



CITY POWER
(PROPRIETARY LIMITED)
Registration No: 2000/030051/07

ANNUAL REPORT

2006/2007

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

**CITY POWER JOHANNESBURG
(PROPRIETARY LIMITED)**

COMPANY INFORMATION:

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2016

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Bankers : ABSA Bank of SA Limited

Auditors : Auditor-General

Vision

To be a world-class electricity utility, striving for social and economical development of the region

Mission

To meet the expectations of customers and stakeholders

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CHAPTER ONE: INTRODUCTION AND CORPORATE PROFILE

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

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

City Power has an annual turnover of approximately R3, 8 billion and a staff complement of 1921. It has total assets of R5, 5 billion rand and contributes 22.9% of the total economic value added in the CoJ as a whole.

EDI Process

Currently the South African EDI (Electricity Distribution Industry) is faced by a number of challenges, namely:

Inadequate maintenance of networks

Inequitable treatment of consumers across the country

Inconsistent electrification performance

Slow and Inconsistent roll-out of FBE (Free Basic Electricity)

Having considered technical submissions on the financial viability of the different Regional Electricity Distribution (RED) models; the institutional and governance arrangements for the REDs; and how the various models respond to the restructuring policy objectives the Cabinet approved the following on 25 October 2006:

That 6 wall to wall REDs be implemented;

That the REDs be established as Public Entities (PE's) and be

Regulated according to the PFMA and the Electricity Regulation Act;

That Eskom becomes a shareholder in the respective REDs for a transitional period and that they reduce their shareholding over time;

That DME, through EDI Holdings, will oversee and control the establishment of REDs;

That a roadmap will be put in place to move from the current scenario into the future industry structure

That a strategy needs to be developed to deal with capital investment requirements for the REDs

That EDI Restructuring legislation will be introduced; and

That a National electricity pricing system will be developed.

City Power will eventually form part of RED 4

The EDIH (The Electricity Distribution Industry Holdings Company) has indicated that the following will be the key RED creation implementation enablers:

Governance of the REDs

Electricity Restructuring Legislation

Promulgation of an Asset Transfer Framework to enable an effective and orderly transfer of assets from local government and Eskom to the REDs

A National Pricing System

A Salary Harmonisation Framework

A Capital Investment Strategy for Infrastructure

A Surcharge Principles Framework

Furthermore the significant policy issues that have yet to be resolved with regards to the creation of the REDs include the following:

The compensation of Eskom and each municipality for assets contributed;

The valuation methodology to be used for the valuation of assets;

The formulae to be used for the allocation of shares to National Government; Eskom and Local Government;

The capital structure for the REDs;

financial incentives for municipalities to join the REDs;

The transitional nature of Eskom's shareholding in the REDs;

The impact on the credit rating of Eskom and municipalities;

The EDIH has also stated that the EDI Restructuring focus is on implementing the October 2006 cabinet decision, resolution of all outstanding implementation enablers, the creation of a conducive and harmonised policy environment, strong stakeholder management focus implying that all stakeholders continue developing a common and shared vision and a commitment to work together and that stakeholders to continue work in partnership within the context of cooperative governance. Furthermore all municipalities should be encouraged to support the implementation of the Cabinet Decision by:

Signing Accession to the Co-operative Agreement,

Commencing the preparatory work,

MSA Section 78,

Ring fencing

Due Diligence; and

Participating in the Regional Engagement Forum and Project Governance Structures.

The COJ (City of Johannesburg) (includes City Power) is also in the process of currently evaluating and "unpacking" the implementations of the said cabinet decision of 26 October 2006. In this respect the COJ and City Power are participating in the various governance structures setup by the EDIH and structures internal to the COJ. A mayoral Sub Committee has also been setup to oversee the RED creation process. City Power in preparing and taking the process forward will be guided by the actions of its shareholder i.e. the COJ.

Section 2: Strategic Objectives

The CoJ has a Growth and Development Strategy (GDS). City Power forms part of the infrastructure and services sector whose 5 year sector plan is:

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

Long Term Goal

1. Extend a differentiated package of service that is fit for its purpose, affordable, reliable and in accordance with national policy commitments, and an agreed local definition of appropriate levels of service.

Strategic Interventions

Eliminate any and all current backlogs in access to basic services.

Progressively increase the share of the population and accessing higher levels of services with regard to affordability and within environmental considerations.

Solve the non-account holder problem in the social package to ensure that all eligible households have access to an agreed package of free basic services with creative solutions.

5-Year Strategic Objectives

Electrification distribution to at least 95% of formalised households.

Provision of streetlighting to 95% of Johannesburg.

Provision of streetlighting to 60% of informal settlements.

Basic Service Delivery Programme

- a. Develop and implement an Energy Management Plan.
- b. Implementation street lighting programme to formal and informal areas.
- c. Introduce delivery mechanisms to ensure that residents of multi-dwelling stands receive benefits as per the revised social package.
- d. Improve the City’s understanding of users’ consumption needs and behaviours, especially among poor and vulnerable groups.

Long Term Goal

2. Extension and maintenance of reliable and competitively priced services required by commercial and institutional consumers

Strategic Interventions

Within the framework of the RED meet the electricity needs of all commercial and bulk electricity users in the City.

Through efficiency improvements, reduce the cost per capita operating expenditure for running and maintaining all service networks.

Against a benchmark of other South African and selected international cities, ensure that end user tariffs remain commercially competitive.

5-Year Strategic Objectives

Assist COJ with the establishment of the RED.

Reduce electricity billing losses from 3% to 1%.

Reduction in electricity outages by 50% in year 2010 (bulk, medium and low voltage).

Service delivery improvement programme

- a. Right-size bulk business by focussing on new technologies and customers by 2007.
- b. Implement education and awareness programme.
- c. Identification of electricity hot-spots.
- d. Integrated programme of electricity infrastructure upgrading, leak repair and improved metering and billing.
- e. Reduce electricity maintenance backlogs by 50%.
- f. Evaluate future energy distribution and demand requirements and develop a strategy to secure supply.
- g. Formulate a demand-side energy management strategy in response to consumption levels in different consumption categories.
- h. Formulate and implement policy on conventional and prepaid meters.

Long Term Goal

3. Service delivery is secured through well-designed, well-integrated and well-maintained generation/supply, processing and distribution networks.

Strategic Interventions

Ensure integrated design and maintenance planning for all infrastructure, with a view to manage recurrent costs and extended life of service networks.

Eliminate backlogs in service infrastructure replacement and maintenance by 2015 (estimated R 8 billion), and ensure ongoing adherence to a clear, far-sighted asset maintenance and normalised life-cycle replacement plan.

Develop and maintain a cross-city maintenance planning and management system to prevent cost-transfer behaviour and to avoid unnecessary wastage of resources.

Ensure that investment to extend the service life of infrastructure is within cost effective thresholds and technical tolerances.

5-Year Strategic Objectives

Reduction in illegal electricity connections by 70%.

Maintain asset value of all infrastructure and augment capacity to meet growth requirements.

Service reliability programme

- a. Electricity Meter installation programme.
- b. Asset refurbishment and maintenance programme.
- c. Formulate and implement policy on conventional and prepaid electrical meters.
- d. Design and implement a long-term asset management strategy and plan for energy, water and waste.
- e. Remove illegal connections.

Long Term Goal

4. Leadership in sponsoring and adopting innovative, yet locally relevant, technologies and delivery capabilities that enable new service offerings and ongoing efficiency improvement across all service areas.

Strategic Interventions

With a view to optimising new telecommunications and other technologies, introduce new service offerings that meet the changing needs of citizens and stakeholders.

Contribute to research and development and industry development by sponsoring, and where appropriate, adopting new technologies that enable service efficiency and quality improvements, especially those that are relevant to developing world/city contexts.

Contribute to environmental sustainability through adoption of technological and strategic solutions that conserve commercial and non renewable resources.

5-Year Strategic Objectives

Implement at least 5 innovative new technologies in service delivery.

97% compliance with environmental legislation. (Emphasis on oil spillage at electrical substations).

Infrastructure modernisation programme

- a. Rollout solar street lighting.
- b. Reinstate gas turbines using natural gas.
- c. City wide education programmes an energy conservation.
- d. Provision of alternate energy services (i.e. solar power and gas) to at least 20% of all consumers.
- e. Evaluate and implement alternative energy services programme to address demand side management.

Long Term Goal

5. Maintain a regime of responsible service delivery regulation and stakeholder interaction.

Strategic Interventions

Maintain and improve service delivery efficiency levels through progressive and continuous improvement.

5-Year Strategic Objectives

Introduce and maintain a quality of service monitoring and evaluation system that can inform regular stakeholder engagement for at least 3 years.

Service regulation programme

- a. Establish closer liaisons with external regulatory/ government bodies to initiate customer satisfaction and feedback.
- b. Establish a stakeholder forum body, comprising government departments, external regulators and consumer groups.
- c. Undertake impact analysis of sector tariff increases on various consumer segments.
- d. Build internal capacity to undertake audits of technical and operational performance.

Section 3: Foreword by Member of the Mayoral Committee

The City of Johannesburg has maintained its unwavering drive of the past years in the 2006/7 year and has increased its efforts in meeting government's goal in creating a better life for all in South Africa by improving provision of service and reliability of supply and ensuring access to affordable electricity to everyone.

Improved Service delivery is the single biggest imperative facing the City. Reliable service delivery to meet the growing needs of the City will require significant capital investment to:

- address service backlogs
- upgrade existing networks
- replace increasingly old infrastructure and equipment

Within the framework of the City of Johannesburg Growth Development Strategy the objectives for City Power in the next 5 years are:

- Develop and implement an energy plan
- Implement a street-lighting program
- Expand the provision of street-lighting in informal settlements
- Provide 100% street-lighting in the Alexander renewal programme
- Establish the Johannesburg Regional Electricity Distribution (JORED) area as defined by the EDI
- Eliminate backlogs in service infrastructure replacement and maintenance and ensure ongoing adherence to a clear, far sighted asset maintenance and normalised life cycle replacement plan
- Introduce city wide education programmes on energy conservation
- Provide and implement alternative energy sources to address the demand side management

I am pleased to report that City Power has made significant progress in meeting these objectives as reflected in the improvement in the level of outages and the increased expenditure on public lighting.

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

The establishment of JORED is progressing at a steady pace. The relevant structures have been set up and numerous meetings with Eskom and the EDI Holding Company as participants have been held already. There has been a significant amount of information sharing and clarification both at a local level and national level to ensure that the City's interests are protected while still supporting the EDI Restructuring process.

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

Section 4: Chairperson's Foreword

The 2006/07 financial year results of City Power show continued efforts to meet the expectations of our shareholder as reflected in the service delivery objectives in our corporate scorecard.

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

Capital expenditure has to date ensured that we continue to address the challenges we face in stabilising our network. Our future rollout plans will also go a long way in addressing the gaps that we have identified in lighting the way as we support the City's efforts in being a world class African city.

The Board remains committed to continuous improvement towards attaining strong financial and operational results as a contribution to the vision of a world class African city. In these efforts we acknowledge the continuing support of the Shareholder Unit and the Member of the Mayoral Committee: Infrastructure Services in helping the Company achieve its deliverables.

In conclusion, this Annual Report, covering 1 July 2006 to 30 June 2007, details a period of institutional change and transition designed to create a company that is stronger, more agile, and more effective in its response to the needs of the communities we serve, the shareholder, and our employees. It also details continuous efforts of the Board and management to ensure good corporate governance and transparent compliance to legislation, like the Municipal Finance Management Act, especially with regards to the procurement processes. It is pleasing to report that the company has achieved a clean audit report in the current year.

Section 5: Managing Director's Report

The period ended June 2007 has been an exacting one for the company. We were faced with the demanding task of reducing the high levels of outages experienced by our stakeholders in the previous year, whilst improving visible service delivery.

I am pleased to report that the company produced a commendable performance in the face of these challenges. Highlights included:

- conversion of high consumption customers to automated meter reading
- improvement in customer satisfaction targets
- reduced query resolution times
- installation of protective structures to curb illegal connections
- reduction of outages
- development of disaster management strategy and implementation plan
- improved planned maintenance and response times
- exceeded the electrification targets
- exceeded the Expanded Public Works Program (EPWP) job creation targets; and
- accreditation of the City Power training centre by E.SETA

Unfortunately there were some targets that we were unable to meet specifically in the area of call answering times and responsiveness in the restoration of faults immediately. These areas of non performance are attributable to the high levels of outages as a result of the severe storms experienced.

Steps have been taken to address these problems, namely a continuation of the current high levels of capital expenditure on the network, with specific focus on those areas at risk due either to age and condition or customers capacity demands posing a threat to the networks ability to bear the capacity. We are confident that the trend of a reduction in outages will continue.

It is concerning to note that there were four public fatalities as a result of illegal connections. We will continue to educate the public as to the dangers of illegal connections as well increasing efforts in removing such connections.

City Power is committed to continually improving its performance and in the 2008 period has instituted stretch targets based on an improvement in current performance. It is also expected that the progress towards the creation of RED 4 will accelerate during the year and the demands placed upon our staff will increase as a result. We are, however, confident that we will continue to meet the expectations of all our stakeholders.

Public Lighting

Public Lighting has had a very challenging year with regards to service delivery. The year saw a marked increase in the number of requests for streetlights across the various communities of the City of Johannesburg. One of the immediate challenges has been the delivery of streetlights and security lights to a growing constituency currently occupying informal settlements at the periphery of the precincts of the COJ. The KPI to supply public lights to sixty percent of these communities in five years is one that Public Lighting needs to focus on over the next four years.

To meet these new challenges, Public Lighting has been reviewing a number of new technologies. Solar lighting is promising to deliver on a number of business needs, including the following:

- Reduction or capping of energy consumption in the public lighting arena; and
- Controlling of the escalating maintenance costs as a result of the increasing size of the network.

In the financial year under review, great strides have been made in the integration of Public Lighting into the overall Work Management Solution environment. This has entailed capturing and loading all public lighting network attributes in the eRespond system for a greater visibility of the network. This has been accompanied by a number of pilots on remote alarming technologies so as to receive signals which indicate the status of the network for dispatching purposes. This will in future allow for the optimisation of resources across the City.

The biggest continuing challenge is to overcome copper theft and vandalism of the network by faceless individuals in our communities. This criminal activity has led to community unhappiness in a number of areas including Soweto, Ivory Park, Eldorado Park, Ennerdale and Orange Farm. This activity also drained the operating budget of the department.

The latter part of the year under review has been primarily characterised by a big drive to clean all inner city precincts and outlying suburbs of all old luminaires by a Group Luminaire Replacement Project. During this

drive, which lasted three months, attention was given to crime hot spots as identified through the CitySafe Strategy. This will be an ongoing exercise subject to the availability of funds as well as the occurrence of these hotspots around the City.

A great achievement has been the increasing rapport between City Power's Public Lighting Departments and sister companies such as the Johannesburg Development Agency and City Parks. This has meant that work could be coordinated and resources pooled for the benefit of all stakeholders of the City of Johannesburg. Capital projects have greatly benefited from this improved relationship.

An area that requires improvement is the communication with its key stakeholder, the Public. This inability to communicate effectively has severely hampered the perceived effectiveness of the department. This area will receive greater focus in future and resources will be allocated accordingly.

The progress on significant issues raised at the previous years AGM were:

1. Energy management plan

In 2006/07 consultants were appointed to assist with the drafting of the plan. Interviews have been conducted with all the key stakeholders in City Power and a meeting was held with Eskom to gain insight into their demand management programme. It is envisaged that this plan will be completed before the end of the ensuing financial year.

2. Reduce illegal connections

Audits are completed in targeted areas which result in the immediate removal of the illegal connections identified.

In 2006/07 over 3 927 people were found to be illegally connected with 4 842 kg worth of cable seized. 1 138 summonses were issued to the people who were found to be illegally connected. Operations were conducted in the following areas

- Naturena
- River Park
- Matholesville
- Tshepisong
- Lens ext 10 and 11
- Nancefield Hostel
- Dunwell Properties
- Denver and George Goch hostels

City Power will continue to remove illegal connections and install prepayment systems

3. Roll-out of solar street lights

11 solar lights were installed at the City Power Reuven depot (These were 8 CFL solar lights and 3 LED solar lights).

21 Solar powered street lights were installed in the Zandspruit informal community as an renewable energy pilot projects. The technology used comprises of the following:

- Solar Panel of 85W;
- Post Top luminaire with one 11W Compact Fluorescent Lamp (CFL) operated though an inverter, incorporated inside the luminaire;
- A solar box, which incorporates the battery and regulator in a theft-resistant housing; and
- A seven meter mounting height steel pole

Section 6: Report by Audit Committee

Report of the Audit Committee in terms of regulation of section 12.4 of Municipal Finance Management Act

The Audit Committee reports that it has adopted appropriate formal terms of reference as its Audit Committee Charter, and has regulated its affairs in compliance with this charter, and has discharged all of its responsibilities contained therein.

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

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

Based on the information and explanations given by management and the corporate internal audit department and discussions with the Office of the Auditor General on the result of their audits, the Audit Committee is of the opinion that the internal accounting controls are adequate to ensure that the financial records may be relied upon for preparing the financial statements and accountability for assets and liabilities is maintained. The Audit Committee is satisfied with the independence and objectivity of the external auditors.

Nothing significant, other than what is reported in the directors' report, has come to attention of the Audit Committee to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the financial year under review.

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

The Audit Committee has evaluated the financial statements of the entity for the year ended 30 June 2007 and, based on the information provided to the Audit Committee, considered that they comply, in all material respects, with the requirements of the Companies Act, 61 of 1973, as amended, and the Municipal Finance Management Act, 53 of 2003, as amended, and International Financial Reporting Standards. The Audit Committee concurs that the adoption of the going concern principle in the preparation of the financial statements is appropriate. The Audit Committee has therefore recommended, at their meeting held on the 23 November 2007, the adoption of the financial statements by the Board of Directors.

CHAPTER TWO: PERFORMANCE HIGHLIGHTS

Section 1: Highlights and Achievements

City Power has met and exceeded most of the key performance indicators for the 2006/7 financial year. Some of the highlights of these achievements include:

- 95 % of the capital budget was spent on improving and upgrading of the network
- R 881 million was spent on capital expenditure programs
- The bulk and medium voltage outages for the year were 30% and 1% better than the targets set. In addition they were 31% and 5% better than the achievement of the previous year
- Fault restoration times in general were within the targets set. There were significant improvements to the 7.5 hour and 24 hour targets if compared to the previous financial year.
- Compliance with the NRS 048 standards, which relate to quality of supply, were exceeded in all categories, namely rural, industrial and domestic
- All public lighting response times exceeded targets
- Customer satisfaction ratings exceeded targets and showed significant improvements on the previous year's results. The rating for the top 150 customers of 71% was slightly below the targeted 75%. This was a result of the continuing outages,(both City Power and Eskom related) but was still significantly better than the previous year's 59% rating.
- Query resolution times of 3 days are significantly lower than the targeted 10 days and the prior year's 14 days.
- Call answering and query response rates were slightly below the targets; as a result of the high volumes of calls recorded in the last quarter of the year under review. The achievement was still an improvement on the prior year.
- The disability injury ratio of 0.37 was significantly better than target and last year This ratio is calculated on the number of injuries per two hundred thousand man hours worked divided by the total man hours worked by the company over a twelve month rolling period
- 2 455 jobs were created in terms of the Expanded Public Works Program
- City Power's staff complement at 30 June 2007 amounted to 1 921 employees. There were 231 separations and 124 new appointments. The employment equity target for supervisory positions and above was 70% and the company achieved 70.2%. The gender equity ratio of 23.5 exceeded the 17% target.
- The Black Empowerment expenditure on procurement R1 041 million (73% of total expenditure) exceeded the targeted 70%.
- Expenditure related to women owned suppliers amounted to 23% of total expenditure
- Collection levels for the top customers were above the targeted 99% collection target.
- There was a continuation of the project to convert high consumption customers to automated meter reading. This conversion improves the quality of both billing and collection levels whilst allowing customers real time access to their consumption patterns, thereby facilitating demand side management.
- The project to install protective structures over meters in high risk areas has assisted in the reduction of illegal connections in these areas.
- The disaster management strategy was developed during the year under review and the implementation program is running according to schedule.
- Planned maintenance schedules have been implemented. This had lead to the improvement in response times.
- During the year 1510 customers were converted to prepaid meters in line with the City's indigency policy.
- 11 615 customers were connected for the first time. This is in line with the set target.
- The City Power training centre was accredited by E.SETA.

Section 2: Financial Performance

Income Statement

Details	Actual 2005- 2006	Budget 2006- 2007	Actual 2006- 2007
Total Operating Income	3,636,435	4,016,477	4,036,138
Turnover	3,483,519	3,897,704	3,821,923
Other Income	152,916	202,086	214,215
Cost of Sales	(2,157,175)	2,418,361	(2,429,349)
Gross margin	1,479,260	1,681,430	1,606,789
Gross margin %	40.67%	41.86%	40.64%
Operating overheads	(972,468)	1,296,341	(1,173,771)
Operating Profit before interest and taxes	506,972	385,088	433,018
Interest	(293,765)	(322,055)	(314,547)
Profit before tax	213,027	63,034	118,471
Taxation	(100,295)	(18,280)	(67,840)
Attributable income	112,732	44,754	(50,631)

2.1.1 Revenue

The turnover for the year under review amounted to R3, 8 billion compared to the budget of R3.9 billion. Turnover is R338 million more than that of the prior year

Volumes sold for the financial year are 0,3% more than the revised budget, but owing to the selling price per unit of 33,57c/kWh being 2.6% less than the budgeted selling price of 34,47c/kWh the turnover reflects a negative price variance of 2.4%.

Volumes sold are 7.6% greater than the previous year whilst the average selling price per unit is only 1,8% higher than the previous year. This is due to prior period recoveries in 2005/6.

Other Income

The income for the year under review of R214 million is R12 million more than the budget of R202 million, and R61 million more than the prior year.

2.1.2 Results of Operations

The direct cost expenditure of R2, 4 billion, is R11 million more than the budgeted amount and R272 million more than the prior year

Volumes purchased were on target and 6.6% more than the previous year. Energy purchased from Eskom again exceeded the budgeted volumes by 1,7% mainly as a result of Kelvin Power Station being unable to supply the budgeted volumes. In this regard volumes purchased from Kelvin Power Station were 15,5% less than budget.

Total Losses

Total volume losses for the year under review amounted to 12,1% which is 2,2% better than the budgeted amount. Losses have reduced from the prior years 12.9%

City Power has accepted the industry norm of 9% for technical losses.

The billing losses were thus 3,1% compared to the budgeted 3, 4%.

Operating Expenses

Total operating expenditure for the financial year of R1,2 billion is less than the budget of R1, 3 billion. The reasons for this positive variance include the following:

- Salaries and allowances reflect a saving of R5, 2 million owing to the fact that not all the vacancies provided for were filled
- General expenses of R372,5 million were% less than the budget of R393,1 million. The main reason for this saving is that the amount provided for professional fees was not fully spent and expenditure on the fleet reflected a saving of R12,8 million.
- Repairs and maintenance expenditure amounted to R130,1 million which is 6.7% more than the budget of R121,9 million. The overspending is due to the spending on essential maintenance of the network and expenditure relating to outages.

Depreciation reflects a saving of R62,8 million due to the large number of projects still reflected as assets under construction. In addition to the aforementioned, the revision of the estimated useful life of assets has also resulted in a saving of R68 million.

Expenditure is R202 million more than the prior year. The major increases were;

- Bad debt provision increased by R45 million due to increased turnover and a slightly reduced collection performance on domestic customers managed by the CoJ
- Employee costs increased by R50 million as a result of inflationary increases and the provision of a bonus as a result of improved company performance
- The company carried the cost of providing free electricity to Eskom customers living in the CoJ area. (R25 million)
- Cut off costs increased by R37 million due to increased credit control initiatives
- Repairs and maintenance costs increased by R27 million as part of the effort to reduce outages
- Security costs have increased by R14 million as a result of the increased number of capital expenditure projects
- Expenditure on electricity, water and sanitation has increased by R18 million as improved metering initiatives were implemented

Net Interest

The interest amount of R 315 million is R 7 million less than the budget of R322 million. The reasons for this are that the Interest payable to the City in respect of new capital loans is R7,3 million less than budgeted for.

Taxation

The R 67.8 million taxation provision is based on a tax rate of 29%.

2.1.3 Balance Sheet

Balance Sheet			
Details	Actual 2005- 2006	Budget 2006- 2007	Actual 2006- 2007
Assets			
Non Current Assets			
<u>Employment of Capital</u>			
Fixed assets (net book values)	2,675,578	3,077,906	3,512,694
Current Assets	1,737,182	1,606,522	1,968,397
Total Employment of Capital	4,412,760	4,684,428	5,480,091
Equities and Liabilities			
Capital and Reserves	681,641	527,151	732,272
Non-Current Liabilities	2,727,801	2,933,413	3,484,081
Current Liabilities	1,003,318	1,223,864	1,263,738
Total Equities and Liabilities	4,412,760	4,684,428	5,480,091

Fixed Assets

Total fixed assets amounted to R3,5 billion for the financial year under review. Capital expenditure of R880 million was spent during the year.

Current Assets

Total current assets of R2, 0 billion is R0,4 billion more than the budget of R1, 6 billion. The main reason for this variance is due to the larger than anticipated cash balance. The City of Johannesburg internal debtors have exceeded the budgeted amount as a result of the outstanding capital claims .

The increase of R231 million over the prior year was due to increased cash balances.

Shareholders Funds

The shareholders funds as at 30 June 2007 amounted to R732 million which is better than budget.. This improvement in funds is due to the improved profit position for the financial year.

Non-Current Liabilities

Total non-current liabilities of R3, 5 billion have exceeded the budget of R2,9 billion and the prior year figure. This is attributed to deferred income, which includes engineering services contributions. In addition other external loans (new capital loans) have exceeded the budget due mainly to the capital budget being exceeded in the prior year and the consequent additional claims on the City for the refund on the loan funded projects.

Current Liabilities

Total current liabilities for the financial year under review amounted to R1, 3 billion, with the budgeted current liabilities being R 1,2 billion. The main contributors to this variance are:

- Trade creditors of R1, 1 billion are R219 million more than budget owing to the higher than expected capital expenditure during June 2007 and the requisite accruals for repairs and maintenance.
- Accruals and provisions have exceeded the budget by R12,5 million. This is as a direct result of additional contributions having been made to the incentive bonus provision as well as the leave pay provision.
- The short-term portion of the long-term debt also exceeded the budget.

The prior year figure of R1 billion increased by R264 million for the reasons above.

2.1.4 Cash Flow

The closing net cash position amounted to R956 million which is R391 million better than budget.

Section 3: Capital Projects

Introduction

The year end capital expenditure is R881 million against the revised budget of R877 million. The controllable CAPEX target of R634 million has been met and the non-controllable capital expenditure is in the region of 99% of the total budget of R243 million as at the year end. The over expenditure of R3,7 million is as a result of accruals for emergency work done in response to the first cold spell in May 2007 and winter related projects aimed at combating overloading related outages.

The overall focus is on the upgrade and refurbishment of HV, MV and LV distribution networks across all the regions. From the expenditure pattern shown on table 1 below it can be seen that the emphasis is on network related projects i.e. Infrastructure refurbishment, electrification, public lighting, service connection and the upgrade of MV and LV networks.

TABLE 1: CAPEX per category, July 06 to June 07

Project Category	Original Budget	Revised Budget	Y/end Expenditure(Final)	Variance
CoJ Projects Loans (Upgrade of Network)	45,102,200	15,122,200	13,778,467	1,343,733
Electrification	18,500,000	41,500,000	66,568,813	(25,068,813)
Service Connections	59,640,000	111,592,566	113,564,307	(1,971,741)
Township Reticulation	8,000,000	11,964,521	16,047,602	(4,083,081)
Upgrading of Electrical Network	122,750,500	280,946,546	289,089,251	(8,142,705)
Network Development	31,683,680	21,683,680	18,423,545	3,260,135
Building Construction	1,000,000	0	0	0
Building Alterations	8,870,000	8,870,000	7,911,218	958,782
Office Equipment/Computers	8,328,500	4,328,500	1,696,980	2,631,520
Computer Software	18,906,770	18,906,770	20,906,285	(1,999,515)
Tools and Loose Gear	9,065,000	7,065,000	4,240,645	2,824,355
Plant and Machinery	18,020,030	7,020,030	6,203,119	816,911
Meters	30,200,000	50,000,000	55,874,774	(5,874,774)
Load Management	33,200,000	100,000	40,990	59,010
Scada	9,280,000	7,280,000	6,377,683	902,317
Protection	17,100,000	3,100,000	2,674,364	425,636
Furniture	1,569,200	1,569,200	1,689,113	(119,913)
Public Lighting	41,000,000	55,000,000	64,935,173	(9,935,173)
Refurbish of Bulk Infrastructure	250,889,135	231,893,089	190,998,226	40,894,863
Totals	733,105,015	877,320,015	881,020,519	(3,700,504)

CoJ projects

The reduction of the City of Johannesburg upgrade of network budget was as a result of the change of plans by the Johannesburg Development Agency (JDA) at the Ellispark Sport precinct. Due to the delays in finalizing the plans by JDA, the scope of works had to be revised and deferred to the 2007/8 financial year.

Electrification

The increase in the electrification budget was due to the increasing bulk infrastructure requirements to transfer loads from the nearest substations to the township boundaries for electrification purposes. The following are the projects which had already started and bulk infrastructure was required to make the electrification projects a success:

- ✓ Bulk infrastructure for the electrification of Lawley Township

The scope of this project is to design, supply, install, commissioning and hand over of:

- 20MVA transformer and associated switching infrastructure at Hopefield Substation to cater for the additional capacity requirements.
- 88kV breakers on each of the existing incomers before the 20MVA transformers and it's associated protection upgrades for the additional works
- 11kV Medium Voltage (MV) underground cable with associated joints and terminations to transfer load from Hopefield Substation to Lawley Township boundary. 6x185, 3 core MV cable for approximately 7.5kV

- ✓ Bulk infrastructure for the electrification of Pennyville Township

The scope of this project is to design, supply, install, commission and hand over an 88/11kV, 2 x 45MVA substation at Pennyville. The substation will cater for an installed capacity of 90MVA, with a firm capacity of 45MVA, later providing for additional capacity up to 135MVA, with a firm capacity of 90MVA.

This substation will primarily supply the newly built Pennyville Housing Development comprising approximately 2800 residential units requiring an initial bulk supply of 10MVA and later providing supply to neighbouring areas

The increased budget went into the design, procurement and initial contraction of the above mentioned projects. Additional costs will be incurred during the course of the 2007/8/9 financial years.

Service Connections

The increase in service connections was as a result of the increase in new developments in general which resulted in more customer applications being received. The expenditure is in line with the contributions recovered from the customers.

Refurbishment of Bulk Infrastructure and Upgrade of Electrical networks

During the course of the year, an analysis of projects on both categories was conducted. The findings revealed that the construction on most of the bulk infrastructure projects were going to be delayed during the course of this financial year due to long lead times for items which were still going through the manufacturing process. Due to the increase in MV and LV outages and potential overloading situations, the upgrade of electrical networks budget was increased to cater for projects emanating from the above challenges and in preparation for the urgent work requested due to the first cold spell experienced in May 2007.

The construction on most of the bulk infrastructure projects has commenced, and expenditure will increase as the construction progresses during the following financial years e.g. the construction of Khanyisa, Hursthill, Northriding, Randburg, Grand Central, Soweto Local and transformer installations at various substations across Johannesburg.

Meters

The metering category does not only cover the supply of meters, it includes the implementation of revenue protection and generation type projects e.g. roll-out of AMR to large Power users and protective structures. The increase in the metering budget was therefore as a result of the continuation of the AMR roll-out to LPU's and avoid additional cost due to site re-establishment as the contractors will have to leave site and re-establish after the new budget has been allocated. The total number of large customers to be converted are in the region of 10 000 to 12 000 and the currently 51% of conversions are completed.

Load Management

The load management funding is contributed by Eskom via DSM initiatives. During the financial year Eskom did not transfer funds towards load management initiatives and the budget was revised downwards accordingly.

Current and future initiatives

As part of the continuous effort to improve quality of supply and meeting the ever increasing development needs, some of the following initiatives have been completed during the financial year under review, whilst others are in progress and due for imminent completion.

Upgrading, Refurbishment and the establishment of Distribution and Major Transmission Substations (MTS's)

The following are some of the key refurbishment and bulk infrastructure projects undertaken during the 2006/7 financial year:

- **Beyers Naude substation:** Establishment of a new 88/11kV electrical substation, including all building and civil works, power transformers, 88kV equipment, and 11Kv switchgear and control and protection panels. This project has been completed.
- **Kloofendal substation:** Replacement of 33Kv and 88Kv current transformers and switchgear. This project has been completed.
- **Sentraal and Roodetown substations:** Replacement of 33Kv and 88Kv protection and control panels, schemes and commissioning. The Sentraal substation completed 88/33Kv transformer has been returned to Roodetown substation and is currently being erected and cold commissioned.
- **Replacement of aging 33Kv oil filled cables:** This replacement of 33kV oil filled cables is being completed in two phases, namely Manufacta to Rood town substations, with the second phase being Manufacta/ Westgate/ Penny substations. Both these phases have been completed.

- **Replacement of power transformers:**
 - **Bree substation:** The replacement of the 88/11kV Power transformer. This has been completed
 - **Fort substation:** The replacement of the 88/11kV Power transformer. This has been completed
 - **Peter Road substation:** The installation of an additional 88/11kV Power transformer. This has been completed
 - **Mayfair substation:** The replacement of the 88/11kV Power transformer. This has been completed
 - **Parkhurst substation:** The replacement of the 88/11kV Power transformer and commissioning of works. The transformer has been procured and delivered to City Power whilst the installation and commissioning will be concluded when the new substation site has been established.
 - **Moffat substation:** The replacement of the 88/11kV Power transformer has been completed.
 - **Cleveland substation:** The replacement of the 88/11kV Power transformer has been completed.

- **Robertsham substation:** The replacement of the 88/11kV Power transformer and commissioning of works is in progress
- **Rosebank substation:** The replacement of the 88/11kV Power transformer and commissioning works. The transformer has been procured and delivered to City Power and the anticipated completion date is dependant on the completion of civil and building works at Rosebank substation.
- **Central 4A:** The replacement of the 86/11kV Power transformer is completed.
- **Central 1A:** The replacement of the 86/11kV Power transformer is completed.
- The company has also placed orders for 27 transformers to be installed at the following substations as part of their continuous commitment to network refurbishment and expansion programmes:
 - Khanyisa Substation, Bryanston area
 - New Road Substation, Midrand area
 - Crown Substation, Nasrec Area
 - Nirvana Substation, Lenasia Area
 - Westfield Substation, Moderfontein Area
 - Fort Substation, Inner City Area
 - Wemmer Substation, Turffontein, Rosettenville Area
 - Grand Central Substation, Midrand
 - Robertsham Substation, Ormonde, Robertsham Area
 - Roseveldt Park Substation, North Cliff, Roseveldt Park Area
 - Delta Substation, Rosebank, Parkhurst Area
 - Mayfair Substation, Mayfair Area
 - Gresworld Substation, Gresworld Area
 - Pennyville Substation, Pennyville, Noordgesig Area
 - Hopesfield Substation, Lawley, Ennerdale Area
- Two new MTS's are planned for commissioning within the next five years to service the greater Johannesburg area. One will be located to the south and the other to the north east of the Johannesburg central business district. Each will have a potential capacity of 1000MVA and will be supplied at 275kV from the Eskom transmission network. Preliminary sites have been identified and discussions on the proposals are at an advanced stage with Eskom. These MTS's will supplement the existing three MTS's and Kelvin power station. The preliminary designs and feasibility studies have been completed and the consultants have been appointment to proceed with the detail designs.
- **Refurbishment/replacement of switchgear**
The switchboards at Cydna and Beyers substations have been replaced as a result of the average age being excess of 40 years and their arc quenching medium primarily being oil.

Upgrading and Refurbishment of Medium Voltage Cable (MV)

A significant amount of first generation Medium PEX cable has been replaced due to its inherent design impediment, which has manifested itself in an increase in cable failures. The performance of this cable is being monitored and it is being replaced where necessary.

During the year under review upgrade and refurbishment of MV and LV underground and overhead cables have been undertaken in various areas within City Power area of supply and significant reduction in outages Medium Voltage outages has been realised.

Electrification

The electrification programme is on track with the following electrification projects having commenced during the year under review (Some of these projects have been completed whilst others are still in progress and nearing completion):.

- Electrification of Lehae Township
 - Lehae Township is situated on the South-East of Vlakfontein Proper and consists of approximately 3180 connections.
 - Approximately 1400 customers have been connected and are currently consuming electricity. City Power will continue to connect more customers as the beneficiaries are allocated to their newly built houses.

- Electrification of Tshepisong East
 - Tshepisong East electrical infrastructure was constructed during the 2005/6 financial year and it consists of 1043 stands. All 1043 customers in Tshepisong East have been electrified.

- Electrification of Leratong Village
 - The electrification of Leratong Township commenced during this financial year and it consists of 540 customers. All 540 consumers have been electrified or connected.

- Electrification of Lawley Ext. 3 and 4
 - Lawley Ext 3 and 4 (commonly known as Lawley ext 2) is a township located on the south western side of Lenasia approximately 5 km from Ennerdale. It is a Peri-urban area consisting of approximately 5 100 erven. The construction of the bulk infrastructure is completed and approximately 2300 consumers are receiving electricity.

 - The following challenges have been encountered and dealt with:
 - *Approval of the existing layout plan;*
 - *Reclaiming 10% of land that belongs to Lawley's Estate;*
 - *Relocation of the beneficiaries to the proper demarcated stand; and*
 - *Pegging of stands*

- Electrification of Tshepisoong West
 - This the township commonly known as Ebum'nandini. It consists of 3 000 stands which are in the process of being pegged according to the latest layout plan. City Power is in the process of electrifying these stands as they are properly pegged.

- Normalisation of Ennerdale Ext. 8
 - This project was initiated in order to normalise the electrical network in Ennerdale by:
 - Rectifying vandalised pillar boxes and having a problem free network;
 - Reducing non technical losses by preventing theft of electricity;
 - Compliance with safety requirements on the electrical network
 - The project was completed on the 4 June 2007 and City Power is realising the benefits by receiving 100% of the billed revenue.

- Far East Bank Ext.7

The Alexandra Far East Bank Ext.7 Township consists of 1 400 connections, The infrastructure to accommodate the full 1 400 connections has been completed and commissioned. 692 connections have been completed and, as more beneficiaries are allocated, more connections will be realised.

Alexandra Normalisation

City Power, commenced with the implementation of Phase 4 Alexandra normalisation. This project started with the update of the Alexandra electrical master plan and development of phase 4 detailed designs. Both the master plan and the designs have been completed.

The construction of electrical infrastructure and house connections started early January 2007. 11 transformer zones and 1 792 connections have been completed. The infrastructure to accommodate 8 500 connections has been constructed.

Service Connections

- The initial budget for service connections was based on the estimated average number of service connection applications received in the past years. Due to the high number of applications received during the year under review, the budget had to be revised with 6 378 connections less than 56kVA and 493 connections greater than 56kVA having been completed.

Section 4: Performance against Integrated Development Plan (IDP) and City Scorecard

Key Performance Indicator	Unit of Measure	Actual 2005/2006	Target 2006/2007	Actual 2006/2007
Number of dwelling units with access basic level of electricity (excl Eskom areas)	No	301,785	312,285 ¹	326,990
Number of pre-paid customers	No	58,248	68,748 ¹	86,768
Number of billed customers	No	243,537	243,537	233,981
Number of pre-paid conversions from indingencies	No	NEW	708 ¹	1,511
Number of households with access to free basic electricity (Lifeline tariff only)	No	212,420	222,920 ¹	233,981
Number of new electrification customers	No	12,743	10,500 ¹	11,715
Revenue collected as percentage of total revenue billed:				
• Key Customers	%	100.20	99	100.97
• Top Customers	%	98.67	99	99.08
• Domestic Customers	%	93.83	93	91.30
Unaccounted for electricity as a percentage of electricity dispatched (Total Losses)				
Technical Losses	%	9	9	9
Non Financial Losses	%	3.92	3.8	3.13
Outages				
▪ Bulk	No	117	115	81
▪ MV	No	1,248	1,195	1,184
▪ LV	No	79,740	N/A	N/A ²
No of lights public lights working in targeted high crime areas ³	%	NEW	90	86
Provision of street lighting to formal areas	%	52	60	60
Capex spent on public lighting as % of public lighting budget	%	110	100	100
Provide street lighting to informal areas	%	NEW	12	12
% Compliance with NRS 048 (Quality of Supply)	%			
• Category 4 - Domestic	%	100	70	100
• Category 3 – Rural	%	100	100	100
• Category 2 - Industrial	%	97	70	93
Implementation of Disaster Management Plan by target date	%	70	100	100
No of tasks undertaken to comply with CoJ environmental management framework	No	5	5	5
% Completion of environmental management system	%	NEW	100	100
Employee disabling injury frequency ratio (DIFR)	Ratio	0.69	1 ⁴	0.37
Number of employee job related fatalities	No	0	0	0
Number of HIV/Aids workplace programmes in place	No	1	1	1
Employment Equity (AA ratio)	%	67.65	70	70.18

¹ Targets cannot be set as customer numbers and indigent conversions are driven by developments in the market place

¹ Depends on Housing development

² LV power outages used to be measured through a number of calls received, a new measure to be implemented by Jan 2008

³ High crime areas includes, Diepsloot, Ivory Park, Klipfontein Vlei, 50% in Soweto roll-out, Lenasia, Orange farm, Lawley, Poortjie, Lakeside, Inner-city starting with Ellispark, Bertrams, Yeoville, Jeppestown,

⁴ Target based industry international benchmarking

Key Performance Indicator	Unit of Measure	Actual 2005/2006	Target 2006/2007	Actual 2006/2007
Levels of core system data accuracy-CNL (Customer to Network Link)	%	90	85 ⁵	90
Employment Equity (Gender Equity ratio)	%	19.28	17 ⁶	23.54
Employee Satisfaction	%	68.11	78	63.11
Job creation as per EPWP policy				
▪ Temporary	No	1 515	1, 515	2, 455
▪ Permanent	No	17	17	0
Number of public fatalities	No	3	0	4
Annual customer satisfaction index rating				
• Key Customers	%	63	75	77
• Top Customers	%	59	75	71.33
• Domestic Customers	%	60	75	83.67
Total number of calls answered in (30 seconds) as a percentage of total calls received	%	76	91	88.50
Number of customer complaints/queries resolved per total calls received	%	94.3	95	94.48
Average time taken for City Power to resolve queries that are referred to them	Days	14	10 ¹	3.09
Procurement spent on BEE and SME as a % of total budget procurement	%	69.06	70	73
Engendered Expenditure	%	20.45	21	23
Faults restoration within the specified time frame as a percentage of the total number of faults reported (NRS 047)				
• Within 1.5 hrs	%	26	30	24.73
• Within 3.5 hrs	%	67	60	63.55
• Within 7.5 hrs	%	87	90	91.18
• Within than 24 hrs	%	96	96	98.68
Gross Margin	%	40.67	41.86	40.64
Opex spent on maintenance programmes as a percentage of overall Opex budget	%	13	13.3	12,7
Capex spent on network as a percentage of the overall Capex budget	%	94	93	95
% of ME's capital budget spent	%	108	100	100.5
% Variance against ME's operating budget	%	NEW	0	5.33
Reconciliation of inter company balances with the CoJ	%	NEW	100	100
Reconciliation of intra company balances with other ME's	%	NEW	100	100
Fully SA GAAP compliant register of assets	%	NEW	100	100
% Attainment of clean audit report attained by MOE	%	NEW	100	100

⁵ Accuracy can change due to the system upgrades in the new year

⁶ Target lowered due to staff losses

ASSESSMENT OF CRITICAL AREAS

The following is an analysis of critical service delivery areas pertinent to City Power.

4.1 ELECTRIFICATION

The total number of electrification connections are 11 715 for the 06/07 financial year. The performance to date exceeds the annual target by 1215 outages despite the proclamation delays experienced earlier in the financial year. Some of the areas that benefited from this electrification programme include Tshepisoong East and West, Lehae, Leratong, Lawley ext 3 and 4.

4.2 POWER OUTAGES

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

- Network performance related (NPR) e.g. overloading, protection failure etc
- External causes which are mainly due to third party activities e.g. tampering, theft etc.

The duration and frequency of outages impact customers differently depending on their processes, therefore, they need to be properly managed as they are an inconvenience and sometimes lead to huge financial losses to customers. As a result, the provision of electricity within the City is closely monitored to ensure that the quality of supply (QoS) provided is met.

Bulk

This KPI shows the number of outages experienced on voltage networks above 33kV. Outages on these networks generally impact a big area; as a result maintenance of these networks is always prioritized so as to ensure that interruptions are minimized.

Based on the consistent good performance recorded throughout the year, the annual performance is approximately 30% better than the target of 115 outages. This good performance comes as a result of the ongoing implementation of maintenance backlog eradication projects.

Most of the outages were due to protection fault, distributor fault, other/unknown, weather and cable damages. "Other/unknown" refers to faults due to unconfirmed causes at the time of supply restoration (e.g. a piece of wire thrown onto the bare overhead network may create a short circuit thus a relay trip resulting in an outage). In this case, the source of the fault may be temporary and be cleared by the time of restoration. As a result this fault will be classified as "other/unknown" unless the wire sticks to the network and can be identified to have been the cause of the fault.

For the current financial year, the following are some key programs currently being implemented to address the majority of the faults in the network:

- Upgrading of protection systems at Kloofendal, Sentraal and the Roodetown substations.
- New transformers at John Ware, Rosebank, Roosevelt, Wemmer and Beyers substations
- To cater for the increase in demand, a new 88/11kV substation has been built and is called Beyers Naude Substation.

Medium voltage

MV outages (Medium voltage) refer to outages experienced in the network with voltage levels between 1kV and 33kV. Outages in this network are more localized impacting on limited scale to specific areas and as a result are less severe than bulk outages. However, due to the size and extend of the network, higher number of customers connected to the MV network normally experiences a lot more outages. The year end figure of 1184 outages is 11 outages better than target.

Major fault contributions for the year to date on the MV network were cable faults, third party cable damages, "unknown", equipment fault, followed by theft and vandalism.

Most of these faults are controllable and will be reduced as the backlog eradication program continues and bylaw enforcement improves. To address the major MV fault causes, a significant amount of first generation Medium Voltage PEX cables have been replaced due to their inherent design impediment, which have led to more cable faults. The replacement of this type of cable will continue throughout the City.

Lastly, greater control over external contractors working in the vicinity of City Power infrastructure is being exercised and the quality of workmanship also been closely monitored.

LV (below 1kV) SAIDI reporting

Over the last few months, a new system to report network performance has been under development. This system will ensure that there is direct linkage between interruptions and the number of customers affected thus enabling City Power to report supply reliability more accurately.

Reporting on this new system is based on a KPI known as SAIDI. This system was piloted at the end of March and the first set of results obtained at the end of June.

However, these results were not reliable mainly due to network data inaccuracies etc. Therefore, ongoing efforts to improve the data accuracy are being implemented and reporting will commence in the third quarter of 2007/8.

4.3 PUBLIC LIGHTING

This KPI shows the percentage of public lights working in targeted high crime areas. The actual recorded at the end of the year is 86% against the target of 90%. Despite the redirecting of funds from other business units to informal and high crime areas and the increased focus in spotting and repair of faulty street lights, the actual performance recorded still behind target, mainly due to theft and vandalism that has been taking place. Budgetary constraints have also made the achievement of 90% difficult.

Provision of street lighting to formal areas

This KPI shows the level of public lighting in the formal areas of the City. The 60% performance was achieved mainly due to the group luminaire replacement program, which was implemented to accelerate coverage. Although the annual target was achieved there are still several challenges that impact on the successful rollout of public lighting through the City, such as theft and vandalism of the public lighting infrastructure.

The full allocated Public Lighting budget of R24 million loans and R26 million MIG grants has been invested in the network. An additional R2,7 million from JDA has been used to clean up Mary Fitzgerald, Fordsburg, Mandela Bridge and Constitution Hill. New low cost but efficient lighting projects are being investigated and more emphasis on research is being made in this area.

4.4 DEMAND SIDE MANAGEMENT

During the fourth quarter City Power installed 936 geyser controls thus enabling it to monitor and control additional 2.15 MW remotely. This means a total of 170 MW can now be monitored and controlled remotely for load management purposes. Diesel turbines were also restarted and these can generate about 40 MW comfortably. Both these initiatives will benefit the City and will reduce the negative impact experienced during Eskom's load shedding initiatives.

4.5 INNER CITY

During the year, several network maintenance projects aimed at upgrading, refurbishing and strengthening the Inner City's electrical network were conducted and they include:

- Athol network development,
- 6,6kV to 11kV conversions to cater for increased load transfer and address the refurbishment needs of the Inner City. These areas are around Jeppe and Riviera.
- Kew West distributor upgrade to relieve load in the Kew area
- Siemert Road: Upgrading of chamber Medium voltage and Low voltage (LV) equipment in the Inner City of Johannesburg

- Kensington ext 11 upgrade: Upgrading of the LV network at Sovereign Park in Kensington.

4.6 UNACCOUNTED FOR ELECTRICITY

This KPI shows the amount of losses incurred in the distribution of electricity. Whilst there are ongoing initiatives to eradicate losses in the distribution of electricity, it must be acknowledged that electricity distribution business is generally characterized by losses broadly classified into two categories namely; technical and non-technical losses.

Technical losses are mainly due to heat losses and other technical deficiencies and are generally worse in overloaded and ill maintained networks whilst, non-technical losses on the other hand are mainly due to human factors like illegal connections and meter tampering etc. As a result 9% fixed technical losses is used as a guide in the electricity distribution industry although utilities must make every effort to reduce controllable losses.

In the year under review the target was to reduce the total losses to 12.8%. The average distribution loss recorded for the year is 12.1%, which is better than target.

The benefits realized came mainly as a result of the following initiatives: the creation and staffing of a revenue protection department; the allocation of enforcement officers from JMPD; the ongoing removal of illegal connections and rollout of metering to previously unmetered customers in Westbury and Bosmont.

4.7 PROCUREMENT SPENT ON BEE AND SME AS A % OF TOTAL BUDGET PROCUREMENT

The target set for this KPI was 70%. City Power has consistently exceeded this target. For the fourth quarter alone an actual of 73% was achieved resulting in an annual average of 73%, which translates to 1,041,376,241 spent on BEE. To ensure continued compliance to this KPI, City Power is engaging with large predominantly white owned companies to encourage them to acquire BEE stake.

4.8 2010 PROJECTS

The reliability and quality of electricity supply will form the basis of the successful hosting of the 2010 soccer world cup.

As a result the City has to ensure an uninterrupted supply to various areas and facilities such as radio and TV broadcasting centers, stadia (day and night games), hotels, training/practice venues and public viewing sites etc.

Since this event will be taking place in winter the demand is expected to be increased to levels much higher than historical trends, as a result of the number of visitors and extended hours of use at public facilities, hotels etc. Therefore the major projects will broadly include network expansions, upgrade and/or replacement of obsolete infrastructure and installation of lights at public spaces.

Also, the projects, particularly around stadia precincts are aimed at providing back-up supplies and independent sources of power. Timelines to execute these projects is of major importance.

Currently, the detailed designs for Crown and Siemert Road Substations have been completed. Both substations are key supply points for the main stadia, namely FNB (Nasrec Precinct) and Ellis Park. The Bid documents are currently being prepared and the bid process will commence soon. However, transformer orders have been placed already to expedite the process.

Below is a list of key projects identified both in the Ellis Park and the FNB stadium precincts.

ELLIS PARK STADIUM PROJECTS

Substation / Township	Description
Ellis Park Precinct	Upgrade Street Lighting
Ellis Park Precinct	LV and MV upgrade phase 1
Siemert	Upgrade MV switchgear & distributors to 185 mm due to increase in load for Soccer World Cup
Siemert	The City has presently identified the need to establish the Northern Gateway
Siemert	Third transformer plus switchboard. Refurbish 11 kV breakers and reconfigure bus bar.
Observatory	Upgrade MV distributors and sub rings from Observatory sub station.
Siemert	New distributors from Siemert sub station to proposed hotel and other developments
Siemert	Upgrade and extend the Doornfontein/Fort standby distributors

FNB PROJECTS

Substation/ Township	Description
Crown	Establish 132kV/11kV substation comprising of 2 x 30MVA trx's (Ex Grand Central)
Crown Sub station Master Plan	New distributors from new Crown sub station to Nasrec Precinct.

Much as we have budgeted for these, there are still several matters to be discussed such as Eskom's ability to provide supply etc.

4.9 EFFECTIVE FINANCIAL MANAGEMENT

City Power has committed to achieving the following areas of excellence in 2006/07 financial year.

4.9.1. Gross Margin

Gross margin is below budget due to turnover being below budget by due to among other reasons, customers moving to cheaper tariff categories, estimates on newly connected AMR customers and sundry adjustments to customer accounts.

4.9.2. Percentage Maintenance Budget Spent

This KPI ensures that appropriate focus is given to maintaining the network.

The amount spent as a % of 12,7% is slightly below the target 13.3% although the full budget was spent during the year.

4.9.3. Percentage Network Budget Spent

This KPI is ensures that capital budgets are allocated to the network and the provision of services rather than non value adding activities.

The target for the year of 93% has been exceeded and 95% has been achieved.

4.9.4. Percentage Capital Budget Spent

This KPI ensures that the total capital budget is spent by the entity. Failure to do so historically collates with poor service delivery.

The capital budget for the year has been exceeded by R4million (0.5%) on a total of R877 million.

4.9.5. Percentage against Operating Budget

The year to date total operating expenditure is 9.4% below budget. The main savings were in consulting fees, capitalization of repairs & maintenance and depreciation.

4.9.6. Reconciliation of Inter-company balances with the CoJ

This KPI contributes to the successful completion of the audit ensuring no late adjustments as a result of late processing of inter-company transactions. There was compliance throughout the year.

4.9.7. Reconciliation of Intra-company balances with other MEs

As above.

4.9.8. Fully SA GAAP compliant register of assets

The project to update the asset register is on going. The register is fully compliant resulting in the removal of the prior years qualification.

4.9.9. Percentage attainment of clean audit report by entity

The entity received a clean audit report for the year.

4.10. The assessment of other IDP criteria is discussed below.

4.10.1 NUMBER OF HOUSEHOLDS/DWELLING UNITS WITH ACCESS TO BASIC LEVELS OF ELECTRICITY (Excluding Eskom supplied areas)

This KPI indicates the total number of customers served by City Power. The total number of customers at the end of in the 2005/2006 financial was 301 785 and was subsequently used as the baseline for 2006/2007. Since then a total of 25,205 new connections were made (18 532 of them being prepaid connections) across all customer categories taking the year-end actual to 326,990.

It must however be noted that ongoing data cleaning activities have been conducted to clean up and improve the data accuracy.

Number of households with access to free basic electricity

This indicator shows the number of free basic electricity (FBE) beneficiaries within City Power supplied areas in line with the CoJ approved qualification criteria. For the year to date 11,715 new connections have been made, with 8319 of them benefiting from FBE with the total beneficiaries being 233,981.

4.10.2. REVENUE COLLECTED AS A % OF TOTAL REVENUE BILLED

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

Key customers

The revenue collection target set against revenue billed for Key customers is 99%. The collection level for the year shows an average collection level of 100.97%, which exceeds the target.

Top customers

The target set for revenue collection for top customers is 99%. The year to date average performance is marginally higher at 99.08%.

Domestic customers

The target set for domestic customers is 93% and the average year to date collection level is 91.30%, which is 1.7% lower than target. Despite good collection levels in the second half of the year, the lower collection levels experienced during the holiday seasons in the second quarter made it difficult for the annual target to be achieved.

4.10.3. % COMPLIANCE WITH NRS 048 (QUALITY OF SUPPLY)

NRS048 is a regulatory standard used for the monitoring of quality of supply in the South African electricity industry. This standard acknowledges that quality of supply requirements differs between customer categories and per network type e.g. customers supplied by dense underground networks often enjoy a better quality of supply compared to their counterparts supplied by long rural feeders. Similarly, the quality of supply requirements for industrial customers is more stringent than domestic customers. Currently there are about 106 sites, which are monitored continuously, and they have all met the limits as specified by the regulator thus implying that City Power is compliant and has exceeded all the set targets.

4.10.4. IMPLEMENTATION OF DISASTER MANAGEMENT PLAN

The implementation of City Power's disaster management plan is progressing well and on target. Currently this plan is aligned to the COJ framework and the strategy was also completed and presented to the COJ disaster recovery forum.

4.10.5. NUMBER OF TASKS UNDERTAKEN TO COMPLY WITH COJ ENVIRONMENTAL MANAGEMENT FRAMEWORK

A total of 5 tasks were targeted for the year with one task targeted for completion during each of the first three quarters and two during the last quarter.

% Completion of environmental management system

The target set for all quarters in terms of this KPI is 100%, and City Power has achieved this.

4.10.6. NUMBER OF EMPLOYEE DISABLING INJURIES FREQUENCY RATIO

This section refers to the ratio of work related injuries that prevent people from going to work or doing their job effectively on any day after the injury. The target set for this KPI is based on international industry norms of 1, and for the last 12 months the actual recorded has consistently been below 1, with the actual being 0.37.

Maintaining such a performance is a challenge, so City Power gives high priority to the safety and health of its employees and has ongoing activities such as continuing enhancement of management practices and development of a safety culture to ensure that all possible accidents are prevented.

4.10.7. NUMBER OF EMPLOYEE JOB RELATED FATALITIES

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

4.10.8. NUMBER OF HIV/AIDS WORKPLACE PROGRAMMES IN PLACE

To ensure that loss of staff due to the HIV/AIDS epidemic is reduced and that those employees affected by the disease are assisted, City Power has an HIV/AIDS program in place. This program is aligned to the CoJ's policy and processes. Currently City Power has been continuing with case management where employees who declared their status have been put on a treatment program that includes

immune boosters and ARVs. A prevalence study has also been completed and the results from the service provider are being awaited.

4.10.9. EMPLOYMENT EQUITY (AA RATIO)

This indicator shows the percentage of affirmative action candidates compared to the total staff complement. The target for was 70% and City Power has recorded a performance of 70.18%. This is a significant improvement on the 67.65% achieved in 2005/2006.

To ensure that compliance to this KPI is sustained, City Power has developed an attraction and retention strategy and preparations are underway to communicate this strategy to the entire business.

4.10.10. EMPLOYMENT EQUITY (GENDER RATIO)

The target for each quarter and for the year was 17%. The annual target has been exceeded with an average performance of 23.59% recorded.

4.10.11. EMPLOYEE SATISFACTION

The aim of this KPI is to assess the level of employee satisfaction. The prior year survey result was 63.11% and City Power implemented several interventions to address the major issues such as salary parity, job grading etc that were raised. As a result a new survey was not conducted in the current year whilst the interventions are completed.

4.10.12. JOB CREATION AS PER EPWP POLICY

City Power has a target to create 1515 jobs in line with the extended public works programme. Over the last 12 months 2455 temporary jobs were created thus exceeding the annual target.

4.10.13. LEVELS OF CORE SYSTEM DATA ACCURACY (CUSTOMER TO NETWORK LINK)

The rollout of the customer to network link programme will enable City Power to know more accurately how many customers are connected per network link thus making planning and outage management easier. The target was at 85% and City Power has achieved it. Data cleansing is being conducted as part of this exercise and more accurate figures especially around customer numbers will be reflected in the new financial year.

4.10.14. NUMBER OF PUBLIC FATALITIES

This KPI refers to the number of public fatalities due to electricity related incidents. Public fatalities are mainly due to electrocution as a result of various factors e.g. customer negligence, tampering with electricity installations etc.

To prevent this kind of fatalities, City Power conducts customer education and awareness campaigns to educate people of the dangers of electricity etc. There were unfortunately a total of 4 fatalities for the year.

14.10.15. ANNUAL CUSTOMER SATISFACTION RATING

This KPI aims to ensure that there is a percentage improvement on key issues emanating from the perception survey conducted by the CoJ throughout its boundaries.

Based on the outcome of the last perception survey done in the prior year, the largest electricity related concerns were due to service interruptions. As a result, outages were targeted as an area of focus, and to date there has been an overall 7% reduction in the number of outages compared to the figures recorded in the last financial year (total HV and MV: 1265 vs 1365).

Also the results of the last City Power's independent survey (which was undertaken in March) have shown major improvements in customer satisfaction levels in all three categories of customers measured. The results are as follows against the baseline:

Key customers	-77.00% vs 63%
Large Power Users	-71.33% vs 59%
Domestic customers	-83.67% vs 60%

Lastly, the results of the survey conducted by the City, show that the high dissatisfaction levels came from the Eskom supplied areas.

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

The target for this KPI is 91% throughout the year. Large call volumes experienced in May and June (in excess of 15 000 more than the call centre capacity) as a result of outages due to cold spells and load shedding put pressure on this KPI. The average annual performance recorded of 88.5% is 2.5% below the annual target.

14.10.17. NUMBER OF CUSTOMER COMPLAINTS CLOSED VERSUS TOTAL NUMBER OF CUSTOMER COMPLAINTS RECEIVED

This KPI shows in percentage, the rate at which customer complaints are resolved. The KPI target for the entire year is 95% for every quarter as per NERSA guidelines NRS047. The annual performance is 94.48% compared to a target of 95%.

4.10.18. AVERAGE TIME TAKEN FOR CITY POWER TO RESOLVE QUERIES REFERED TO THEM

This is a standard regulatory (NRS 047) KPI showing how long it takes on average for queries to be resolved. The internal target set for resolving these queries is an average of 10 days compared to the baseline of 14 days as per NRS 047. This KPI has been amended and is now based on the Pega system which has information on queries and complaints for the following categories only: billing, meter reading, public lighting, new connections (requests for quotations), payment options and advisory services.

The annual query/complaints average resolution time was 3,09 days, compared to the annual target of 10 days.

4.10.19. ENGENDERED EXPENDITURE

The target set for the year and for each quarter is 21%. The annual performance was 23%, which is 2% higher than target. To ensure compliance to this KPI, City Power encourages engendered business ownership and joint ventures.

4.10.20. FAULTS RESTORATION WITHIN THE SPECIFIED TIME FRAME AS A PERCENTAGE OF THE TOTAL NUMBER OF FAULTS REPORTED (NRS 047); WITHIN 1.5 HOURS; 3.5 HOURS; 7.5 HOURS AND 24 HOURS

The measure of how quickly the electricity supply is restored after a forced interruption/outage gives an indication of the utility's performance. This KPI is widely used in the local electricity industry, which is regulated by NERSA (National energy regulator of S.A). According to NRS047, one of the standards that refers to this KPI has the following requirements:

Fault restoration after forced interruptions must be within these limits:

No	Time (Hours)	NRS 047 (%)	COJ requirements (%)	Negotiated target (%)	Actual performance (%)
1	1,5	30	30	25	24.73
2	3,5	60	70	62	63.55
3	7,5	90	90	90	91.18
4	24	96	96	96	98.68

These percentages indicate the customer base with restored supply within set times.

For some time now, the restoration of supply for the first two categories has not been within the "COJ" prescribed limits.

Because of the City's network type, which is predominantly underground, when faults occur they generally take long to locate and repair, hence the long outage times. Secondly there were logistical arrangements that made quick restoration of supply difficult. Because of these issues, a deviation to

reduce the 1,5hours and 3,5hours percentages from 30% to 25% and 70% to 62% respectively was requested and was granted by the CoJ panel.

4.10.21. % TURN AROUND TIME IN RESPECT OF DEVELOPMENT APPLICATIONS SUBMITTED TO THE UTILITIES (60% in 30 days and 40% in 60 days)

This KPI aims to ensure that comments in respect of developments are done speedily and efficiently. Currently all the submissions that have been received have been responded to as per the target. All the applications that are pending require additional information from the applicants and as a result are beyond City Power's control.

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

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

	30 days	60 days	90 days	180 days	365 days	366 days	Total
City Power	183,347,946	8,060,613	7,321,274	15,430,081	21,411,312	46,163,722	281,734,948
COJ	173,545,962	49,960,350	34,289,352	30,946,192	198,050,572	820,043,883	1,306,836,311
	<u>356,893,908</u>	<u>58,020,963</u>	<u>41,610,626</u>	<u>46,376,273</u>	<u>219,461,884</u>	<u>866,207,605</u>	<u>1,588,571,259</u>

5.2 Assessment owed by City Power for service charges

City Power owes the following for service charges;

Johannesburg Roads Agency (Reinstatement costs)	R 5,051,246
City of Johannesburg(- Rates and Taxes)	R 503,011
Johannesburg Water(- Water)	R 83,893
City Parks (Tree Pruning)	R 10,174,470
Pikitup (Waste Removal)	R 62,623

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

Name	Designation	Municipal	Municipal Account Name/Number	Account Status
K Simelane	Chairperson	Johannesburg	K Simelane 401900792	30 days
J Kumbirai	Non-executive	Tshwane	J Kumbirai 2071470635	Not submitted
T Marwala	Non-executive	Johannesburg	T Marwala 202039917	Current
K Garlipp	Non-executive	Tshwane	K Garlipp 3302075021	Current
G Badela	Non-executive	Johannesburg	G Badela 302212072	Current
H Mateya	Non-executive	Johannesburg		Not submitted
S Zimu	Managing Director	Johannesburg	S Zimu 20160018	Current
B Leshnick	Director Finance	Johannesburg	B Leshnick 202089509	Current
V Padayachee	Director Operations	Johannesburg	V Padayachee 201239060	Current
N Nsele	Director - Customer Services (Acting)	Johannesburg	N Nsele 205886943	Current
L Mashao	Director Corporate Services	Tshwane	L Mashao 330110716	Current
S Mosolo	GM Public Relations	Ekurhuleni	Morrison Estates	Current
M Mojapelo	GM Internal Audit	Johannesburg	Letting.com	Current
A Lishivha	GM Legal Services	Johannesburg	K Molewa 206521871	Current
M Sibuta	GM Public Lighting	Johannesburg	Andrew Lucas Real Estate	Current
L Mbewu	GM Continuous Improvement	Ekurhuleni	20019897	Current
C Solomon	GM Risk Services	Tshwane	3318468766	Current
M Smith	Company Secretary	Johannesburg	M Smith 300949880	Current

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

Gov Accounts 30 June 2007

Acc no	SCHOOLS	Total	Status	Comments
220083813	EAST BANK HIGH SCHOOL	12,144.61	overdue	Erratic Payments
220082200	BRYANSTON PRIMARY SCHOOL	8,586.17	current	
220065035	ATHLONE BOYS HIGH SCHOOL	0.00	current	
220077094	LAERSKOOL LOUW GELDENHUYS	-163.50	current	
220025018	PREPRIMERE SKOOL DIE MOSSIE	3,563.99	overdue	Erratic Payments
220028700	PHILIP KUSHLICK SCHOOL	3,797.07	current	
220055421	SOUTHVIEW SECONDARY SCHOOL	20,848.58	overdue	Erratic Payments
220075925	WESTERN HIGH SCHOOL	3,448.96	current	
220047406	ENNERDALE SECONDARY SCHOOL	7,328.15	current	
220055608	AZARA SECONDARY SCHOOL	28,146.88	overdue	Erratic Payments
220058969	PENTA-ROSA PRIMARY SCHOOL	15,169.38	overdue	Erratic Payments
220057299	GREYVILLE PRIMARY SCHOOL	23,243.62	overdue	Erratic Payments
220057186	LENASIA SECONDARY SCHOOL	0.00	current	
220100709	RIVERLEA LAERSKOOL	197,567.23	Pending adjustments	Meter duplications
220091356	KENSINGTON SECONDARY SCHOOL	4,080.04	current	
220057179	ALPHA PRIMARY SCHOOL	24,903.07	overdue	Erratic Payments
220055453	PARKSIDE PRIMARY SCHOOL	70,682.59	overdue	Difficulty getting payment from the Provincial Department of Education
220059000	TOPAAS SECONDARY SCHOOL	24,651.83	overdue	Erratic Payments
220025000	HOERSKOOL DIE FAKKEL	-6,748.57	current	
220057193	MODEL PRIMARY SCHOOL	34,558.79	overdue	Difficulty getting payment from the Provincial Department of Education
220045906	JOHN ORR TECHNICAL HIGH SCHOOL	0.00	current	
220021782	ST MARTINS SCHOOL	0.00	current	
220059095	JHB ABDM SCHOOL	19,527.75	current	
220096040	WINCHESTER RIDGE PRE-PRIMARY SCHOOL	-0.40	current	
220052276	ST MARYS SCHOOL FOR GIRLS	-19,363.32	current	
220061143	MISSOURILAAN SEKONDERE SKOOL	31,012.58	overdue	Erratic Payments
220061150	NANCEFIELD LAERSKOOL	10,443.30	current	
220069777	QUEENS HIGH SCHOOL HOSTEL	6,984.19	current	
220058951	HARMONY PRIMARY SCHOOL	27,920.35	overdue	Difficulty getting payment from the Provincial Department of Education
220024991	FOREST HIGH SCHOOL	0.00	current	
220010501	EDUCATION MODEL C SCHOOLS 873	4,536.74	overdue	Meter adjustments pending
TOTAL		556,870.08		
Acc no	POLICE	Total		
220093804	SAP WYNBERG	2,737.49	current	
220078806	SAP RADIO STATION	12,934.77	current	
220028957	S A POLICE STATION HONEYDEW	5,246.80	current	
220052068	SAP STATION NORWOOD	11,189.78	overdue	Erratic Payments
220057274	SAP LENASIA	243.95	current	
220033682	SAP STATION BOOYSENS	3,988.26	current	

220028435	SAP MOTOR WERKWINKEL	36,834.66	current	
220072040	SAP BRIXTON [MOORD / ROOF AFD]	24,694.88	current	
220069512	JEPPE POLICE STATION	1,058.42	current	
220056954	HOSPITAL HILL POLICE STATION	201.91	current	
220002412	BRAMLEY POLICE STATION	83.44	current	
220059151	SAP DODEHUIS EN KWARTIERE PWD	12,620.22	current	
220033682	SAP STATION BOOYSENS	3,988.26	current	
220062250	CLEVELAND POLICE STATION	18,884.49	current	
220052068	SAP STATION NORWOOD	11,189.78	overdue	Erratic Payments
220062242	SAP CLEVELAND P W D	4,861.75	current	
220093794	ALEXANDRIA POLICE STATION	10,191.32	overdue	Erratic Payments
220062732	POLICE & CIVIL RIGHTS UNION	-10,852.48	current	
220057080	SAP SAM HANCOCK STR (PWD)	1,832.68	current	
220056993	SAP SAM HANCOCK STR	896.43	current	
220057059	SAP SAM HANCOCK	417.42	current	
220057010	SAP SAM HANCOCK	426.11	current	
220057066	SAP SAM HANCOCK STR (PWD)	2,104.55	current	
220057027	SAP SAM HANCOCK	508.46	current	
220057041	SAP SAM HANCOCK	-1,008.75	current	
220057002	SAP SAM HANCOCK STR	322.95	current	
220080386	SAP FLATS	44,446.72	current	
TOTAL		200,044.27		
Acc no	COURTS	Total		
220062002	SAP LAW COURTS LENASIA	14,980.45	current	
220061954	KLIPTOWN REGIONAL COURT PWD	307.40	current	
TOTAL		21,385.39		
Acc no	PUBLIC WORKS	Total		
220035859	R S A PUBLIC WORKS & LAND	17,515.96	current	
220018973	DIE SENIOR STREEKBESTUURDER_MROOD01	2,850.19	current	
220052075	SAP FLATS	70,578.15	current	
220081414	R S A P A AFDELINGSINGENEUR	89,365.99	current	
220058479	MYNTERING BURO PWD	22,890.79	current	
220022970	DIE STREEKSVERTEENWOORDIGER	10.22	current	
220008816	DIE HOOFDIREKTEUR	575.22	current	
220078845	R S A OPENBAREWERKE&GRONDSAKE	77,382.25	current	
220092430	7TH DIV HEADQUARTERS PWD	68.69	current	
220042510	R S A PUBLIC WORKS	-100,395.77	current	
220035859	R S A PUBLIC WORKS & LAND	17,515.96	current	
220028428	PTN MORTUARY FOR COLOURDS PWD	2,310.79	current	
220058550	PNEUMOCONIOSIS RESEARCH PWD	25,861.58	current	
220058542	OLD MEDICAL BUILDING PWD	133,685.26	overdue	Paid 31/08/07
220016920	OPENBARE WERKE EN GRONDSAKE	187,265.20	overdue	query billing
220042510	R S A PUBLIC WORKS	-100,395.77	current	
TOTAL		447,084.71		
Acc no	HOSPITALS	Total		
220068999	JOHANNESBURG HOSPITAL	0.00	current	
220028474	BARAGWANATH HOSPITAL	0.00	current	
220078757	JG STRYDOM HOSPITAL	0.00	current	
220091003	JHB HOSPITAL	0.06	current	
220017137	SOUTH RAND HOSPITAL	51,183.63	current	
220028001	MULBARTON HOSPITAL LIMITED	45,351.78	current	

221038725	EDENVALE HOSPITAL	2,681,811.84	overdue	query billing
220030804	DISCOVERY HOSPITAL	38,894.31	current	
220090433	CSF EMSENI HOSPITAL	-10,000.00	current	
220068100	JHB HOSPITAL	0.00	current	
220989742	BARCLAYS HOSPITAL	4,059.53	current	
220055414	LENASIA HOSPITAL	10,978.29	current	
TOTAL		2,822,279.44		
Acc no	CLINICS	Total		
220094124	ALEXANDER CLINIC	25,335.03	current	
220077513	GARDEN CITY CLINIC	0.00	current	
220082055	MEDI-CLINIC LTD	0.00	current	
220083154	MEDI-CLINIC LIMITED	16,339.34	current	
221036090	ALEXANDRA WOMENS CLINIC	7,486.14	overdue	Erratic Payments
220071952	RAND CLINIC	61,045.02	current	
220091010	RAND CLINIC	0.00	current	
221036083	EASTBANK CLINIC	22,311.21	overdue	Erratic Payments
220004667	SHIFA CLINIC	0.00	current	
220014136	MAYO CLINIC	0.00	current	
220055372	LENMED CLINIC LTD	19,876.19	current	
220052340	JOHN FORTHERING CLINIC	-178.48	current	
		0.00		
TOTAL		152,214.45		
Acc no	HOSTEL	Total		
220006400	City Deep Compound	7,502.70	overdue	Erratic Payments
220047332	S.M.L.C URBAN.DEV.HOSTELS(645)	101,998.60	overdue	Erratic Payments
221115063	NOBHUHLE MENS HOSTEL	56,916.82	current	
221115056	MADALA MENS HOSTEL	24,286.58	current	
221108267	HELEN JOSEPH WOMENS HOSTEL	26,383.17	current	
220062860	SELBY HOSTEL	35,426.35	current	
221087289	GEORGE GOCH MENS HOSTEL	318,494.82	current	
220001345	GRESSWOLD SPEC HOSTEL	0.00	current	
TOTAL		571,009.04		

Acc no	HOUSING	Total		
220088628	HEALTH&HOUSING:HOUSING 245	4,262.70	overdue	query billing
220100547	TROYVILLE HOUSING CO-OPERATIVE LTD	26,051.22	current	
220087134	HEALTH&HOUSING:HOUSING 245	82,607.33	overdue	awaiting adjustment
220946570	JOHANNESBURG HOUSING CO LTD	0.00	current	
220046804	COPE TSWELOPELE HOUSING_COOPERATIVE	24,367.59	current	
220080530	DEPT.HOUSING AND LOCAL GOV.	232,964.94	overdue	dispute
221051081	JOHANNESBURG HOUSING COMPANY	379,004.30	overdue	site under
220061009	DEPT.HOUSING AND LOCAL GOVT.	125,316.88	overdue	Erratic Payments
220990723	SIMUNYE HOUSING ASSOCIATION	11,635.73	current	
220100882	JOHANNESBURG HOUSING COMPANY	33,501.79	current	
220044660	DEPT.HOUSING AND LOCAL GOVT.	9,599.87	current	
220044726	DEPT.HOUSING AND LOCAL GOVT.	10,346.61	current	
220003543	SA LEGION SOLDIERS HOUSING ORG	9,852.82	current	
220044740	DEPT.HOUSING AND LOCAL GOVT.	7,672.92	current	
220044765	DEPT.HOUSING AND LOCAL GOVT.	6,304.57	current	
220044733	DEPT.HOUSING AND LOCAL GOVT.	5,520.86	current	

220044719	DEPT.HOUSING AND LOCAL GOVT.	7,594.29	current	
220080523	DEPT.HOUSING AND LOCAL GOV.	21,395.26	overdue	Erratic Payments
220014633	NEW HOUSING COMPANY	0.00	current	
220089639	HEALTH&HOUSING:COMM HLTH 230	72,815.21	overdue	Erratic Payments
220046441	DEPT.HOUSING AND LOCAL GOVT.	9,214.57	current	
221064041	JHB HOUSING COMPANY LTD	12,931.61	current	
220046427	DEPT.HOUSING AND LOCAL GOVT.	7,744.34	current	
220046434	DEPT.HOUSING AND LOCAL GOVT.	5,262.94	current	
220044758	DEPT.HOUSING AND LOCAL GOVT.	6,014.54	current	
220046498	DEPT.HOUSING AND LOCAL GOVT.	5,368.32	current	
220044684	DEPT.HOUSING AND LOCAL GOVT.	271.10	current	
220089607	EVEREST COURT HOUSING ASS.	2,740.09	current	
220044677	DEPT.HOUSING AND LOCAL GOVT.	9,630.14	current	
220046508	DEPT.HOUSING AND LOCAL GOVT.	6,828.33	current	
220046466	DEPT.HOUSING AND LOCAL GOVT.	6,450.42	current	
220003529	SOLDIERS HOUSING ORG SA	1,846.68	current	
220046522	DEPT.HOUSING AND LOCAL GOVT.	5,453.10	current	
220046530	DEPT.HOUSING AND LOCAL GOVT.	5,368.32	current	
220046515	DEPT.HOUSING AND LOCAL GOVT.	4,862.88	current	
220046473	DEPT.HOUSING AND LOCAL GOVT.	7,747.95	overdue	Erratic Payments
220046480	DEPT.HOUSING AND LOCAL GOVT.	1,395.91	current	
220016038	JOHANNESBURG HOUSING COMPANY	32,271.95	current	
220067113	JOHANNESBURG HOUSING COMPANY	0.00	current	
220046459	DEPT.HOUSING AND LOCAL GOVT.	5,484.68	current	
220046554	DEPT.HOUSING AND LOCAL GOVT.	-351,044.06	current	
TOTAL		856,658.70		
Acc no	CORRECTIONAL SERVICES	Total		
220091388	SA DEFENCE QUEENS HIGH	8,537.12	current	
220028442	DIEPKLOOF PRISON P W D	138.27	current	
TOTAL		8,675.39		
TOTAL		5,636,221.47		

Section 7: Recommendation and Plans for next financial year

The approved budget for the 2007/8 financial year is:

Income Statement

Details	Actual 2006- 2007	Budget 2007- 2008
Total Operating Income	4,036,138	4,518,945
Turnover	3,821,923	4,312,103
Other Income	214,215	206,842
Cost of Sales	(2,429,349)	(2,677,934)
Gross margin	1,606,789	1,841,011
Gross margin %	40.64%	40.73%
Operating overheads	(1,173,771)	1,351,882
Operating Profit before interest and taxes	433,018	489,129
Operating Profit %	10.72%	10.82%
Net interest	(314,547)	(344,393)
Profit before tax	118,471	144,736
Taxation	(67,840)	(41,973)
Attributable income	50,631	102,763

The Key focus areas for the 2007/08 financial year are:

1. Working closely with CoJ Treasury to secure additional funding in order to address the following:
 - Capital backlog on network refurbishment
 - Investment in additional capacity
 - 2010 requirements
 - reduction in outages
 - expansion of public lighting network
 - electrification of previously disadvantaged areas
2. Improvement in call response times
3. Working closely with COJ Revenue Management unit in improving domestic collection levels
4. Continuation of the project to convert high consumption customers to automated meters
5. Continuation of project to convert customers to prepaid meters
6. Improvement in short term restoration times

CHAPTER THREE: DIRECTORS' REPORT AND GOVERNANCE

Section 1: Corporate Governance Statement

The Board of Directors and Executives recognise and are committed to the principles of openness, integrity and accountability advocated by the King II Code on Corporate Governance. Through this process, the shareholder and other stakeholders may derive assurance that the company is being ethically managed according to prudently determined risk parameters in compliance with generally accepted corporate practices. The monitoring of the company's compliance with the King Code on Corporate Governance forms part of the mandate of the audit committee. The company has complied with the Code in all respects during the year under review.

The Board of directors has adopted a Board Charter, which includes matters of ethics, procedure and conduct of committee members. The Charter is aligned with the CoJ. charter. Registers are kept and updated on the disclosure and declaration of interests of directors and senior management. The Board and senior management ensure that there is full material compliance to all relevant legislation. The Company Secretary has certified in terms of section 268(d) of the Companies Act that all statutory returns have been submitted to the Registrar of Companies.

The Board of Directors ascribes to the City of Johannesburg's Corporate Governance Protocol (the Protocol), which, *inter alia*, regulates its relationship with the City of Johannesburg as its sole shareholder and parent municipality in the interest of good corporate governance and good ethics.

The Protocol is premised on the principles enunciated in the King Report for Corporate Governance for South Africa 2002 ("King II report"). The Company steadfastly consolidated its position in respect of adherence to the King II report on Corporate Governance. City Power's practices are, in most material instances, in line with the principles set out in the King II Report. Ongoing steps are taken to align practices with the Report's recommendations and the Board continually reviews the Company's progress to ensure that the company improves on Corporate Governance. During the year under review 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 Municipal Finance Management Act. The current annual report was guided by the same principles.

Section 2: Board of Directors

City Power has a unitary board, which consists of executive and non-executive directors. The Board is chaired by a non-executive director; **Ms Getty Simelane** The board meets regularly, at least quarterly and retains full control over the company. The Board remains accountable to the City of Johannesburg Metropolitan Municipality (the company's sole shareholder) and its stakeholders, the citizens of Johannesburg. A Service

Delivery Agreement (SDA), concluded in accordance with the provisions of the (Municipal Systems Act) (MSA) governs the company's relationship with the City of Johannesburg. 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 is 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.

For the year under review, the Board consisted of seven non-executive directors; Ms Getty Simelane, Adv. H.W.L. (Les) Kügel, Ms N Nyembezi, Ms L. Reddy, Ms J Kumbirai, Prof. T Marwala and Adv. K.D.C.O. Garlipp and two Executive Directors, Mr S.M. Zimu, who was the Acting Managing Director and Mr B. N. Leshnick, who is the Director Finance.

Adv. K.D.C.O. Garlipp was appointed as a non executive member of the Board on 10 August 2006 with Mr B.N. Leshnick being appointed as a executive member of the Board on 10 August 2006. Executive directors are regarded as contract employees in terms of the company's conditions of service.

On 30 January 2007, Adv. H.W.L. (Les) Kügel, Ms N Nyembezi, and Ms L. Reddy were retired from the Board and Mr T. Mahlatsi, Mr J. H. Mateya and Mr M. Mokgatle were appointed to the Board. On 1 March 2007 Mr G. Badela was appointed to the Board. Mr S. M. Zimu was appointed as Managing Director effective 1 May 2007.

Mr M. Mokgatle resigned from the Board on 28 May 2007.

Attendance at meetings held during the year under review was as follows:

Directors	Board	Board Workshops (Induction)	Audit	HR & Remuneration	Board Oversight	Pricing & Regulatory	Ad Hoc EDI Working Group
NO OF MEETINGS HELD	6	1	6	9	4	4	2
G. Simelane	6	1		9	4		2
T. Marwala	4	1	3		4	4	1
J. Kumbirai	6	1	6	3	3		
S. Zimu	3	1		3	4	2	2
B. Leshnick	6	1				1	
K. Garlipp	5		3			2	
T. Mahlatsi	1						
H. Mateya	2			3		2	
M. Mokgatle (Resigned)	1					1	
G Badela	2			1			
L. Kügel (Retired)	4			6	2	2	2
N. Nyembezi (Retired)	4			6		2	
L. Reddy (Retired)	1					2	

Section 3: Board Committees

Two additional meetings were held during the year. On 19th January 2007 the Board met to approve the Annual Business Plan. On 25th January 2007 the Board and Audit Committee met to approve the Annual Report and Annual Financial Statements.

The following committees have been formed, each of which is chaired by a non-executive director.

- Audit Committee
- Human Resources and Remuneration Committee
- Pricing and Regulatory Committee
- Oversight Committee
- Ad Hoc EDI Working Group

No new board committees were established.

3.1 Audit Committee

The name of the Finance and Audit Committee was changed to the Audit Committee on 11 September 2006.

The Audit Committee consisted of the following non-executive directors: Ms J Kumbirai and Prof. T. Marwala and one executive director, Mr B. Leshnick. Prof. T. Marwala was retired from the Audit Committee and Adv. K. Garlipp was appointed a member of the Audit Committee on 23 November 2006. Mr T Wixley who was an independent member of the committee, resigned from the committee on 30 January 2007. On 31 January 2007 Ms D Dondur and Mr H Moolla were appointed as independent members of the Audit Committee.

The role of the Audit Committee is to assist the Board by performing an objective and independent review of the functioning of the company's finance and accounting control mechanisms. It exercises its functions through close liaison and communication with senior management and the internal and external auditors. The Audit Committee met six times during the year under review.

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;
- Internal and external audit policy;
- Activities, scope, adequacy and effectiveness of the internal audit function and audit plans;
- Reviewing and recommending the approval of external audit plans, findings, reports and fees;
- Compliance with the Code of Corporate Practices and Conduct; and
- Compliance with the code of ethics.

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

During the year the Audit Committee had a number of additional meetings in order to comply with the requirements of the MFMA with respect to the Annual Financial Statements and Audit process. The additional meetings were:

- 25 August 2006 – Approval of Draft Annual Financial Statements for submission to the auditors
- 25 January 2007 – Approval of Annual Financial Statements and Annual Report
- 31 May 2007 – Review of Audit Plan by Auditor General

3.2 Human Resources and Remuneration Committee

The Human Resources and Remuneration Committee consisted of the following non-executive directors: Ms G Simelane, Adv. L Kügel and Ms N Nyembezi. and one executive director, Mr S. Zimu. Adv. L Kügel and Ms N Nyembezi. were retired from the Human Resources and Remuneration Committee on 30 January 2007. Ms J. Kumbirai, Mr H. Mateya and Mr G. Badela were appointed as members of the Human Resources and Remuneration Committee on 8 March 2007.

The Human Resources and Remuneration Committee advises the Board on remuneration policies, remuneration packages and other terms of employment for all directors and senior management. Its specific terms of reference also include recommendations to the Board on matters relating to general staff policy remuneration, profit bonuses, executive remuneration, director remuneration and fees and service contracts. The Committee met nine times during the year under review.

3.3 Pricing and Regulatory Committee

The Pricing and Regulatory Committee consisted of the following non-executive directors: Ms L. Reddy, Adv. L. Kügel, Ms N. Nyembezi and Prof. T. Marwala and one executive director Mr S. Zimu. Adv. L. Kügel was retired from the Pricing and Regulatory Committee and Adv. K. Garlipp and Mr. B. Leshnick were appointed as members of the Pricing and Regulatory Committee on 23 November 2006. Ms L. Reddy, and Ms N. Nyembezi were retired from the Pricing and Regulatory Committee on 30 January 2007. On 8 March 2007 Mr H Mateya and Mr M. Mokgatle were appointed to the Pricing and Regulatory Committee. Mr M. Mokgatle resigned from the Pricing and Regulatory Committee on 28 May 2007.

The Pricing and Regulatory Committee advises the Board on strategic direction on electricity pricing strategies and policies, addresses regulatory changes in the Electricity Supply Industry that affects the company, ensures that the company complies with the regulatory requirements on tariffs, recommends structural tariffs changes to the National Electricity Regulator, and ensures compliance with NRS 047 (Quality of Service) and NRS 048 (Quality of Supply) regulations. The Committee met four times during the year under review.

3.4 Board Oversight Committee

The Oversight Committee consisted of the following non-executive directors: Adv. L. Kügel, Ms G Simelane, Ms J Kumbirai and Prof T Marwala. Adv. L. Kügel was retired from the Oversight Committee on 30 January 2007. On 8 March 2007, Mr T. Mahlatsi and Mr M. Mokgatle were appointed to the Oversight Committee and Ms J.Kumbirai was retired from the committee. Mr M. Mokgatle resigned from the Oversight Committee on 28 May 2007.

The Oversight Committee advises the Board on the oversight responsibilities set out in the supply chain management policy and procedures which are in line with the Municipal Finance Management Act regulations on supply chain management.

- The Oversight Committee operates in accordance with a mandate authorised by the Board, and provides assistance to the Board with regards to: Maintaining oversight over the implementation of the supply chain management policies as contained in the supply chain management manual;
- Monitoring and reporting on the implementation of the supply chain management policy and procedures and the performance of supply chain management;
- Assessing deviations and exceptions from policy and procedures;
- Advising on the multi-year business plan and annual budget plan;
- Monitoring and reporting on company spend against the approved budget and business plan; and
- Assessing the achievements of output on projects.

The Oversight Committee is informed of all emergency procurement and considers the following;

- Approving any spend planned outside the approved plans; and
- Pro-active approval of deviations/amendments from policy.

The Committee met four times during the year under review.

3.5 Ad Hoc EDI Working Group

The Board, on 23 November 2006, resolved to change the name of the JoRED Working Group to the Ad Hoc EDI Working Group. The Ad Hoc EDI Working Group is an ad hoc joint executive and Board working group formed to consider and advise the company of EDI restructuring developments and to prepare City Power for transition into the RED

The Ad Hoc EDI Working Group consisted of the following non-executive directors: Ms G Simelane, Adv. L Kügel and Prof. T. Marwala and one executive director, Mr S. Zimu, as well as Mr V. Padayachee, a member of the Executive Committee.

Adv. K. Garlipp, Mr N. Nyembezi and Mr B. Leshnick were, on 23 November 2006, appointed as members of the Ad Hoc EDI Working Group. Adv. L Kügel was retired as a member on 30 January 2007 and Mr T. Mahlatsi was appointed a member of the committee on 8 March 2007.

The Committee met twice during the year under review.

Section 4: Directors' Remuneration

Non-Executive Directors

	Other	Directors			Total
		Dir Fee	Retainer fee	Dir Travel	
ADV HWL KUGEL	1,178	112,832	5,000	4,802	123,812
S J KUMBIRAI	1,441	132,392	11,667	8,644	154,143
MR K D C GARLIPP	703	58,625	11,667	4,528	75,522
PROF T MARWALA	1,070	95,375	11,667	1,955	110,067
N NYEMBEZI	716	69,905	1,667	451	72,737
L REDDY	332	31,559	1,667	129	33,687
TP MAHLATSI	117	5,000	6,667	0	11,783
KPM SIMELANE	2,128	180,943	31,833	3,841	218,746
JH MATEYA	317	25,000	6,667		31,983
M MOKGATLE	157	9,000	6,667		15,823
G BADELA	140	9,000	5,000	226	14,366
Total	8,298	729,631	100,167	24,576	862,672

Independent Audit Committee members

	Other	Directors			Total
		Dir Fee	Retainer fee	Dir Travel	
DLT DONDUR	267	20,000		6,667	27,088
T WIXLEY	230	16,344		6,667	23,356
H MOOLLA	167	10,000		6,667	16,833
Total	663	46,344		20,000	67,277

Senior Management

	Salaries	Performance Bonus	Contributions to UIF, medical aid and pension fund	Allowances		Total
				Travel & Subsist	Other	
SM ZIMU	899,940	214,278	196,288	133,536	30,721	1,474,763
MK MOHLALA		222,244				222,244
BN LESHNICK	895,543	199,002	124,486	152,756	27,593	1,399,381
MA LISHIVHA	306,431	48,750	122,343	128,338	18,898	624,760
ME MASHAO	632,877	144,690	131,178	137,724	25,830	1,072,298
CS MASOLO	471,116	50,307	101,512	50,100	17,266	690,301
MR MOJAPELO	376,062	56,700	97,358	130,437	15,903	676,459
T Z NKOSI	716,639	156,975	151,879	128,539	23,122	1,177,155
VP PADAYACHEE	880,431	196,716	116,322	138,498	29,851	1,361,819
ZG ZULU	549,833	76,500	116,566	128,136	19,508	890,542
Total	5,728,871	1,366,161	1,157,931	1,128,064	208,693	9,589,720

Section 5: Company Secretarial Function

Ms F. Patel resigned as the company secretary with effect 30 June 2006 and Mr M. Smith was appointed as acting company secretary on July 2006. Mr Smith's appointment as company secretary was confirmed on 1 April 2007.

The primary function of the company secretary is to act as the link between the Board and management and to facilitate good relationships with the shareholder. The company secretary is responsible for the general administration and more specifically to ensure compliance to good corporate governance practices and to provide guidance to the directors on corporate governance principles and all relevant legislation.

Section 6: Risk Management and internal controls

6.1. Overview

Effective risk management is integral to the company's objective of consistently adding value. Management is continuously developing and enhancing its risk and control procedures to improve the mechanisms for identifying and monitoring risks.

Operating risk is the potential for loss to occur through a breakdown in control, information, business processes and compliance systems. Key policies and procedures are in place to manage operating risk and involve segregation of duties, transactions authorisation, supervision, monitoring and financial and managerial reporting. Financial risk management is dealt with in the financial statements.

In order to meet its responsibility with respect to providing reliable financial information, City Power maintains financial and operational systems of internal controls. These controls are designed to provide reasonable assurance that transactions are concluded in accordance with management authority, that the assets are adequately protected against material loss or unauthorised acquisition, use or disposal and that transactions are properly authorised and recorded. The system includes a documented organisation structure and divisions of responsibility, established policies and procedures, including a code of ethics to foster a strong ethical climate. The system also includes the careful selection, training and development of people.

Internal auditors monitor the operation of the internal control systems and report findings and recommendations to management and the Board of directors. Corrective actions are taken to address control deficiencies and other opportunities for improving the system. The Board, operating through its audit committee, provides supervision of the financial reporting process and internal control systems.

There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and the circumvention or overriding of controls. Even an effective internal control system can, accordingly, provide only reasonable assurance with respect to the preparation of financial statements and the safeguarding of assets. The effectiveness of internal control systems can furthermore change with circumstances.

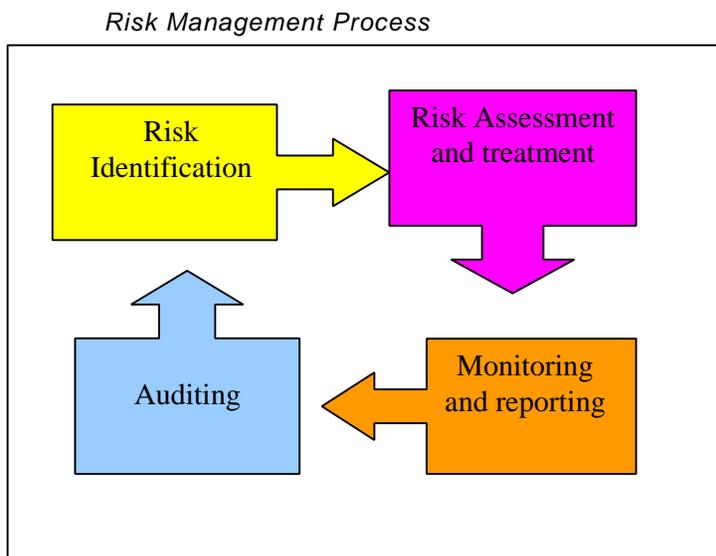
A documented and tested business continuity plan exists to ensure the continuity of business-critical activities.

The company assessed its internal control systems in relation to the criteria for effective internal control over financial reporting described in its internal control manual. The internal control process has been in place up to the date of approval of the annual report and financial statements. Based on its assessment, the company believes that, as at 30 June 2007 its system of internal control over financial reporting and over safeguarding of assets against unauthorised acquisitions, use or disposition, met the requisite criteria.

6.2. Risk Management Process

This process has four broad steps:

- Risk identification
- Risk Assessment and treatment
- Monitoring and Reporting
- Auditing



6.2.1. Risk Identification

Over the past few years Internal Audit have facilitated a process within the organization whereby potential risks have been identified and assessed. As part of the Business Planning process the Strategy and Transformation Group has utilized the various departmental breakaways to further identify potential risks to the business which may impact upon strategies. As a result of these two processes City Power now has a risk register. These processes have between them identified in excess of 200 risks that impact the business.

Going forward risk management is the accountability of the finance department and internal audit will audit the process. The process will now be to:

- Give each group the current risk profile to evaluate.
- Eliminate irrelevant risks from the profile. These become irrelevant because of duplication, changes in processes, strategies and the other environmental factors.
- The groups also identify new risks.
- A draft list is produced from the above process

6.2.2. Risk Assessment and Treatment

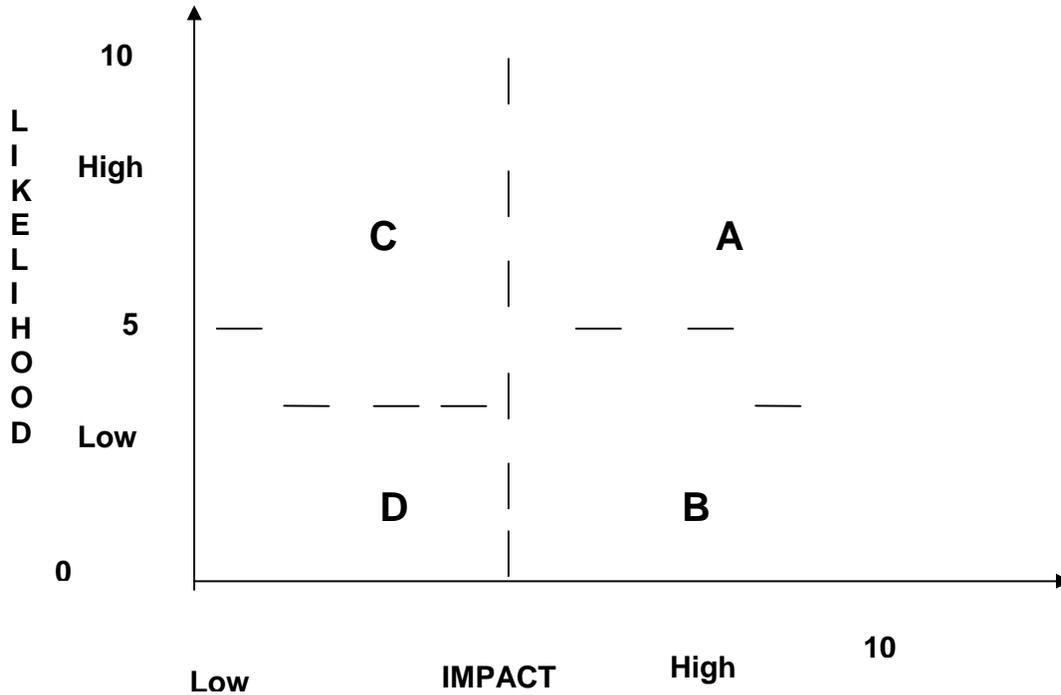
6.2.2.1. Use a risk assessment table to assess new risks on probability and impact.
Likelihood/Probability of occurrence

Rating	Probability Level	Description
9	Almost certain	The event is expected to occur in most circumstances.
7	Likely	The event will probably occur in most circumstances.
5	Moderate	The event could occur at some time
3	Unlikely	The event could occur at some time
1	Rare / Remote	The event may occur only in exceptional circumstances.

Potential Loss / Impact

Rating	Level	Outcome Description
9	Catastrophic	Disaster with potential to lead to collapse of business and is fundamental to the achievement of objectives.
7	Critical	Critical event which can be endured but which may have a prolonged negative impact and extensive consequences
5	Serious	Major events, which can be managed but requires additional resources and management effort.
3	Significant	Event, which can be managed under normal operating conditions.
1	Minor/Insignificant	Consequences can be readily absorbed under normal operating conditions.

6.2.2.2. Use a risk matrix to allocate risk ratings. (A, B, C or D). Each group is given the risk profile. The high priority risks in Quadrant (A) being those with a high likelihood and high impact are prioritized as those demanding immediate attention.



- 6.2.2.3. City Power concentrates on risks in Quadrants A, B & C
- 6.2.2.4. .Appropriate risk mitigation strategies and existing controls are identified if applicable.
- 6.2.2.5. Assess adequacy of existing controls.
- 6.2.2.6. The result will be the residual risk which will be scored using the above table and metrics.
- 6.2.2.7. Where controls are inadequate or no controls, future action/controls should be developed

(action plans).

6.2.2.8. Assign responsibility for each risk.

6.2.2.9. Allocate implementation date and approval of the risk profile by various protocol groups.

6.2.2.10. Monitor compliance monthly with respect to status of the action plans

6.3. Monitoring and Reporting

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

6.4. Auditing

- This process will be audited continuously

6.5. Risk Matrix

Risk Description	Background to the risk	Inherent Risk Exposure	Current controls	Perceived Control Effectiveness	Residual risk Exposure	Actions to improve management of the risk
Insufficient Skills capacity to support the business	* Ineffective talent management. Insufficient skills pool	Red	Prioritise skills focus. Create a pool for talent release. Capacitate the skills level.	Fair	Red	Centralisation of the budget. Implementation of the Retention Strategy. Definition of critical skills.
Public lighting performance	This is a priority objective for the city manager and it is linked to the mayoral objectives of clean and safe city.	Red	Monitoring progress public lighting targets	Fair	Red	Source more funding for public lighting project
Kelvins failure to perform on the Power Purchase Agreement (PPA)	High pass through costs as a result of poor efficiencies - relates to fixed and variable costs. *Inability of Kelvin Power Substation to supply at required levels in term of the PPA	Red	Penalties on poor delivery. Hold monthly meetings	Fair	Red	Management of the current controls.
Eskom's Capacity problems	*Eskoms failure to supply (generation and transmission) *Ability of the Eskom network to sustain the new capacity demand.	Red	City Power has applied for increased capacity from Eskom. Investigating distributed generation options. Implement DSM Program. Resuscitate Gas Turbines.	Fair	Red	Investigate alternative sources of energy eg. Piloting Solar Powered Streetlights.
Business's inability to fund high capital and operational requirements out of current cash flows nor future tariff applications	Unable to meet the GDS , IDP ,and Business Plan targets including electrification, 2010, innercity project, public light, etc *Unable to refurbish the aging network at an acceptable rate *Not enough funds to upgrade the network e.g 4th and 5th intake points . Compliance	Red	Looking at Alternative sources of funding. PPP , Revenue generating projects , Additional Grant Funding.	Fair	Red	Implementation of the current controls.

	to MFMA requirements.					
Impact of HIV/AIDS on productivity in the company	* Alignment with the Mayoral Priority. Increased absenteeism due to sick leave, impacting on overall performance.	Red	Reinforcing partnership with COJ. Increase access to their Helpline. Provision of immune boosters and nutrition. Dispense and administer ARV's	Good	Amber	Capacitation of the Wellness Department.
High non - technical losses	*Meter tampering . Illegal Connections . Faulty Meters and no-access unable to bill customers	Red	Meter Tampering - Semi AMR and Tamper Proof meters with protective structures has been installed. Illegal Connections have been removed and replaced with tamper proof meters with protective structures. Currently utilising JMPD to enforce by-laws. Continous Audits.	Good	Amber	Established a Revenue Protection Department to ensure the implementation and effectiveness of the Controls.
Low customer satisfaction levels	Causes include: outages, capacity demand ,etc *Low level of positive public opinion (company image)	Red	The Call Centre and Walk-In Centres has been capacitated. Ongoing training for Call Centre , Walk - In Centre and Billing employees. More accessibility to customers and increased number of vending stations .	Good	Amber	Improved Shift Roster , Call Resolution and Navigation. Increased the number of Service Providers to allow for a better footprint. (Vending Machines)

Management of Domestic Revenue Collection	*Issues relating to the management of credit control for domestic accounts.	Red	Conversion from conventional to pre- paid . Manage the Service Level Agreement with the City.	Good	Amber	Management of the SLA and the conversion from Conventional to Pre Paid.
High level of network interruptions	*Age of the network *uncontrollable events such as theft/ vandalism damage by third parties and insufficient capital for upgrading and refurbishment of MV and LV network	Red	*Capital investment program in place *Crime Intelligence (Risk Control). Way leave processes and implementation of the Asset Management Maintenance system.	Good	Amber	*Crime Intelligence needs to be improved . Access controls to be increased on the Load Centres . Penalties to be put in place for 3rd parties damaging our network.
Organisational change due to restructuring	Establishment of Phakama and the implications thereof on staff morale and productivity	Red	Engage relevant stakeholders and staff communication	Fair	Amber	Engage relevant stakeholders and staff communication
Non compliance to COJ Policies and procedures	Non compliance to by-laws and non adherence to SLAs with other MOE	Red	Developed and implemented SHER. Customer and employees education	Fair	Amber	Implement the current controls
Not achieving an unqualified audit report	Previous Years Qualified Audit Report. Mayoral Priority.	Red	Actively addressing all issues raised in the previous year's Management Report.	Good	Green	Corrective action implemented and monitored on a monthly basis.
Impact of the Restructuring of the Electricity Industry	*New areas of supply - burden new areas of supply will put on existing resources * Impact of new areas of supply on profitability *Employee productivity about implications of EDI restructuring . Different standards and tariffs.	Amber	EDI Restructuring workgroups has been established.	Fair	Green	Implementing the current controls.

Section 7: Internal Audit Function

City Power's internal audit department has a current staff complement of five. It has a specific mandate from the audit committee and independently appraises the adequacy and effectiveness of the company's systems, financial internal controls and accounting records, reporting its findings to divisional management and the Auditor-General as well as the audit committee. The internal audit manager reports administratively to the Managing Director and functionally to the Audit Committee. The Head of Internal audit has direct access to the chairperson of the board.

Internal audits were conducted in line with the approved Risk Based Audit Plan. A co-sourcing agreement was entered with the Strategic Partner (Sizwe Ntsaluba VSP) to assist with the specialised audits such as Information Technology audits and high level investigations.

The internal audit coverage plan is based on risk assessments performed at each operating unit. The coverage plan is updated annually, based on the risk assessment and results of the audit work performed. This ensures that the audit coverage is focused on and identifies areas of high risk.

There were no significant control weaknesses during the year, however minor weaknesses were identified on safeguarding of assets; segregation of duties and review of policies and procedures. Action plans were agreed with management to address the issues. Some follow ups audits were conducted to verify the implementation of the corrective actions and unresolved matters were included on the new year audit plan.

Section 8: Response to the Auditor-General Report

In the current year the company obtained an unqualified audit report and there were no matters of emphasis reported by the Auditor General. This is a significant improvement on the prior years Auditor-General report, which was qualified with respect to fixed assets as well as having a number of matters of emphasis.

Management has put processes in place to ensure that less significant items raised by the Auditor General are corrected and will not re-occur.

Section 9: Corporate Ethics and Organisational Integrity

The company has a code of conduct, which has been fully endorsed by the Board as part of the supply chain management policy and procedure and applies to all its directors and employees. This 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 directors and employees 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 Policy and Procedure is discussed with each new employee as part of his or her induction training and all employees are asked to sign a declaration

confirming their compliance with the code. A copy of 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.

Section 10: Sustainability Report

10.1. Social Development

The company is actively involved in promoting social development in terms of learnership and internship programmes.

The company awarded a total of 65 (28 new) bursaries to young unemployed people of which 38.4% are females. This initiative will continue and plans are in place to increase the number of bursars in the new academic year.

In line with the Skills Development Levies Act the company received a skills development levies rebate from the E-SETA to the value of R 1.1 million.

In excess of R9 million has been spent on training and subsidised education for staff members. This is approximately 2% of the salary budget for the organisation.

During the year 76 staff resigned, 8 were dismissed and 23 retired. This amounts to 5.5% of the staff compliment. The company performs exit interviews with all staff resigning and the outcome of such interviews are incorporated into the staff retention plan put in place by the company. With the national skills shortage, resignations are a risk to the company but skills development and training initiatives as discussed in chapter 4 section 3 are key to the sustainability of the business.

10.2. Environmental Development

City Power has an environmental management system in place and this has been aligned with the CoJ systems. Policies and procedures have been approved by the relevant governance bodies and the implement action targets have all been met.

The company is extremely proud of its safety record. The number of workplace injuries has declined over the years and currently the measure for such injuries (DIFR) is sitting at 0.37 compared to the prior years 0.69 and industry norms of 1. There is an ongoing process in terms of improving management practice and the development of a culture of safety to ensure all possible accidents are prevented.

10.3. Economic Development

The provision of electricity to all the residents of the CoJ supply area is an integral part of City Power supply mandate. To that and electrification of new areas is a critical component of the capital budget. Chapter 2 section 3 provides a detailed overview of the major capital projects affecting the community.

During the year in excess of R1 billion was spent on BEE companies. (73% of the value of the tender awards were made to BEE companies)

City Power is a tax paying entity, however, with the large capital programme in place the associated tax allowances ensure that the company will not be in a tax paying position for a number of years. In excess of R24 million has been paid across to the receiver of Revenue in respect of VAT.

Section 11: Corporate Social Responsibility Report

City Power's Social responsibility projects have become an integral part of the City of Johannesburg's Community Development projects. While the utility has sufficient capacity to embark on its own projects and initiatives, the CoJ regards them as part of their community development initiatives. It has thus become necessary for City Power to align its projects with those that are conducted by the CoJ..

Youth economic development

One of the major challenges facing the youth of South Africa today is the issue of employment. Of note is that South Africa appears to be the only country in the world that has an organisation of unemployed youth which was formed with the aim of challenging employers to employ youth who graduate from universities and colleges with degrees and diplomas. City Power has taken this opportunity to open business opportunities to some of the youth companies in the area of corporate gifts, branding materials, labour contracts, design and layout and a few other areas where these youth companies participate. During the financial year under review, City Power has spent over R468 000 on procurement from these youth owned companies. During the year under review City Power also trained 674 youth who were employed on company projects.

Early Childhood Development

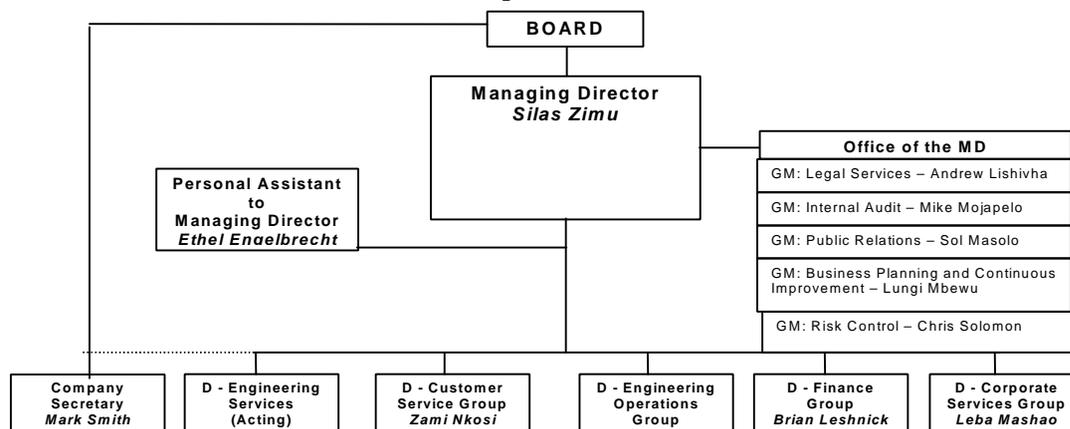
In a country like South Africa and in a city such as Johannesburg, the importance of developing children at the early stages of their lives cannot be overemphasized. It is for this reason that City Power regards the development of children at an early stage to be one of the things the company has elected to be involved in. City Power went into the Mayibuye informal settlement situated in Midrand and re-built a pre-school in the area. City Power repaired the roof and ceiling of the pre-school, re-painted it, repaired the toilets and put a new fence around the pre-school. The project transformed the pre-school from an old dilapidated building, which was becoming a haven for criminal elements in the settlement into a school that is suitable for teaching and learning. On this project City Power spend over R25 000 to transform the building into a teaching and learning establishment for children in Mayibuye. During the same period City Power also took the children in the Mayibuye and Alexandra area to an afternoon lunch and entertainment at the Johannesburg Zoo where the company also bought gifts for the children. The company also contributed blankets and gifts to the Bananekele orphanage in Alexandra while assisting the Mabaleng disability children from Soweto with T-shirt donations for their annual sports day.

Women Development

The city of Johannesburg's community development strategy considers the upliftment of women to be one of the major challenges that the city has to overcome. To this effect City Power has spent over 22% of its BEE budget on women owned companies. One of the major challenges facing this target group is the reality that much of the equipment City Power procures is produced by international original equipment manufacturers (many of whom are not owned by either black, youth or women). It is therefore difficult for City Power to increase this particular procurement within the time frames the company would want to.

CHAPTER FOUR: HUMAN RESOURCES AND ORGANISATIONAL MANAGEMENT

**High Level Organisation Structure
1 July 2006**



Total compliment as on 30 June 2007 inclusive of permanent and contract employees

Occupational Levels	Male				Female				TOTAL
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Top Management	2	0	1	1	1	0	0	0	5
Senior Management	14	1	2	7	3	0	0	1	28
Professionally qualified and experienced specialists and mid-management Managers and professionals	98	14	6	86	66	3	3	11	287
Skilled technical and academically qualified workers, junior management, supervisors, and Technicians	79	10	3	53	23	2	0	3	173
Artisans (All types)	162	19	5	69	10	1	0	0	266
Administrative	85	8	2	11	149	14	2	36	307
Semi-skilled and discretionary decision making	401	10	1	12	39	0	0	2	465
Elementary positions	360	5	0	0	25	0	0	0	390
TOTAL (Permanent and Contract)	1,201	67	20	239	316	20	5	53	1,921

Functions

Office of the MD

- Legal
- Security Risk Control
- Internal Audit
- Public Relations and Communications
- Business Planning & Continuous Improvement Group

DEMOGRAPHICS FOR OFFICE OF THE MD GROUP AS AT 30 JUNE 2007									
	BM	BF	CM	CF	WM	WF	IM	IF	Total
Executive	0	0	0	0	0	0	0	0	0
General Managers	3	0	0	0	0	0	0	0	3
Senior Management	0	0	1	0	0	0	0	0	1
Managerial	3	2	1	0	1	2	0	1	10
Professionals	2	3	1	0	3	0	0	0	9
Supervisory	1	1	0	0	1	0	0	0	3
Administration	3	5	0	4	1	3	0	0	16
Artisan	0	0	0	0	0	0	0	0	0
Support	1	2	0	0	0	0	0	0	3
General Worker	0	0	0	0	0	0	0	0	0
TOTAL	13	13	3	4	6	5	0	1	45

Engineering Services

- Technology
- Projects Planning
- Projects Management
- Support Services
- Program Management
- Realization & Quality Ass
- Capital Execution
- Stores and distribution (CAPEX)
- Building & Works Services
- Reverse Logistics

DEMOGRAPHICS FOR ENGINEERING SERVICES GROUP AS AT 30 JUNE 2007									
	BM	BF	CM	CF	WM	WF	IM	IF	Total
Executive	0	0	0	0	0	0	0	0	0
General Managers	1	0	0	0	1	0	0	0	2
Senior Management	0	0	0	0	0	0	0	0	0
Managerial	3	1	1	0	4	0	1	0	10
Professionals	20	14	4	0	34	1	3	1	77
Supervisory	7	0	0	0	20	1	0	0	28
Administration	4	9	0	1	0	6	0	0	20
Artisan	13	2	2	0	23	0	1	0	41
Support	81	16	1	0	0	2	0	0	100
General Worker	15	0	0	0	0	0	0	0	15
TOTAL	144	42	8	1	82	10	5	1	293

Customer Services Group

- Customer Services
- Account Operations
- Key Customer Executives
- Product Development & Pricing
- Tariffs
- IS Architecture
- IS Solution Support Services
- Program Management
- Realization & Quality Ass

DEMOGRAPHICS FOR CUSTOMER SERVICE GROUP AS AT 30 JUNE 2007									
	BM	BF	CM	CF	WM	WF	IM	IF	Total
Executive	1	0	0	0	0	0	0	0	1
General Managers	2	1	0	0	0	0	0	0	3
Senior Management	1	0	0	0	0	0	0	0	1
Managerial	10	3	1	1	6	1	1	0	23
Professionals	21	8	3	0	7	3	1	0	43
Supervisory	13	9	0	0	0	0	0	0	22
Administration	54	90	6	5	2	5	1	1	164
Support	24	6	4	0	3	0	1	0	38
General Worker	0	0	0	0	0	0	0	0	0
TOTAL	126	117	14	6	18	9	4	1	295

Engineering Operations

- Maintenance, Tx, Dx
- SHER
- Fleet, Mobile Generators
- Program Management
- Realization & Quality Ass
- Stores and distribution (OPEX)
- Public lighting
- Energy Trading
- Supply Availability

DEMOGRAPHICS FOR ENGINEERING OPERATIONS GROUP AS AT 30 JUNE 2007									
	BM	BF	CM	CF	WM	WF	IM	IF	Total
Executive	1	0	0	0	0	0	1	0	2
General Managers	1	0	0	0	3	0	1	0	5
Senior Management	2	0	0	0	0	0	0	0	2
Managerial	7	1	0	0	11	0	0	0	19
Professionals	14	4	1	0	15	0	0	0	34
Supervisory	53	11	10	1	32	0	3	0	110
Administration	12	27	2	2	5	14	1	1	64
Artisan	149	8	17	1	46	0	4	0	225
Support	285	7	5	0	9	0	0	0	306
General Worker	333	6	4	0	0	0	0	0	343
TOTAL	857	64	39	4	121	14	10	1	1110

Finance Group

- Financial Planning
- Financial Reporting
- Financial Analysis
- Assets and Insurance
- Financial Operations
- Supply Chain Management
- BEE
- Program Management
- Realization & Quality Assurance

DEMOGRAPHICS FOR FINANCE GROUP AS AT 30 JUNE 2007									
	BM	BF	CM	CF	WM	WF	IM	IF	Total
Executive	0	0	0	0	1	0	0	0	1
General Managers	1	0	0	0	0	0	0	0	1
Senior Management	1	1	0	0	1	0	1	0	4
Managerial	0	2	0	0	1	0	0	0	3
Professionals	8	8	0	0	3	0	0	0	19
Supervisory	0	0	0	0	0	0	0	0	0
Administration	6	6	0	1	3	7	0	0	23
Artisan	0	0	0	0	0	0	0	0	0
Support	0	0	0	0	0	0	0	0	0
General Worker	0	0	0	0	0	0	0	0	0
TOTAL	16	17	0	1	9	7	1	0	51

Corporate Services Group

- Organisation Development and Transformation
- Remuneration Services
- Learning and Development
- Employee Wellbeing
- Employee Relations
- Employment Equity
- Strategic Support Services
- Program Management
- Realization & Quality Ass
- Canteen Facilities
- Office Cleaning

DEMOGRAPHICS FOR CORPORATE SERVICES GROUP AS AT30 JUNE 2007									
	BM	BF	CM	CF	WM	WF	IM	IF	Total
Executive	0	1	0	0	0	0	0	0	1
General Managers	1	1	0	0	1	1	0	0	4
Senior Management	1	0	0	0	1	0	0	0	2
Managerial	2	3	1	0	1	1	0	0	8
Professionals	8	17	1	2	2	3	0	1	34
Supervisory	5	0	0	1	0	0	0	0	6
Administration	5	11	0	1	0	0	0	0	17
Artisan	0	0	0	0	0	0	0	0	0
Support	13	12	0	0	0	0	1	0	26
General Worker	11	18	0	0	0	0	0	0	29
TOTAL	46	63	2	4	5	5	1	1	127

Section 1: Human Resource Management

Following the implementation of the human resources strategy during July 2005, emphasis was placed on the development and implementation of a job grading system, remuneration philosophy and strategy, attraction and retention strategy, skills audit and the enhancement of the existing performance management system. The human resources policies were reviewed to ensure that they remain relevant and practical for the changing needs of the company and to ensure the attraction and retention of competent employees who will add value on an ongoing basis.

The vision of the company is to be the employer of choice in our field through the ongoing alignment to industry best practice.

Section 2: Employment Equity

The company achieved the submission of an employment equity report dated 1 October 2006 as part of its compliance with the legislation requirement in terms of the Employment Equity Act.

The company target on affirmative action for the 2006/7 financial year end was 70%. The company achieved a 70.2% affirmative action rate for supervisory levels and above) and a 87.6% rate for all levels within the company.

The company target on gender equity for the 2006/7 financial year end was 17%. The gender equity ratio for the whole company by the 30 June 2007 was **23, 6%** for Supervisor and above with a **20, 5%** for all levels .

The challenges that in this area are:

1. A holistic approach towards disability management ;
2. A formal approved employment equity plan; and
3. other related employment equity programs like diversity management and the communication of employment equity initiatives..

Section 3: Skills Development and Training

Significant emphasis was placed on the implementation of a comprehensive skills audit for the company. An appropriate conceptual competency framework was developed. This framework provides an ideal foundation for recruitment and selection, reward management, performance management, career management, staff re-deployment, training and development, talent pool management and other human resources related processes. A structured process was rolled out where employees could assess themselves against this competency framework. This important information has been captured and will form the basis for the generation of individualised personal development plans that will guide the planned development of employees.

The skills development programs are in line with the requirements of the Skills Development Act and the workplace plan is aligned to the business plan and focus is placed on occupational specific programs, management development and legally required training.

Emphasis was placed on the development of the leadership within the company and as a result four levels of managerial development were implemented; namely the foundation management program, the management development program, the leadership development Program and the executive development program.

The company awarded a total of 65 (28 new) bursaries to young unemployed people of which 38.4% are females. This initiative will continue and plans are in place to increase the number of bursars in the new academic year.

In line with the Skills Development Levies Act the company received a skills development levies rebate from the E-SETA to the value of R 1.1 million.

Section 4: Performance Management

Performance management continues to be a key focus for the company. Based on balanced scorecard methodology, key performance indicators are aligned to the business plan and IDP scorecards. Practice audits are regularly conducted to facilitate continuous improvement in the way individual performance is measured and assessed. Personal development plans are a direct result of performance reviews and are being used to build capability and capacity to improve service delivery.

The intent to build a performance driven culture remains at the core of many of the projects that have been implemented - quantum change in efficiency, work management solution and remuneration and retention projects to name a few.

In addition to monitoring and measuring company, group and individual performance against internal key performance indicators, customer satisfaction is measured regularly and used to highlight areas for improvement.

The forthcoming 2010 World Cup has already been factored into the company's strategies and operational plans. The company will, however, continue to strive for operational effectiveness and, with the customers and stakeholders, will collectively focus on improving the environmental well-being of the society.

Section 5 : HIV/AIDS in the workplace

The challenge to manage HIV/Aids in the workplace is ever increasing. In order to effectively manage the associated risks faced by City Power, the following core principles have been adopted as a basis for its HIV/ Aids policy:

- Continuously assessing the risks posed by HIV/Aids on the business;

- Limiting the number of new infections among employees through planned interventions of ongoing education and information;
- Ensuring employees living with HIV/ Aids are aware of their rights and that their rights are respected and protected; and
- Providing case management and support to employees living with HIV/Aids.

5.1. HIV/Aids Structures

A comprehensive support structure was created to support infected and affected employees (HIV/Aids in the Workplace). This includes comprehensive case management, a HIV / AIDS Steering Committee, the availability of trained peer educators, voluntary counselling and testing and a 24 Hour Employee Help Line.

5.2. Prevalence rate and VCTs

In order to gauge the rate of infection amongst employees, the prevalence study, which is based on anonymity, was conducted for the first time in 2006/7, in order to direct more employees into the treatment net. All these was done with the support of both unions.

5.3. Education

The company has a fully-fledged clinic, which is manned by professional health practitioners (A doctor, social workers and occupational health nurses). In order to build on the awareness program, an ongoing education program has been instituted with the assistance of these practitioners.

The first phase of this program 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 counseling, grief management, company benefits, first aid and treatment of workplace injuries. This initiative is progressing well. More effort will need to be exerted on recruiting and training more peer educators.

5.4. Monitoring and measuring of performance

- Monthly, quarterly and annual reporting to SHER Committee & Board;
- Case management of the infected employees;
- Quality assurance by the City Power HIV / Aids Steering Committee;
- Alignment with the National Policy and World Health Organization;
- Networking with Non Governmental organisations;
- Benchmarking with prominent and well established organisations; and
- Aligning the City Power HIV/Aids policy and strategy with the CoJ policy.

5.5. Case Management

Employees who have declared their status have been put on treatment regime i.e. immune boosters & ARV's and nutrition support, depending on the stage of their infection. Most of the treatment is covered by employees' medical aid as all employees have been compelled to belong to a medical aid. The company will endeavour to seek support from State facilities where there are gaps, for purposes of ensuring treatment continuity as uninterrupted treatment will prevent developing resistance to treatment.

Section 6: Employee Benefits

The company is a participating employer in one or more of the various retirement benefit schemes through which the City of Johannesburg Metropolitan Municipality and its associated Utilities, Agencies and Companies (UACs) provide post-employment benefits to all their permanent employees through three Defined Contribution Funds and five Defined Benefit Funds. The following funds provide pension benefits for the City Power employees:

Defined Contribution Funds:

- E-Joburg Retirement Fund;
- City Power Retirement Fund; and
- Municipal Employees Gratuity Fund.

In the case of these defined contribution funds, the contributions paid have been expensed as required in terms of AC 116.

Defined Benefit Funds:

- Johannesburg Municipal Pension Fund;
- City of Johannesburg Pension Fund;
- Municipal Employees Pension Fund;
- Soweto City Council Pension Fund; and
- Joint Municipal Pension Fund.

Section 7: Supply Chain Management and Black Economic Empowerment

City Power has adopted supply chain management systems in compliance with the provisions of the MFMA and the National Treasury: Municipal Supply Chain Management Regulations, 2005. A Supply Chain Management (SCM) unit was established in September 2005 which monitors the implementation of the company's SCM policies in line with the regulations that seek to modernise financial governance and improve accountability and transparency in the company's processes. The company's SCM policies provide for the exclusion of awards to persons in the service of the state subject to the exemptions and regulations issued by National Treasury from time to time.

The company has implemented the three-stage-bidding processes with separate bid specification, bid evaluation and bid Adjudication committees having been established.

The Board has ensured that the procurement policy embraces the objectives of broad-based black economic empowerment and the managing director, as the Accounting Officer of the company, was tasked as the

custodian for effective implementation. The capital projects implemented during year under review served as valuable foundations for ensuring community participation in the company's BEE programmes. This pace will be enhanced and the company will continue to be sensitive to the financial constraints facing emerging black businesses.

The company has made 84 awards of approximately R2, 9 billion in value with almost 73% of the value of the tender awards going to SMMEs and BEE companies. In addition 23% was awarded to engendered companies.

No unsolicited bids were made to the company.

Due to the lack of appropriate internal systems the company is unable to quantify the number and value of awards made to spouses, children or parents of persons in the service of the state or have been in the service of the state in the previous twelve months as required by Regulation 45 of the Local Government: Supply Chain Management Regulations, 2005.

CHARTER 5 : FUNCTIONAL AREA SERVICE DELIVERY REPORTING

Electricity Distribution			
Reporting Level	Detail	Total	Cost
	Includes the bulk purchase and distribution of electricity		
Analysis of the Function:			
1	Total quantity and cost of bulk electricity purchases in kilowatt-hours and rand. Bulk electricity purchases are not broken down into consumer categories	(GWh) 12,903	R (000s) 2,426,510
2	Total quantity and receipts for bulk electricity sales in kilowatt-hours and rand. Revenue split not known at this point in time.	(GWh) 11,338	R (000s) 3,801,851
3	Total electricity losses in kilowatt hours and rand	(GWh) 1,565	R (000s) 294,411
4	Number of households with electricity access, and type and cost of service:	297,972	
5	Number of new connections: Cost per new connection	11,615	5 000
6	Number and cost of disconnections and reconnections Disconnections	48,098	R (000s) 30,119
	Reconnections	24,465	
7	Number and total value of electrification projects planned and current: - Current - Planned (future years)	10,500 28,400	R (000s) 102,500 142,000
8	Estimated backlog in number (and cost to provide) of connections: There are no electrification backlogs. As housing projects are proclaimed they are electrified immediately.	0	
9	Free Basic Service Provision: - Quantity (number of households affected) - Quantum (value to each household) All households on the Life-line tariff enjoy 50kWh of free electricity per month This includes 86,768 prepaid customers and 147,213 conventionally metered customers.	233,981 50 kWh pm	(R 000) 30,043 R21.40 pm R256.80pm
10	Total operating cost of electricity distribution function		R000 R1 225 383

	April-June 2006		
	CMIP Grants		2,273
	Service Connections paid by Public		46,078
	Street Pole Advertising CAPEX Projects		629
	Alexandra Renewal Grant from Province		19,871
	Engineering Services Contribution		35,981
	Gauteng Province Grant Housing		1,500
	COJ Grant Streetlighting Tshepisoong West		3,126
	DME Electrification Grant		20,800
	July-September 2006		
	DME Electrification Grant		10,850
	Service Connections paid by Public		16,950
	Street Pole Advertising CAPEX Projects		720
	Alexandra Renewal Grant from Province		10,526
	October - December 2006		
	CMIP Grants		11,000
	Service Connections paid by Public		22,602
	Street Pole Advertising CAPEX Projects		1,552
	Alexandra Renewal Grant from Province	49,013	
	DME Electrification Grant	3,875	
	January-March 2007		
	CMIP Grants		13,914
	Service Connections paid by Public		24,180
	Street Pole Advertising CAPEX Projects		716
	DME Electrification Grant		10,862
	April-June 2007		
	CMIP Grants		
	Service Connections paid by Public		23,303
	Street Pole Advertising CAPEX Projects		250
	Engineering Services Contribution		55,766
	DME Electrification Grant		7,413
	Total		393,750

Street Lighting			
		Total	Cost
Overview:	Includes all activities associated with the provision of street lighting to the community	-	R61m
Analysis of the Function:			
	1 Number and total operating cost of streetlights servicing population:	149 000	R22m
	2 Total bulk kilowatt hours consumed for streetlighting:	80m kWh's	R22m

Note : 'm' indicates million.

Finance and Administration

1. Debtor Billings

	COJ	City Power	Total
July	146,802,069	219,193,060	365,995,129
August	155,873,615	223,833,242	379,706,857
September	150,351,239	208,739,735	359,090,974
October	128,367,519	190,271,703	318,639,222
November	105,875,549	183,936,738	289,812,287
December	97,791,429	175,264,646	273,056,075
January	92,498,730	172,635,342	265,134,072
February	99,006,190	180,330,345	279,336,535
March	93,020,854	187,462,684	280,483,538
April	91,357,666	192,947,456	284,305,122
May	99,326,799	239,615,728	338,942,527
June	132,382,438	242,128,802	374,511,240
Total	1,392,654,097	2,416,359,481	3,809,013,578

2. Debtor collections

	COJ	City Power	Total
July	121,487,224	216,025,026	337,512,250
August	134,775,807	229,692,899	364,468,706
September	139,130,635	223,830,185	362,960,820
October	129,776,758	198,118,803	327,895,561
November	116,838,653	195,972,586	312,811,239
December	110,986,721	174,703,294	285,690,015
January	94,838,107	175,536,116	270,374,224
February	84,191,313	172,289,794	256,481,107
March	98,205,834	186,314,244	284,520,078
April	72,674,549	169,880,201	242,554,749
May	106,553,347	197,425,569	303,978,916
June	99,090,932	228,136,459	327,227,390
Total	1,308,549,880	2,367,925,175	3,676,475,055

3. Write off of debts : number and value of debts written off

	COJ	City Power	Total
July	862,995		862,995
August	195,062		195,062
September	2,080,489		2,080,489
October	0		0
November	14,784,195		14,784,195
December	1,544,700		1,544,700
January	3,473,972		3,473,972
February	718,152		718,152
March	161,907		161,907
April	896,712		896,712
May	(345,736)		(345,736)
June	143,861,522	277,481	144,139,003

Total	168,233,970	277,481	168,511,451
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4. Credit Payments

AES Kelvin Power	48,650,668				48,650,668
Intatakuza Consulting (Pty) Ltd	33,328,969	13,817,156			47,146,125
Grinpal Energy Measurement		17,149,124			17,149,124
Venus Africa Security (Pty) Ltd	855,544	4,324,733	372,916	455,097	6,008,290
	416,250,876	37,374,184	1,962,067	0	455,097
					456,042,224

5. External Loans

Total loans received and paid during the year

	Balance 1 July 06	Loans received	Loans Repaid	Loans Accrued	Balance 30 June 07
Shareholder Loans	581,814,023				581,814,023
Shareholder Loan Midrand	42,978,817				42,978,817
Conduit Loan	433,033,443		-59,418,133		373,615,310
Conduit Loan - Midrand	22,498,178		-2,539,371		19,958,807
Capex Loan 2002	84,100,107		-12,490,520		71,609,587
Capex Loan 2003	180,754,497		-20,610,203		160,144,294
Capex Loan 2004	146,055,754		-13,980,081		132,075,672
Capex Loan 2005	318,187,813		-27,150,351		291,037,462
Capex Loan 2006	389,378,932	43,430,851	-28,831,046		403,978,736
Capex Loan 2007		446,235,321	-15,632,963	199,034,897	629,637,255
Total	2,198,801,564	489,666,172	-180,652,668	199,034,897	2,706,849,964

6 Delayed and Default Payments:	None
List here whether Council has delayed payments or any other default of a material nature	

7. Number of indigent customers

The number of indigent customers is 233,981
The quantum of the subsidy they received is R60,086,321

Function:			
Sub Function:		Other Administration (Procurement)	
Reporting Level	Detail	Total	
Analysis of the Function:			
1	Details of tender / procurement activities:		
	- Total number of times that tender committee met during year:	232	
	o Bid Specification Committee	66	
	o Bid Evaluation Committee	140	
	o Exco Adjudication Committee	16	
	o Bid Adjudication Committee Level 2	4	
	o Bid Adjudication Committee Level 1	6	
	- Total number of tenders considered	99	
	o Exco Adjudication Committee	78	
	o Bid Adjudication Committee Level 2	10	
	o Bid Adjudication Committee Level 1	11	
	- Total number of tenders approved	84	
	o Exco Adjudication Committee	68	
	o Bid Adjudication Committee Level 2	7	
	o Bid Adjudication Committee Level 1	9	
	- Average time taken from tender advertisement to award of tender (2months is for huge tenders which are advertised for 30 days; while small tenders may take 1 month but varies with complexity of the project.	2 months	
2	Details of tender committee:		
	Executive Committee Bid Adjudication Committee		
	S Zimu (Chair)		
	B Leshnick		
	V Padayachee		
	Z Nkosi		
	L Mashao		
	S Xulu		
	M Mojapelo		
	A Lishivha		
	S Masolo		
	E Sibuta		
	L Mbewu		
	C Solomon		
	M Smith		
3	Number of people employed through job creation schemes:	2455	

Number and cost to employer of all health personnel:	Number	Cost / per annum
- Professional (Doctors/Specialists) - Contract	1	600,000
- Professional (Nurses) & Non Professional (Gym Staff)	7	3,114,523
- Non-professional (Clinic staff) - administrator	1	90,000
- Professional HIV/AIDS Consultant & EAP Consultants	4	1,368,692
- Temporary	0	0
- Contract	0	0
Total annual patient head count for service provided by the entity:	5640	900 per patient
Total operating cost of health (clinic) function:		5, 173,215