 3		Quarter 4		Year to Date	
PIP Alignment	CP IDP Programme	Value Propositions	Key Performance Area	Key Performance Indicator	Unit		Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
Enabling Growth and Job Creation	Revenue Step Change Programme	Sustainable Revenue Growth/ Low Operating Costs	Effective Financial	Net Profit	R'000	1 410 956	187 416	225 375	562 182	457 398	726 393	507 148	-81 525	127 363	1 394 466	1 317 285
				Gross Margin	%	36.22	21.19	23.93	38.82	42.67	47.75	44.10	32.76	28.51	34.07	33.72
			Revenue Improvement	Total Losses	%	19.31	20.43	20.43	22.42	24.80	24.42	23.37	15.13	26.96	15.00	25.59
				Technical Losses	%	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00	9.00
				Non - Technical Losses	%	10.31	11.43	11.43	13.42	15.80	15.42	14.37	6.13	17.96	6.00	16.59
		Sustainable Cash Flow	Effective Financial Management	Net Cash Flow Position	Rbn	1 191	1 980	914	2 042	1 495	1 870	1 933	1 566	2 705	1 566	2 705
		Improve Revenue Collection		Revenue Improvement	Payment Levels – All Customers	%	92.37	93.00	80.92	93.00	96.52	93.00	88.98	93.00	121.39	93.00
			Reduction of arrear debt		%	New	45.00	0	45.00	0	45.00	0.00	45.00	0.00	45.00	0

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(b) Customer																		
PIP Alignment	CP IDP Programme	Value Propositions	Key Performance Area	Key Performance Indicator	Unit	2011/12 Actual Baseline (unaudited figures)	Quarter 1		Quarter 2		Quarter 3		Quarter 4		Year to Date			
							Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual		
Empowering citizens and partnerships	Improve Customer Centricity and people development	Quality Service Experience	Customer satisfaction and responsiveness	Customer Satisfaction Index Consolidated Customers	%	65.00	65.00	66	65.00	66	65.00	66	65.00	56.60	65.00	56.60		
Enabling Resilience, Inclusion and Sustainability	Improve Network performance and quality of supply	Quality Service Experience/ Governance	Regulatory Compliance (NERSA) NRS 047 (Quality of Service)	CAIDI	Minutes	368.73	140.00	240.30	140.00	234.38	140.00	269.96	368.00	368.82	368.00	280.00		
				CAIFI	Number	0.08	1.18	0.09	1.18	0.06	1.18	0.05	1.20	0.06	1.20	0.07		
				SAIDI	Minutes	94.98	175.50	255.91	180.50	312.25	180.50	269.77	175.50	515.97	702.00	1 336.57		
				SAIFI	Number	3.08	0.77	1.06	.0.77	1.33	0.77	1.00	0.77	1.40	3.08	4.78		
				Faults restoration within the specified time														
				Within 1.5 Hrs	%	30.51	30.00	31.55	30.00	29.77	30.00	25.67	30.00	31.45	30.00	29.35		
				Within 3.5 Hrs	%	73.58	60.00	67.54	60.00	75.32	60.00	66.62	60.00	67.81	60.00	69.14		
	Within 7.5 Hrs	%	91.96	90.00	87.34	90.00	86.58	90.00	84.64	90.00	82.23	90.00	84.68					
	Within 24 Hrs	%	98.85	98.00	99.20	98.00	99.13	98.00	98.56	98.00	97.52	98.00	98.59					
	Enabling Growth and Job Creation	Revenue step change programme	Quality Service Experience	Customer satisfaction and responsiveness	Meter Roll out	Number		100	132	1 500	1 925	6 000	0	17 943	17 541	20 000	19 598	
Meter reading performance					%	98.00	New	75.65	96.00	78.66	96.00	78.58	96.00	79.35	97.00	78.05		
Empowering citizens and partnerships	Improve Customer Centricity and people development	Socio Economic Development	Economic Development & Job Creation	FBE	kWh/ household	150.00	150.00	70.54	150.00	34.34	150.00	36.34	150.00	150.00	150.00	150.00		
Going Green	Demand Side Management	High Product Availability/ Service Delivery/ shift to low carbon	Regulatory Compliance (NERSA) NRS 048 (Quality of Supply)	After Diversity Maximum Demand (ADMD)	kVA	0	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.12	0.12		
				Additional Capacity	MW	0										45.00		
				Energy Mix (Non Eskom)	%	New	6.5	6.5	6.9	7.9	5.8	10.4	5.6	6.4	6.2	7.5		
				Energy Efficiency	MW	New	2.3	0	2.3	0	2.3	0	2.3	0	2.3	0		
Empowering citizens and partnerships	Improve Customer Centricity and people development	Positive Company Governance	Health and Safety	Public Fatalities: Controllable	Number	1	0	1	0	1	0	0	0	0	0	2		
				Public Fatalities: Uncontrollable	Number	3	0	1	0	1	0	2	0	3	0	6		
		Socio Economic Development	Health and Safety	Employee job related fatalities	Number	0	0	0	0	0	0	0	0	0	2	0	1	
				Economic Development & Job Creation	Job opportunities created as per EPWP (Expanded Public Works Program) policy: Temporary jobs.	Number	2 333	625	577	875	892	624	1 052	376	699	2 500	3 220	
Enabling Growth and Job Creation	Expansion and Strengthening of Network	Socio Economic Development/ shift to low carbon infrastructure	Households with at least basic services	Number of new electrification customers	Number	5 610	800	2 529	300	0	501	0	1 399	778	3 000	3 307		
		Socio Economic Development	Improve Public Lighting	Provision of new Public lights in the formal Areas and Informal Areas	Number	5 164	1 000	762	1 000	726	1 000	993	1 200	2 862	4 200	5 343		

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(c) Internal																
PIP Alignment	CP IDP Programme	Value Propositions	Key Performance Area	Key Performance Indicator	Unit	2011/12 Actual Baseline (unaudited figures)	Quarter 1		Quarter 2		Quarter 3		Quarter 4		Year to Date	
							Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
Enabling Growth and Job Creation	Improve Network performance and quality of	Service Delivery	Improve Public Lighting	Maintenance of Public lights	%	98.00	85.00	94.99	85.00	91.23	85.00	87.53	85.00	97.13	85.00	98.22
Empowering citizens and partnership	Improve Customer Centricity and people development	Service Delivery/ Governance	Regulatory Compliance (NERSA) NRS 047 (Quality of Service)	% planned: unplanned maintenance	Index	62.00	65.00	56.62	65.00	49.17	65.00	75.64	65.00	69.14	65.00	63.56
				Total number of calls answered in 30 seconds as a percentage of calls received (NRS 047)	%	50.90	80.00	45.25	80.00	56.07	80.00	36.08	80.00	33.11	80.00	26.89
				Number of customer complaints/queries resolved per total queries received SAP CRM	%	98.00	90.00	60.01	90.00	55.30	90.00	48.67	90.00	45.28	90.00	45.28
				Average time taken for City Power to resolve queries that are referred to them that require investigations (NRS 047)	days	21.75	10.00	1.07	10.00	-0.51	10.00	-1.62	10.00	1.15	10.00	1.15
Enabling Growth and Job Creation	Improve Network performance and quality of supply		Regulatory Compliance (NERSA) NRS 048 (Quality of Supply)	NRS 048 Compliance – Category 4 - Domestic	%	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
			NRS 048 Compliance - Category 3 - Rural	%	100.00	100.00	96.60	100.00	100.00	100.00	95.00	100.00	97.20	100.00	99.47	
			NRS 048 Compliance - Category 2 - Industrial	%	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	
Enabling Growth and Job Creation		Internal Service	Improve Information Technology Management	Information systems Network availability	%	98.00	98.00	98.00	98.00	99.05	98.00	99.05	98.00	99.05	98.00	98.79
			Information systems Applications availability	%	98.00	98.00	99.00	98.00	99.09	98.00	99.09	98.00	99.09	98.00	99.07	
		Internal Service	Improve Information Technology	Data Recovery at PC level	%	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
			Data Recovery at Application (Server) level	%	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	
Enabling Resilience, inclusion and sustainability	Continuous Improvement of the business	Business Performance	Effective Financial Management	Attainment of unqualified audit report	Index	Qualified audit report with matters of emphasis, material adjustment and other matters	Unqualified audit with matters of emphasis	Not started	Unqualified audit with matters of emphasis	Not started	Unqualified audit with matters of emphasis	Not started	Unqualified audit with matters of emphasis	Pending	Unqualified audit with matters of emphasis	Unqualified Audit Report
Enabling Resilience, inclusion and sustainability		Governance	BEE and Engendered Companies empowerment	Procurement spend from all suppliers	%	New	140.00	148.65	140.00	146.28	140.00	137.52	140.00	130.78	140.00	141.83
	Procurement spend from QSE's or EME's			%	New	4.00	3.67	4.00	9.11	4.00	6.82	4.00	7.79	4.00	7.67	
	Procurement spend from suppliers that are 50% black owned			%	New	5.00	4.19	5.00	9.97	5.00	8.31	5.00	14.60	5.00	8.72	
	Procurement spend from suppliers that are 30% black women owned			%	New	2.00	2.04	2.00	3.72	2.00	3.78	2.00	5.03	2.00	3.45	
	Environment	ISO Management System Compliance – SHEQ	Index	Unqualified audit with two minor findings	Unqualified audit with minor findings per accreditation	Not started	Unqualified audit with minor findings per accreditation	Not started	Unqualified audit with minor findings per accreditation	Not started	Unqualified Audit Report	Unqualified audit with minor findings per accreditation	Unqualified Audit Report			

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(d) Learning and Growth						2011/12 Actual Baseline (unaudited figures)	Quarter 1		Quarter 2		Quarter 3		Quarter 4		Year to Date	
PIP Alignment	CP IDP Programme	Value Propositions	Key Performance Area	Key Performance Indicator	Unit		Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
Empowering citizens and partnership	Improve Customer Centricity and people development Continuous Improvement of the business	Optimal Human Capital Utilisation	Effective Human Resources Management	Percentage (%) of total grants received back from EW-Seta	%		74.00	55.00	0.00	55.00	0.00	55.00	0.00	55.00	84.64	55.00
				Total number of performance scores based on performance discussions submitted as a percentage of total staff complement	%	79.48	80.00	80.00	80.00	80.00	80.00	0.00	80.00	113.35	80.00	95.20
				Signed compacts in place as a percentage of total complement	%	95.00	80.00	0.00	80.00	0.00	80.00	0.00	80.00	23.68	80.00	91.00
				Number of voluntary scarce / critical skills separations as a percentage (%) of total number of separations	%	47.05	44.00	0	44.00	0.00	44.00	0.00	44.00	0.00	44.00	0
		Service Delivery	Effective Human Resources Management	Loss time rate: Number of all leave days(Sick Leave and Suspension only) x 100 Total work days	%	3.30	2.20	1.70	2.20	1.45	2.20	0.88	2.20	0.90	2.20	1.24
				Disabling Injury Frequency Ratio (DIFR)	Ratio	0.51	0.45	0.50	0.45	0.50	0.45	0.45	0.45	0.45	0.40	0.45
		Governance	Human Resources Development	Employment Equity (Affirmative Action)	%	79.23	83.00	86.47	83.00	86.34	83.00	86.59	83.00	87.02	83.00	86.60
				Employment Equity (Gender Equity Ratio)	%	20.91	22.00	22.85	22.00	22.90	22.00	22.98	22.00	23.06	22.00	23.06
				% of People/ Employees with Disabilities	%	2.89	2.00	2.99	2.00	3.00	2.00	2.98	2.00	2.96	2.00	2.88
				Number of tasks undertaken to comply with CoJ environmental management framework	Number	6.00	2.00	2.00	2.00	1.50	2.00	1.00	2.00	0.00	2.00	4.00
		Socio-economic Development	Health and Safety	HIV/Aids workplace interventions executed and achieved the stated results	Number of Projects	1 Program + 9 Projects	1 Program + 2 Projects	3.00	1 Program + 4 Projects	3.00	1 Program + 6 Projects	1.00	1 Program + 7 Projects	0.00	1 Program + 9 Projects	7.00

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ANNEXURE B: ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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ANNEXURE C: AUDITOR-GENERAL REPORT FOR THE YEAR ENDED 30 JUNE 2013

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