City Power Johannesburg (Proprietary) Limited
(Registration number 2000/030051/07) Trading as City Power
Annual financial statements for the year ended June 30, 2009

a world class African city

City Power Johannesburg (Proprietary) Limited

(Registration number 2000/030051/07)
Trading as City Power
Annual Financial Statements for the year ended June 30, 2009

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	The principal activity of the company is the distribution of electricity to industries, businesses and households in Johannesburg.
Directors	Ms KPM Simelane - Chairperson Mr G Badela Ms DLT Dondur Adv KCO Garlipp Mr BM Hawksworth Ms J Kumbirai Prof T Marwala Mr JJH Mateya Dr Y Ndema Mr SM Zimu – Executive
Registered office	40 Heronmere Road Reuven Johannesburg Gauteng 2016
Business address	40 Heronmere Road Reuven Johannesburg Gauteng 2016
Postal address	PO Box 38766 Booysens Gauteng 2016
Ultimate Parent Company	The City of Johannesburg Metropolitan Municipality
Bankers	ABSA Bank Limited
Auditors	The Auditor General: Gauteng
Company Secretary	M Smith
Company registration number	2000/030051/07
Attorneys	Whalley van der Lith Attorneys FR Pandelani Attorneys

Index

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

ABBREVIATIONS

CJMM	City of Johannesburg Metropolitan Municipality
GRAP	Generally Recognised Accounting Practices
MFMA	Municipal Finance Management Act
MOE's	Municipal Owned Entities
SA GAAP	South African Generally Accepted Accounting Practices
SALGA	South African Local Government Authority
DBSA	Development Bank of South Africa
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
IFRIC	International Financial Reporting Interpretations Committee
CMIP	Consolidated Municipal Infrastructure Programme
DME	Department of Minerals and Energy
NERSA	National Energy Regulator South Africa

Directors' Responsibilities and Approval

The annual financial statements of the company are the responsibility of the Directors of City Power Johannesburg (Pty) Ltd. In discharging this responsibility, they rely on the management of the company to prepare the annual financial statements presented here in accordance with Section 122 of The Municipal Finance Management Act, 56 of 2003, Standards of Generally Recognised Accounting Practice (GRAP) and the South African Companies Act, 61 of 1973. As such, the annual financial statements include amounts based on judgments and estimates made by management. The information given is comprehensive and presented in a responsible manner. The external auditors will be engaged to express an independent opinion on the financial statements.

The annual financial statements are prepared in accordance with (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board, with the prescribed GRAP statements issued by the Accounting Standards Board replacing the equivalent SA GAAP Statement as follows:

Standard of GRAP		Replaced Statement of SA GAAP	
GRAP 1:	Presentation of financial statements	IAS 101:	Presentation of financial statements
GRAP 2:	Cash flow statements	IAS 118:	Cash flow statements
GRAP 3:	Accounting policies, changes in accounting estimates and errors	IAS 103:	Accounting policies, changes in estimates and errors

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

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

The Directors have reviewed the company’s cash flow forecast for the year to June 30, 2010 and, in the light of this review and the current financial position, they are satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future.

The Board of Directors is primarily responsible for the financial affairs of the company.

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

The annual financial statements set out on pages 4 to 54, which have been prepared on the going concern basis, were provisionally approved by the Board of Directors on August 27, 2009.

Director

Managing Director

Directors' Report

The Directors have pleasure in submitting to the shareholders their report together with the unaudited financial statements for the year ended June 30, 2009.

1. Incorporation

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

2. Review of activities

Main business and operations

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

During the year there were no major changes in the activities of the business. No fruitless and wasteful expenditure was brought to the attention of the Board.

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

Net surplus of the company was (R000's) R 286,952 (2008: deficit R48,510), after taxation of R (nil) (2008: R nil).

3. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The shareholder has agreed to subordinate as much of its loan account with the company as is necessary to cover anticipated future losses to enable the company to trade as a going concern. The subordination shall remain in force and effect so long as the debt equity ratio of City Power Johannesburg (Proprietary) Limited exceeds 60% and shall lapse immediately upon the date that the debt equity ratio is less than 60%. The debt equity ratio at year- end amounted to 70% (2008 - 83%).

The company is dependant on the City of Johannesburg’s ability to raise loan funding for the replacement of the ageing network. Any reduction in this ability will adversely affect the performance of the company in future periods.

4. Subsequent events

The Directors are not aware of any matter or circumstance arising since the end of the financial year, not otherwise dealt with within the financial statements that would affect the operations or results of the company significantly. However, the Directors are aware of billing, tariffs and budget matters that may affect the operations or results of the company in future financial periods.

5. Directors' interest in contracts

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

6. Contribution from owners

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

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

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

Directors' Report

7. Borrowing limitations

In terms of the sale of business agreement, City Power Johannesburg (Proprietary) Limited does not have the authority to borrow funds on its own behalf. All external funding is managed under the auspices of the City of Johannesburg Metropolitan Municipality Asset and Liability Committee and Treasury Department.

8. Non-current assets

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

9. Dividends

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

10. Directors

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

Name	Nationality	Changes in appointments
Ms KPM Simelane- Chairperson	South African	
Mr. G Badela	South African	
Ms DLT Dondur	South African	Appointed - 1 September 2008
Adv KCO Garlipp	South African	
Mr. BM Hawksworth	South African	Appointed - 23 January 2009
Ms J Kumbirai	South African	
Prof T Marwala	South African	
Mr. JJH Mateya	South African	
Dr Y Ndema	South African	Appointed - 1 September 2008
Mr. SM Zimu -Executive	South African	

11. Company Secretary

The Company Secretary is Mr. MJ Smith.

Business address

40 Heronmere Road
Reuven
Johannesburg
Gauteng
2016

Postal address

PO Box 38766
Booysens
Gauteng
2016

Directors' Report

12. Corporate Governance

12.1 Board of Directors

The Board:

retains full control over the company, its plans and strategy;

acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the company;

Is of a unitary structure comprising:

9 non-executive Directors and 1 Executive Director

12.2 Chairman and Managing Director

The Chairman is a non-executive and independent Director (as defined by the King Code).

The roles of Chairman and Managing Director are separate, with responsibilities divided between them, so that no individual has unfettered powers of decision.

12.3 Remuneration

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

12.4 Audit Committee

The Audit Committee comprises of three independent members and three non-executive Directors.

Directors' Report

12.5. Board meetings

The Board has met on 10 separate occasions during the financial year. The Board schedules to meet at least 4 times per annum.

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

Name	Board Meetings	Audit committee meetings	HR & Remuneration	Pricing & Regulatory	Board Oversight
Total number of meetings held	**10**	**6**	**4**	**2**	**2**
Ms KPM Simelane- Chairperson	10/10		4/4		1/2
Mr. G Badela	9/10		4/4		2/2
Ms DLT Dondur	6/8	4/6	1/1		
Adv KCO Garlipp	10/10	6/6		1/1	1/1
Mr. BM Hawksworth	3/3	1/1			
Ms J Kumbirai	10/10	5/5	4/4	1/1	
Prof T Marwala	7/10			1/1	2/2
Mr. JJH Mateya	10/10		3/4	2/2	
Dr Y Ndema	7/8			1/1	1/1
Mr. SM Zimu -Executive	8/10	4/6	2/4	1/2	1/2

13. Parent

The company's parent is the City of Johannesburg Metropolitan Municipality

14. Bankers

ABSA Bank Limited

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

Certificate by company secretary for the year ended June 30, 2009

In terms of Section 268 G(d) of the Companies Act of South Africa, Act 61 of 1973 as amended and the Municipal Finance Management Act, Act 56 of 2003, I certify that, to the best of my knowledge and belief, the company has lodged with the Registrar of Companies, for the financial year ended June 30, 2009, all such returns as required and that all such returns are true, correct and up to date.

M Smith
Company Secretary
City Power Johannesburg (Proprietary) Limited
August 27, 2009

Statement of Financial Position as at June 30, 2009

Figures in Rand thousand	Note(s)	2009	2008
Assets			
Non-Current Assets			
Property, plant and equipment	3	5,241,996	4,311,313
Intangible assets	4	150,414	99,857
		5,392,410	**4,411,170**
Current Assets			
Inventories	9	81,416	28,225
Loans to shareholder	5	781,437	754,459
Trade and other receivables	10	720,835	707,820
Cash and cash equivalents	11	21	16
		1,583,709	**1,490,520**
Total Assets		**6,976,119**	**5,901,690**
Net Assets and Liabilities			
Net Assets			
Contribution from owner	12	112,466	112,466
Accumulated surplus		1,047,411	760,459
		1,159,877	**872,925**
Liabilities			
Non-Current Liabilities			
Loans from shareholder	5	2,783,505	2,736,136
Finance lease obligation	13	-	615
Retirement benefit obligation	8	65,156	56,928
Deferred income	14	1,151,536	953,361
		4,000,197	**3,747,040**
Current Liabilities			
Current portion of loans from shareholder	5	385,873	295,214
Finance lease obligation	13	772	1,307
Trade and other payables	16	1,393,139	963,204
Provisions	15	36,261	22,000
		1,816,045	**1,281,725**
Total Liabilities		**5,816,242**	**5,028,765**
Total Net Assets and Liabilities		**6,976,119**	**5,901,690**

Statement of Financial Performance for the year ended June 30, 2009

Figures in Rand thousand	Note(s)	2009	2008
Revenue	18	5,555,287	4,199,985
Cost of sales	20	(3,752,533)	(2,795,652)
Gross surplus		**1,802,754**	**1,404,333**
Other income	19	312,295	91,026
Operating expenses		(1,572,197)	(1,315,797)
Operating surplus	21	**542,852**	**179,562**
Investment revenue	24	85,771	136,628
Finance costs	25	(341,671)	(364,700)
Surplus (deficit) for the year		**286,952**	**(48,510)**

Statement of Changes in Net Assets

Figures in Rand thousand	Note(s)	Share capital	Accumulated surplus	Net Assets
Balance at July 1, 2007		**112,466**	**808,966**	**921,432**
Deficit for the year			(48,510)	(48,510)
Total changes		-	(48,510)	(48,510)
Balance at July 1, 2008		**112,466**	**760,459**	**872,925**
Surplus for the year			286,952	286,952
Total changes		-	286,952	286,952
Balance at June 30, 2009		**112,466**	**1,047,411**	**1,159,877**

Cash Flow Statement

Figures in Rand thousand	Note(s)	2009	2008
Cash flows from operating activities			
Cash receipts from customers		5,454,871	4,031,556
Cash paid to suppliers and employees		(4,215,129)	(3,641,564)
Cash generated from operations	26	1,239,742	389,992
Interest income		85,771	136,628
Finance costs		(341,671)	(364,699)
Net cash from operating activities		**983,842**	**161,921**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(1,068,749)	(1,037,720)
Sale of property, plant and equipment	3	20,192	814
Purchase of other intangible assets	4	(45,473)	(177)
Sale of other intangible assets	4	292	355
Net cash from investing activities		**(1,093,738)**	**(1,036,728)**
Cash flows from financing activities			
Repayment of shareholders loan		111,051	875,962
Finance lease payments - Non Current		(615)	(1,307)
Finance lease payments - Current		(535)	152
Net cash from financing activities		**109,901**	**874,807**
Total cash movement for the year		**5**	**-**
Cash at the beginning of the year		16	16
Total cash at end of the year	11	**21**	**16**

Accounting Policies for the year ended June 30, 2009

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice (SA GAAP) including any interpretations of such Statements issued by the Accounting Standards Board, which also prescribe Standards of Generally Recognised Accounting Practices (GRAP) and the Municipal Finance Management Act, Act 56 of 2003, and the Companies Act of South Africa, Act 61 of 1973, with the prescribed Standard of Generally Recognised Accounting Policies issued by the Accounting Standard Board replacing the equivalent SA GAAP Statements as follows:

Standard of GRAP	Replaced Statement of SA GAAP
GRAP 1: Presentation of financial statements	IAS 101: Presentation of financial statements
GRAP 2: Cash flow statements	IAS 118: Cash flow statements
GRAP 3: Accounting policies, changes in accounting estimates and errors.	IAS 103: Accounting policies, changes in accounting estimates and errors

The recognition and measurement principles in the above GRAP and SA GAAP Statements do not differ or result in material differences in items presented and disclosed in the financial statements. The implementation of GRAP 1, 2 and 3 has resulted in the following significant changes in the presentation of the annual financial statements:

Standard of GRAP	Replacement Statement of SA GAAP
Statement of financial position	Balance sheet
Statement of financial performance	Income statement
Statement of changes in net assets	Statement of changes in equity
Net assets	Equity
Surplus / deficit for the period	Profit / loss for the period
Accumulated surplus /deficit	Retained earnings
Contributions from owners	Share capital
Distributions to owners	Dividends
Reporting date	Balance sheet date

The cash flow statement can only be prepared in accordance with the direct method.

Specific information has been presented separately on the Statement of Financial Position such as:
a. Receivables from non-exchange transactions, including taxes and transfers;
b. Taxes and transfers payable;
c. Trade and other payables from non-exchange transactions;
Amount and nature of any restrictions on cash balances is required

Accounting Policies for the year ended June 30, 2009

The following GRAP Standards have been approved but are not yet effective:

Standard of GRAP	**Effective Date of Standard**
GRAP 5 - Borrowing Costs	1 July 2009
GRAP 12 – Inventories	1 July 2009
GRAP 13 – Leases	1 July 2009
GRAP 14 - Events After the Reporting Date	1 July 2009
GRAP 16 - Investment Property	1 July 2009
GRAP 17 - Property Plant and Equipment	1 July 2009
GRAP 18 - Segment Reporting	Unknown
GRAP 19 - Provisions, Contingent Liabilities and Contingent Assets	1 July 2009
GRAP 24 - Presentation of Budget Information in Financial Statements	Unknown
GRAP 100 - Non-current Assets Held for Sale and Discontinued Operations	1 July 2009
GRAP 102 - Intangible Assets	1 July 2009

Effect:
The effect of adopting these GRAP Standards when they become effective is not expected to have a significant impact on the financial statements as the principles are similar to those already applied under the equivalent Statements of SA GAAP. Despite the effective dates indicated above, the effective date of the GRAP Standards is 1 July 2008 for the parent municipality.

The following amendments to Standards have been approved and are now effective except for IAS 27 and IFRS 3:

Standard amended	**Effective Date of amendment**
IFRS 2(AC 139) IFRS 2 – Share-based Payment: Vesting Conditions and Cancellations	1 January 2009
IFRS 3(AC 140) Business Combinations	1 July 2009
IFRS 8(AC 145) Operating Segments	1 January 2009
IAS 1(AC 101) Presentation of Financial Statements	1 January 2009
IAS 23(AC 114) Borrowing Costs	1 January 2009
IAS 27(AC 132) Consolidated and Separate Financial Statements	1 July 2009
IAS 1(AC 101) Financial Instruments: Presentation and Presentation of financial Statements: Puttable Financial Instruments and Obligations Arising on Liquidation	1 January 2009
IFRIC 13(AC 446) Customer Loyalty Programmes	1 July 2008
IFRIC 14(AC 447) The Limit on a Defined Benefit Asset,	Minimum

Effect:

The effect of adopting these amendments when they become effective is not expected to have a significant impact on the financial statements.

Accounting Policies for the year ended June 30, 2009

1.1 Significant judgments

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

Post retirement benefits

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

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

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 8.

Effective interest rate

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

Provision for impairment of trade receivables

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

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

Impairment testing

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

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

Management used the fair value less cost to sell to determine the recoverable amount of intangible assets with an indefinite useful life and identifying assets that may have been impaired. Additional disclosure of these estimates is included in note 1.8 - Impairment of assets.

Accounting Policies for the year ended June 30, 2009

1.1 Significant judgments (continued)

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in note 15 - Provisions.

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

A provision is recognised when:

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

Accounting Policies for the year ended June 30, 2009

1.2 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits associated with the item will flow to the company; and
- the cost of the item can be measured reliably.

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

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, is also included in the cost of property, plant and equipment.

Cost model

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

Depreciation commences when the assets are ready for their intended use.

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

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

Land is not depreciated.

Depreciation is provided on all property, plant and equipment other than freehold land, to write down the cost, less residual value, on a straight line basis over their useful lives as follows:

Item	Average useful life
Buildings	40 years
Plant and machinery	
- Transformers	55 years
- Transmission cables	61 - 85 years
- Mini-substations	55 years
- Medium voltage equipment	40 years
- Low voltage equipment	40 years
Furniture and fixtures	6 - 10 years
IT equipment	3 - 9 years

The useful life, depreciation method and residual value of each asset is reviewed annually.

Residual values are considered immaterial as it is the company's policy to utilize assets until their full economic benefits have been exhausted.

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

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

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

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

Accounting Policies for the year ended June 30, 2009

1.3 Intangible assets

An intangible asset is recognised when:
- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:
- it is technically feasible to complete the asset so that it will be available for use or sale;
- there is an intention to complete and use or sell it;
- there is an ability to use or sell it;
- it will generate probable future economic benefits;
- there are available technical, financial and other resources to complete the development and to use or sell the asset; and
- the expenditure attributable to the asset during its development can be measured reliably.

Cost model

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed annually.

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

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

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Additional capacity rights	10 years
Computer software	2 - 8 years

1.4 Financial instruments

Initial recognition

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

Financial assets and financial liabilities are recognised on the company's Statement of Financial Position when the company becomes party to the contractual provisions of the instrument.

Fair value determination

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

Accounting Policies for the year ended June 30, 2009

1.4 Financial instruments (continued)

Loans to/(from) group companies

These include loans to parent companies, fellow subsidiaries, subsidiaries, joint ventures and associates and are recognised initially at fair value plus direct transaction costs.

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

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

Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

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

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in surplus/deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against bad debt recoveries in the Statement of Financial Performance.

Trade and other receivables are classified as loans and receivables.

Receivables are recognised initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the entity will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Impairment losses are recognised in the Statement of Financial Performance.

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

Trade and other payables

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are classified as loans and receivables and carried at amortised costs, which usually approximates fair value of the instrument.

Accounting Policies for the year ended June 30, 2009

1.5 Tax

Current tax assets and liabilities

The tax currently payable is based on taxable income for the year. Taxable income differs from surplus as reported in the Statement of Financial Performance, because it includes income and expenses that are taxable or tax deductible in other years and it further excludes items that are never taxable or tax deductible.

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

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted.

Deferred tax assets and liabilities

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable surplus and is accounted for using the statement of financial position liability method.

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

- the initial recognition of goodwill; or
- goodwill for which amortisation is not deductible for tax purposes; or
- the initial recognition of an asset or liability in a transaction which:
  - is not a business combination; and
  - at the time of the transaction, affects neither accounting surplus nor taxable surplus/deficit.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable surplus will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:

- is not a business combination; and
- at the time of the transaction, affects neither accounting surplus nor taxable surplus/deficit.

A deferred tax asset is recognised for all deductible temporary differences arising from investments in branches and associates, and interests in joint ventures, to the extent that it is probable that:

- the temporary difference will reverse in the foreseeable future; and
- taxable surplus will be available against which the temporary difference can be utilised.

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

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

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable surplus will be available against which the deductible temporary difference can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable surplus will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

Accounting Policies for the year ended June 30, 2009

1.5 Tax (continued)

Tax expense

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

Current and deferred taxes are recognised as income or an expense and included in surplus or deficit for the period, except to the extent that the tax arises from:
- a transaction or event which is recognised, in the same or a different period, directly in equity, or
- a business combination.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

1.6 Leases

Finance leases – lessee

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

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

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

Operating leases - lessor

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

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

Income from leases is disclosed under revenue in the Statement of Financial Performance.

Operating leases – lessee

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

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

1.7 Inventories

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

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the weighted average cost formula.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

Accounting Policies for the year ended June 30, 2009

1.7 Inventories (continued)

When inventories are sold or consumed, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs.

The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Accounting Policies for the year ended June 30, 2009

1.8 Impairment of assets

The company assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the company also:
- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed annually and at the same time every financial year-end.

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

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

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:
- firstly, to reduce the carrying amount of any goodwill allocated to the cash-generating unit and
- then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

Accounting Policies for the year ended June 30, 2009

1.9 Employee benefits

Short-term employee benefits

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

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

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

Defined contribution plans

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

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

Defined benefit plans

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

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

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

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

Surplus or deficits on the curtailment or settlement of a defined benefit plan is recognised when the company is demonstrably commited to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In the Statement of Financial Performance, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the Statement of Financial Position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces by the fair value of plan assets.

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

1.10 Provisions and contingencies

Provisions are recognised when:
- the company has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

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

Accounting Policies for the year ended June 30, 2009

1.10 Provisions and contingencies (continued)

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

1.11 Other provisions

Other provisions are recognised when they meet the recognition requirements as per IAS 37 (Provisions, Contingent Liabilities and Contingent Assets).

Accounting Policies for the year ended June 30, 2009

1.12 Government grants

Government grants are recognised when there is reasonable assurance that:
- the company will comply with the conditions attaching to them; and
- the grants will be received.

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income in the period in which it becomes receivable. Grants related to assets are presented as a credit in the Statement of Financial Performance over the life of the assets.

Repayment of a grant related to an asset is recorded by reducing the deferred income balance by the amount repayable. The cumulative additional depreciation that would have been recognised to date as an expense in the absence of the grant is recognised immediately as an expense.

1.13 Revenue

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company;
- the stage of completion of the transaction at the statement of financial position date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Interest income is accrued on a time basis, by reference to the principal amount outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Included in revenue are adjustments to customer accounts that are related to prior years. The volume and the continuous nature of the adjustments make it impractical to determine to which years the adjustments relate to. These adjustments are as a result of a change in estimates or only became probable in the current year.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.14 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.15 Related parties

The company transacts with its parent, The City of Johannesburg and it's subsidiaries for the supply and acquisition of services under normal trading terms. The nature and extent of these transactions are disclosed in note 30 of the financial statements.

1.16 Irregular Expenditure or fruitless and wasteful expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act, Act 56 of 2003, the Municipal Systems Act, Act 32 of 2000, and the Public Office Bearers Act, Act 20 of 1998, or is in contravention of the City of Johannesburg Metropolitan Municipality supply chain management policy. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered it is subsequently accounted for as other income in the Statement of Financial Performance. No irregular, fruitless or wasteful expenditure has been brought to the attention of the Board of Directors for the financial year under review.

Notes to the Annual Financial Statements

Figures in Rand thousand	2009	2008

2. Changes in accounting policy

There were no changes in accounting policies in the current financial year.

3. Property, plant and equipment

	2009			2008		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land	3,544	-	3,544	3,452	-	3,452
Buildings	280,398	(134,263)	146,135	239,008	(117,230)	121,778
Finance lease property	3,890	(2,962)	928	3,673	(1,921)	1,752
Plant and machinery	5,150,247	(449,115)	4,701,132	3,189,439	(378,264)	2,811,175
Furniture and fixtures	39,703	(12,124)	27,579	25,445	(15,960)	9,515
Computer equipment	110,690	(40,744)	69,946	53,058	(27,272)	25,786
Capital work - in - progress	292,732	-	292,732	1,337,855	-	1,337,855
Total	**5,881,204**	**(639,208)**	**5,241,996**	**4,851,886**	**(540,573)**	**4,311,313**

Notes to the Annual Financial Statements

Figures in Rand thousand

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2009

	Opening Balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Total
Land	3,452	-	-	92	-	-	3,544
Buildings	121,778	-	-	41,389	-	(17,032)	146,135
Finance lease property	1,752	217	-	-	-	(1,041)	928
Plant and machinery	2,811,175	(91,826)	(20,483)	2,069,863	9,610	(77,207)	4,701,132
Furniture and fixtures	9,515	10	-	14,538	-	3,516	27,579
Computer equipment	25,785	-	291	68,233	-	(24,363)	69,946
Capital work-in-progress	1,337,855	1,160,348	-	(2,195,861)	(9,610)	-	292,732
	4,311,312	**1,068,749**	**(20,192)**	**(1,746)**	**-**	**(116,127)**	**5,241,996**

Reconciliation of property, plant and equipment - 2008

	Opening Balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Total
Land	3,452	-	-	-	-	-	3,452
Buildings	116,288	-	-	22,014	-	(16,524)	121,778
Finance lease property	2,976	-	-	-	-	(1,224)	1,752
Plant and machinery	2,595,320	64,239	(118)	247,579	-	(95,845)	2,811,175
Furniture and fixtures	9,568	1,100	(3)	695	-	(1,845)	9,515
Computer equipment	24,944	938	(693)	(142)	-	738	25,785
Capital work-in-progress	649,835	971,443	-	(283,679)	256	-	1,337,855
	3,402,383	**1,037,720**	**(814)**	**(13,533)**	**256**	**(114,700)**	**4,311,312**

Figures in Rand thousand

3. Property, plant and equipment (continued)

Pledged as security

None of the company's assets are pledged as security except for finance lease assets with a carrying value of R1,752 (2007:R2,976) and are secured as described in note 13.

Freehold land and buildings

Freehold land and buildings is carried at historical cost. The title deeds are registered in the name of the City of Johannesburg. A process has commenced to transfer ownership into the name of the Company.

The leased property, plant and equipment is secured as described in note 13.

4. Intangible assets

	2009			2008		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Additional capacity rights	125,622	(10,547)	115,075	80,149	(8,580)	71,569
Computer software	49,836	(14,497)	35,339	48,425	(20,137)	28,288
Total	**175,458**	**(25,044)**	**150,414**	**128,574**	**(28,717)**	**99,857**

Reconciliation of intangible assets - 2009

	Opening Balance	Additions	Disposals	Transfers	Amortisation	Total
Additional capacity rights	71,569	45,473	-	-	(1,967)	115,075
Computer software	28,288	-	(292)	1,746	5,597	35,339
	99,857	**45,473**	**(292)**	**1,746**	**3,630**	**150,414**

Reconciliation of intangible assets - 2008

	Opening Balance	Additions	Disposals	Transfers from work-in-progress	Amortisation	Total
Additional capacity rights	73,536	-	-	-	(1,967)	71,569
Computer software	25,628	177	(355)	13,532	(10,694)	28,288
	99,164	**177**	**(355)**	**13,532**	**(12,661)**	**99,857**

Notes to the Annual Financial Statements

Figures in Rand thousand	2009	2008

5. Loans to/(from) shareholders

City of Johannesburg Metropolitan Municipality - Conduit mirror loans	(145,214)	(232,673)
City of Johannesburg Metropolitan Municipality - Capex loans	(2,399,371)	(2,173,884)
City of Johannesburg Metropolitan Municipality - Sweeping account	781,437	754,459
City of Johannesburg Metropolitan Municipality - Shareholder loans	(624,793)	(624,793)
	(2,387,941)	**(2,276,891)**

Conduit Mirror loan

The original loan is unsecured and interest is payable at 14.5% per annum and the loan is repayable in 10 years. All subsequent loans are unsecured and interest is payable at the borrowing rate of the company and these loans are also repayable over 10 years.

Capex loans

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

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

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

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

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

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

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

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

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

Credit quality of loans to shareholders

The company considers loans to the shareholder to be fully recoverable and not requiring impairment. The maximum exposure to credit risk at the reporting date in respect of these loans is as follows (R000' s) R781,437 (2008: R754,459)

Current assets	781,437	754,459
Non-current liabilities	(2,783,505)	(2,736,136)
Current liabilities	(385,873)	(295,214)
	(2,387,941)	**(2,276,891)**

Notes to the Annual Financial Statements

Figures in Rand thousand	2009	2008

5. Loans to/(from) shareholders (continued)

5.1. City of Johannesburg Metropolitan Municipality - Conduit mirror loans

Conduit mirror loans movement for the year		
Loans at beginning of the year	(232,673)	(320,132)
Repayments	87,459	73,442
Less amount payable within 12 months	103,935	14,017
Balance at end of year	**(41,279)**	**(232,673)**

5.2. City of Johannesburg Metropolitan Municipality - Sweeping account

Sweeping account movement for the year		
Balance at the beginning of the year	754,459	1,305,921
Movements during the year	26,978	(551,462)
Balance at end of year	**781,437**	**754,459**

5.3. City of Johannesburg Metropolitan Municipality - Shareholder loans

Subordinated loans movement for the year		
Opening balance at beginning of the year	(624,793)	(624,793)
Interest charged	109,616	109,616
Interest paid	(109,616)	(109,616)
	(624,793)	**(624,793)**

Credit quality of loans to shareholders

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

Loans to shareholders impaired

As of June 30, 2009, no loans to shareholders were impaired and provided for.

6. Financial Assets by Category

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

2009

	Loans and receivables	Fair value through profit or loss – held for trading	Total
Loans to shareholders	781,437	-	781,437
Trade receivables	727,812	(6,977)	720,835
Cash and cash equivalents	21	-	21
	1,509,270	**(6,977)**	**1,502,293**

Notes to the Annual Financial Statements

2008

	Loans and receivables	Fair value through profit or loss – held for trading	Total
Loans to shareholders	748,357	-	748,357
Trade receivables	710,837	(3,017)	707,820
Cash and cash equivalents	16	-	16
	1,459,210	**(3,017)**	**1,456,193**

7. Deferred taxation assets/liability Reconciliation of deferred tax asset

(liability)

	2009	**2008**
Trade receivables	(185,476)	(228,127)
Provisions	(39,599)	(33,119)
Deffered income	(275,863)	(322,430)
Rental income	47	48
Fair value adjustments	287	396
Property, plant and equipment	500,604	583,232
	-	-

8. Retirement benefits

8.1. Defined contribution plan

Post-retirement liability		
Post-Retirement Medical Aid Plan	(12,214)	(2,939)
Retirement Gratuity Plan	(52,942)	(53,989)
Balance at end of year	**(65,156)**	**(56,928)**

Notes to the Annual Financial Statements

Figures in Rand thousand		2009	2008

8. RETIREMENT BENEFITS (continued)

8.1.1. Post-Retirement Medical Aid Plan

City Power Johannesburg (Proprietary) Limited has obligations to subsidise medical aid contributions in respect of certain qualifying staff and pensioners and their surviving spouses. Only pensioners and employees who were aged 50 or older and were members of LA Health and Munimed are included.

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

Carrying value

Liability at the beginning of the year		(2,939)	(7,207)
Interest cost		(265)	(573)
Net actuarial gains or (losses)		(9,261)	4,782
Past service cost		(45)	(23)
Benefits paid		296	82
		(12,214)	**(2,939)**

Net expense recognised in the Statement of financial performance

Past service cost		(45)	(23)
Interest cost		(265)	(573)
Actuarial gains or (losses)		(9,261)	4,782
Total, included in employee benefits expense	23	**(9,571)**	**4,186**

Key assumptions used

The principal actuarial assumptions used were as follows:

Discount rates used		8.40 %	9.50 %
Expected rate of return on assets		8.40 %	9.50 %
Rate of increase in employer post-retirement medical contribution subsidy payments		6.80 %	7.50 %

Notes to the Annual Financial Statements

Figures in Rand thousand		2009	2008

8. RETIREMENT BENEFITS (continued)

8.1.2. Pension benefits

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

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

The plan is a post-retirement gratuity benefit plan.

The amounts recognised in the Statement of Financial Position were determined as follows:

Carrying value

		2009	2008
Liability at the beginning of the year		(53,989)	(47,648)
Interest cost		(5,129)	(3,812)
Net actuarial (gains) or losses		6,176	(2,529)
Liability (Surplus) in the Statement of Financial Position		**(52,942)**	**(53,989)**

Net expense recognised in the Statement of financial performance

		2009	2008
Interest cost		(5,129)	(3,812)
Actuarial (gains) or losses		6,176	(2,529)
Total, included in employee benefits expense	23	**1,047**	**(6,341)**

Key assumptions used

The principal actuarial assumptions used were as follows:

	2009	2008
Discount rates used	8.40 %	9.50 %
Expected rate of return on assets	8.40 %	9.50 %
Expected increase in salaries	6.80 %	7.00 %

9. Inventories

	2009	2008
Consumable stores	85,960	30,788
Subtotal	85,960	30,788
Inventories (write-downs)	(4,544)	(2,564)
	81,416	**28,224**

Inventory consists of spares and consumables which will be utilised by the company in its daily business operations.

Notes to the Annual Financial Statements

Figures in Rand thousand		2009	2008

10. Trade and other receivables

Trade receivables		-	209
Prepayments		554	5,467
Other deposits		68	68
Sundry receivables		6,573	24,327
Insurance receivables		9,549	12,866
Rent receivable as a result of straight lining of leases		167	167
Trade receivables administered by Metropolitan Municipality	10.1	208,101	423,737
Trade receivables administered by Company	10.2	498,310	234,981
Related party receivables	30	4,490	9,015
Adjustment to fair value on initial recognition		(6,977)	(3,017)
		720,835	**707,820**

Trade and other receivables pledged as security

No trade and other receivables were pledged as security.

10.1. Trade receivables administered by the City of Johannesburg Metropolitan Municipality

Gross trade receivables	1,091,318	1,364,756
Less: Impairments	(883,217)	(941,019)
	208,101	**423,737**

10.2. Trade receivables administered by company

Gross trade receivables	725,622	446,354
Less: Impairments	(181,328)	(145,994)
Less: Customer deposits	(172,121)	(154,648)
Reclassifying trade receivables with credit balances to trade and other payables	126,137	89,269
	498,310	**234,981**

Credit quality of trade and other receivables

The company's management considers that all the above trade debtors and other receivables that are not impaired are of good quality. Management continuously monitors payment levels amongst other factors in arriving at this conclusion.

Trade receivables

Trade and other receivables past due but not impaired

At June 30, 2009, R121,947 (2008: R267,223) were past due but not impaired.

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

1 month past due	65,847	65,121
2 months past due	46,074	51,082
3 months past due	1,542	10,583
Greater than 3 months past due	8,482	140,437
Trade and other receivables not impaired	**121,947**	**267,223**

Notes to the Annual Financial Statements

Figures in Rand thousand	2009	2008

10. Trade and other receivables (continued)

As of June 30, 2009, trade and other receivables of R883,217 (2008: R1,083,704) were impaired and provided for.

The carrying amount of trade and other receivables are denominated in South African Rand.

Reconciliation of provision for impairment of trade and other receivables

	2009	2008
Opening balance	1,083,704	978,204
Provision for impairment	235,099	114,884
Amounts written off as uncollectible	(435,586)	(9,384)
	883,217	**1,083,704**

The creation and release of provision for impaired receivables have been included in operating expenses in the Statement of Financial Performance. Unwinding of discount is included in bad debts in the Statement of Financial Performance. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is the fair value of each class of loan and receivables mentioned above. The carrying amount of trade and other receivables is measured at fair value. The company holds cash deposits and demand guarantees as collateral.

The carrying amount of trade and other receivables is considered to approximate fair value.

Notes to the Annual Financial Statements

Figures in Rand thousand	2009	2008

11. Cash and cash equivalents

Cash and cash equivalents consist of:

Physical cash on hand	21	16

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

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

All bank accounts are reflected at zero balance as at 30 June 2009, due to the sweeping arrangement with the City of Johannesburg Metropolitan Municipality.

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

12. CONTRIBUTION FROM OWNER

	2009	2008
Authorised		
10,000 Ordinary shares of R1 each	10,000	10,000
Issued		
Share premium	112,466	112,466

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

13. FINANCE LEASE OBLIGATION

	2009	2008
Minimum lease payments due		
- within one year		
- in second to fifth year inclusive	772	1,474
Sub-total	-	636
less: future finance charges	-	2,110
Present value of minimum lease payments	-	(188)
	772	**1,922**
Present value of minimum lease payments due		
- within one year	772	1,307
- in second to fifth year inclusive	-	615
Total	**772**	**1,922**

Notes to the Annual Financial Statements

Figures in Rand thousand	2009	2008

13. FINANCE LEASE OBLIGATION (continued)

Non-current liabilities	-	615
Current liabilities	772	1,307
	772	**1,922**

It is company policy to lease certain equipment under finance leases with varying lease terms. The interest rate inherent in the leases is fixed at the contract date for the entire lease term. The company's obligations under finance leases are secured by the lessor's title to the leased assets.

The various finance leases have been contracted for 36 months the details of which are as follows:

54 photo copiers with a monthly lease payment of R138,561 per month. The lease period was from 1 December 2006 and expires 30 November 2009.

5 photo copiers with a monthly lease payment of R8,817 per month. The lease is from 1 July 2007 and expires on 30 June 2010

Figures in Rand thousand	2009	2008

14. DEFERRED INCOME

Deferred income consists of the following:

- Engineering Services Contribution - When new buildings are erected in and around Johannesburg the infrastructure demands, in the area where the building is erected, increase. As a result of this the entity erecting the building is required to make a payment to fund the improvement in the infrastructure. The deferred income arising from the engineering services contribution relates to City Power (Proprietary) Limited's portion of the funding for the improvement of the infrastructure. The deferred income is released into income as the infrastructure, to which the engineering services contribution pertains, is improved.

- Deferred Income Grants, Alexandra Renewal Grants, CMIP Grants, Adopt-A-Light Liability and Deferred Income Grants from DME pertain to community upliftment projects undertaken by City Power (Proprietary) Limited. These projects include improving the infrastructure in disadvantaged communities and also job creation in disadvantaged communities. The deferred income relating to these grants are released into income over the estimated useful lives of the infrastructure assets erected in the disadvantaged communities.

- Service Connections Deferred pertain to new connection fees received. The deferred income is released over the estimated useful lives of the new service connections.

Conditional Grants from other spheres of Government:

	2009	2008
Engineering Services Contribution		
Provincial grants: capital projects	272,958	228,053
Municipal system improvement grant	261,183	202,280
Public contributions	377,476	303,177
Other Conditional Receipts		
Public contributions	239,919	219,851
Total Conditional Grants and Receipts	**1,151,536**	**953,361**

Movement during the year:

	2009	2008
Balance at the beginning of the year	953,361	755,627
Additions during the year	219,510	206,076
Income recognition during the year	(21,335)	(8,342)
Balance at the end of the year	**1,151,536**	**953,361**

Notes to the Annual Financial Statements

Figures in Rand thousand		2009	2008

15. Provisions

Reconciliation of provisions - 2009

	Opening Balance	Additions	Utilised during the year	Total
Incentive bonus	22,000	50,676	(36,415)	36,261

Reconciliation of provisions - 2008

	Opening Balance	Additions	Utilised during the year	Total
Incentive bonus	20,620	24,199	(22,819)	22,000

The provision is management's best estimate of the future performance bonus payout in respect of the past year based on past experience.

16. Trade and other payables

		2009	2008
Trade payables	16.1	1,055,650	632,823
VAT		232,109	206,070
Retentions		1,968	1,203
Other Creditors		2	-
Related party creditor	30	109,362	124,693
Adjustment for fair value on initial recognition		(5,952)	(1,582)
		1,393,139	**963,207**

16.1. Trade payables

	2009	2008
Gross trade payables	929,513	543,554
Reclassification of credit balances within trade payables and trade receivables	126,137	89,269
	1,055,650	**632,823**

17. FINANCIAL LIABILITIES BY CATEGORY

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

2009

	Financial liabilities at amortised cost (loans and payables)	Fair value through profit or loss - held for trading	Total
Loans from shareholders	3,169,377	-	3,169,377
Finance lease obligation	772	-	772
Trade and other payables	1,399,091	(5,952)	1,393,139
	4,569,240	**(5,952)**	**4,563,288**

Notes to the Annual Financial Statements

Figures in Rand thousand	2009	2008

2008

	Financial liabilities at amortised cost (loans and payables)	Fair value through profit or loss - held for trading	Total
Loans from shareholders	3,031,350	-	3,031,350
Finance lease obligation	1,922	-	1,922
Trade and other payables	964,789	(1,582)	963,207
	3,998,061	**(1,582)**	**3,996,479**

18. Revenue

	2009	2008
Rendering of services	5,604,650	4,236,883
Fair value adjustments on initial recognition	(49,363)	(36,898)
	5,555,287	**4,199,985**

Notes to the Annual Financial Statements

Figures in Rand thousand		2009	2008

19. Other income

Fees earned		31,593	20,242
Rental income		1,438	1,799
Bulk rebates		2,207	1,358
Recoveries		641	383
Sundry income		4,177	3,090
Other income		249,507	54,802
Government grants released to Statement of Financial Performance		22,732	9,352
		312,295	**91,026**

20. Cost of sales

Rendering of services			
Cost of services		3,752,533	2,795,652

21. Operating surplus

Operating surplus for the year is stated after accounting for the following:

Operating lease charges			
Motor vehicles			
Contractual amounts		59,415	40,631
Plant and equipment			
Contractual amounts		(1,101)	349
Lease rentals on operating lease - equipment			
Contractual amounts		417	1,039
		58,731	**42,019**

Depreciation on property, plant and equipment		111,629	127,105
Employee costs	23	536,789	447,050
Bad debts		235,099	111,770
Consulting and professional fees		24,853	35,979
Insurance		40,038	24,081
Legal expenses		6,503	3,847
Repairs and maintenance		188,181	196,853
Security (Guarding of municipal property)		58,313	56,185
Billing and meter reading charges		8,369	11,749

22. Auditors remuneration

Audit Fee - current		2,418	2,412
Prior year audit		307	203
		2,725	**2,615**

Notes to the Annual Financial Statements

Figures in Rand thousand	2009	2008

23. EMPLOYEE COSTS

Basic	268,086	237,734
Bonus	50,676	22,853
Medical aid - company contributions	32,724	29,241
UIF	2,449	2,307
WCA	2,222	3
Leave pay provision charge	7,768	7,830
Leave pay	2,964	1,759
Post-employment benefits - Pension - Defined contribution plan	51,706	47,461
Travel, motor car, accommodation, subsistence and other allowances	10	18
Overtime payments	54,935	47,890
Long-service awards	3,238	2,780
13th Cheques	9,630	10,081
Acting allowances	17,703	4,642
Car allowance	26,221	25,915
Housing benefits and allowances	-	5
Membership fees	446	434
Bursaries	936	1,955
Employee related costs : salaries and wages	1,836	1,294
Employee related costs : social contributions	1,470	1,665
Termination benefits	1,776	1,334
Less: Employee costs capitalised to PPE	(7)	(151)
	536,789	**447,050**

24. Investment revenue

Interest revenue		
Finance leases	(203)	-
Interest earned - external investments	40,524	56,306
Interest earned - outstanding debtors	45,001	42,503
Fair value adjustments	246	36,993
Fair value adjustments of receivables	-	826
	85,568	**136,628**

25. Finance costs

Group companies	378,687	342,431
Other interest paid	(38,749)	22,170
Fair value adjustments on payables	1,733	95
	341,671	**364,700**

26. CASH GENERATED FROM OPERATIONS

Surplus (deficit) before taxation	286,952	(48,510)
Adjustments for:		
Depreciation - property, plant and equipment	112,497	127,105
Interest earned - other	(85,771)	(136,628)
Finance costs	341,671	364,700
Movements in retirement benefit assets and liabilities	8,228	2,073
Contributions to provisions - current	14,261	1,379
Changes in working capital:		
Inventories	(53,191)	13,088
Trade and other receivables	(13,015)	(76,526)
Trade and other payables	429,935	(54,425)

Notes to the Annual Financial Statements

Figures in Rand thousand	2009	2008
26. Cash generated from operations (continued)		
Deferred income	198,175	197,736
	1,239,742	**389,992**
27. Tax (paid) / refunded	**-**	**-**

The company has an assessed tax loss for the current year and for prior years.

Notes to the Annual Financial Statements

Figures in Rand thousand	2009	2008

28. COMMITMENTS

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	182,580	156,894
• Guarantees issued to CDC Globeleq in terms of power purchasing agreement by the City of Johannesburg Metropolitan Municipality on behalf of the company	252,850	141,000
	435,430	297,894

Authorised and contracted for

Not yet contracted for and authorised by Directors	586,000	886,458

This capital expenditure is to be financed from internally generated funds and from shareholder loans and grants.

This expenditure will be financed from:		
External Loans	435,430	297,894

Operating leases – as lessee (expense)

Minimum lease payments due		
- within one year	44,542	39,717
- in second to fifth year inclusive	49,575	94,118
	94,117	133,835

Operating lease payments represent rentals payable by the company for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable.

Operating leases – as lessor (income)

Minimum lease payments due		
- within one year	559	518

29. Contingent Liabilities

Litigation by HVC Drilling (Pty) Ltd; a supplier, is in process relating to damages for alleged breach of contract by the company for failure to pay for services rendered. The amount been claimed is R307. The matter is defended.

The company has an ongoing legal action instituted by the Municipal Employees Pension fund and the South African Municipal Workers Union for the company's unilateral withdrawal from their respective pension and provident funds. The claim amounts to R630.

An employee has launched legal action against the company, claiming damages amounting to R1,500 for defamation of character arising from alleged unlawful statements made by his superiors. The matter is being defended and awaiting trail. The plaintiff's success is regarded as very unlikely.

The company has a potential liability arising from a labour dispute regarding the dismissal of employees claiming to be unfairly dismissed. The action could result in a reinstatement or twelve months salary amounting to R397 if dismissal is found to be unfair.

Notes to the Annual Financial Statements

Figures in Rand thousand	2009	2008

30. Related parties

Relationships	
Parent entity	The City of Johannesburg Metropolitan Municipality
Other members of the group	City Housing Company (Pty) Ltd City of Johannesburg Property Company (Pty) Ltd Johannesburg City Parks Johannesburg Development Agency (Pty) Ltd Johannesburg Metropolitan Bus Services (Pty) Ltd Johannesburg Roads Agency (Pty) Ltd Johannesburg Social Housing Company (Pty) Ltd Johannesburg Tourism Company Johannesburg Water (Pty) Ltd Metropolitan Trading Company (Pty) Ltd Pikitup Johannesburg (Pty) Ltd Roodepoort City Theatre The Johannesburg Civic Theatre (Pty) Ltd The Johannesburg Fresh Produce Market (Pty) Ltd The Johannesburg Zoo
Members of key management	Directors remuneration-Annexure A

Related party balances

	2009	2008
Loan accounts - Owing by related parties		
City of Johannesburg Metropolitan Municipality	781,437	754,459
Loan accounts - Owing to related parties		
City of Johanneburg Metropolitan Municipality	3,169,378	3,031,350
Amounts included in Trade receivable regarding related parties		
City of Johannesburg Property Company (Pty) Ltd	32	84
City of Johanneburg Metropolitan Municipality	291	-
Johannesburg City Parks	671	772
Johannesburg Development Agency (Pty) Ltd	72	54
Johannesburg Metropolitan Bus Services (Pty) Ltd	10	-
Johannesburg Roads Agency (Pty) Ltd	3,259	1,988
Johannesburg Water (Pty) Ltd	55	5,850
Pikitup Johannesburg (Pty) Ltd	100	172
The Johannesburg Zoo	-	95
	4,490	**9,015**
Amounts included in Trade Payable regarding related parties		
City of Johanneburg Metropolitan Municipality	12,602	5,130
Johannesburg City Parks	8,965	3,510
Johannesburg Roads Agency (Pty) Ltd	3,683	5,632
Johannesburg Water (Pty) Ltd	132	76
Pikitup Johannesburg (Pty) Ltd	36	33
Kelvin Power (Proprietary) Ltd	83,944	110,312
	109,362	**124,693**

Related party transactions

	2009	2008
Sales to related parties		
City of Johanneburg Metropolitan Municipality	5,057	-
Johannesburg City Parks	976	848
Johannesburg Development Agency (Pty) Ltd	294	244
Johannesburg Metropolitan Bus Services (Pty) Ltd	1,014	1,159

Notes to the Annual Financial Statements

Figures in Rand thousand	2009	2008

30. Related parties (continued)

Johannesburg Roads Agency (Pty) Ltd	-	14,769
Johannesburg Water (Pty) Ltd	49,799	37,422
Metropolitan Trading Company (Pty) Ltd	-	2,403
Pikitup Johannesburg (Pty) Ltd	1,399	1,060
The Johannesburg Civic Theatre (Pty) Ltd	2,501	1,904
The Johannesburg Fresh Produce Market (Pty) Ltd	9,501	991
The Johannesburg Zoo	1,095	846
		-
	81,636	**61,646**

Purchases from related parties

City of Johanneburg Metropolitan Municipality	57,032	49,350
Johannesburg City Parks	22,560	12,625
Johannesburg Roads Agency (Pty) Ltd	5,686	7,056
Johannesburg Water (Pty) Ltd	1,071	513
Pikitup Johannesburg (Pty) Ltd	113	485
	86,462	**70,029**

Notes to the Annual Financial Statements

Figures in Rand thousand	2009	2008

31. Directors' Remuneration

Refer to Annexure A.

Figures in Rand thousand 2009 2008

32. Risk management

The company has an integrated risk management framework. The company's approach to risk management is based on risk governance structures, risk management policies, risk identification, measurement and reporting. Three types of risks are reported as part of the risk profile, namely operational, strategic and business continuity risks. Operational risks are events, hazards, variances or opportunities which could influence the achievement of City Power's compliance and operational objectives. For City Power a strategic risk is a significant unexpected or unpredictable change or outcome beyond what was factored into the organisation's strategy and business model which could have an impact on the group's performance. Business continuity risks are those events, hazards, variances and opportunities which could influence the continuity of City Power. One of the key risks for City Power, identified both under the operational and strategic risk categories, is the financial sustainability of City Power. The financial risks, as defined by IFRS 7, and the management thereof, form part of this key risk area. The types of financial risks which are considered to form the major part of the risk profile of City Power are liquidity risk, Interest rate risk , credit risk , and price risk.

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

Liquidity risk

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

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

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

The table below analyses the company's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At June 30, 2009	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	385,873	437,610	939,904	1,405,991
Trade and other payables	1,392139	-	-	-

At June 30, 2008	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Borrowings	295,214	335,270	891,612	628,026
Trade and other payables	957,105	-	-	-

32. Risk management (continued)

Interest rate risk

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

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

The company analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the company calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies.

At June 30, 2009, if interest rates on Rand-denominated receivables had been 1% higher/lower with all other variables held constant, post-tax profit for the year would have been (R000's) (2008: R -) lower/higher, mainly as a result of higher/lower interest income.

Credit Risk

Credit risk consists mainly of trade receivables. The company's investments are managed by the City of Johannesburg through various instruments.

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

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

Financial assets exposed to credit risk at year end were as follows:

	> 30	**> 60**	**> 90**	**> 180**	**> 365**	**> 366**	**Total**
City Power	499,116	25,907	20,832	27,813	38,728	76,445	688,841
Coj	184,784	62,399	41,903	39,800	270,456	492,565	1,091,907
Total	683,899	88,306	62,735	67,613	309,184	569,010	1,780,749

The above have been impaired with a provision of R883,217.

	2009	2008
Trade and other receivables	890,538	717,010
Loans to shareholders	781,437	748,347

Price risk

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

Annual and multi-year tariffs are set and approved by the City, through the Mayoral Committee and Council as mandated by the Constitution and the Municipal Systems Act. Council approves these tariffs subject to NERSA approval. The risk is that NERSA approves City Power tariffs prior to approving Eskom's tariffs, resulting in a financial shortfall to the company. The effect of the price increases will only affect future transactions. The current financial instrument balances are not sensitive to future price fluctuations.

33. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

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

Annexure A - Directors remuneration

Detailed Income statement

Figures in Rand thousand	Note(s)	2009	2008
Revenue			
Service charges		5,604,650	4,236,883
Fair value adjustments		(49,363)	(36,898)
	18	**5,555,287**	**4,199,985**
Cost of sales	20	**(3,752,533)**	**(2,795,652)**
Gross surplus		**1,802,754**	**1,404,333**
Other income			
Fees earned		31,593	20,242
Rental income		1,438	1,799
Bulk rebates		2,207	1,358
Recoveries		641	383
Canteen revenue & vehicle cleaning		4,177	3,090
Other income		249,507	54,802
Interest received	24	85,771	136,628
Government grants		22,732	9,352
		398,066	**227,654**
Operating expenses			
Administration and management fees		(28,410)	(24,617)
Advertising		(9,156)	(14,092)
Assessment rates & municipal charges		(7,383)	(8,911)
Auditors remuneration	22	(2,725)	(2,615)
Bad debts		(235,099)	(111,770)
Bank charges		(634)	(431)
Basic free electricity		(25,817)	(19,601)
Cleaning		(276)	(1,886)
Commission paid		(22,519)	(18,552)
Conferences and seminars		(3,932)	(3,987)
Consulting and professional fees		(18,342)	(32,132)
Cut off fees & final readings		(46,826)	(40,199)
Depreciation, on property,plant and equipment		(112,497)	(127,105)
Donations		(1,088)	(385)
Employee costs	23	(536,789)	(447,050)
Entertainment		(4,126)	(3,139)
Hostel charges		(45)	(2,441)
Insurance		(40,038)	(24,081)
Lease rentals on operating lease		(58,731)	(42,019)
Legal expenses		(6,503)	(3,847)
Levies		(4,231)	(3,619)
Licenses		(8)	-
Loss on disposal of fixed assets		(22,416)	(1,169)
Magazines, books and periodicals		(84)	(166)
Materials		(30)	(13,812)
Meter audits & illegal connections		(8,369)	(11,749)
Motor vehicle expenses		(16,184)	(24,909)
Other		(18,530)	(8,268)
Other expenses		(87)	-
Petrol and oil		226	(525)
Postage		(518)	(402)
Printing and stationery		(3,259)	(2,974)

Detailed Income statement

Figures in Rand thousand	Note(s)	2009	2008
Repairs and maintenance		(188,181)	(196,853)
Security		(58,313)	(56,185)
Services rendered by utilities		(38,886)	(40,442)
Software expenses		(6,413)	(3,920)
Staff welfare		(3,649)	(2,820)
Subscriptions		(323)	(497)
Telephone and fax		(15,713)	(11,378)
Training		(4,353)	(3,214)
Transport and freight		(349)	(676)
Travel - local		(10,029)	(5,482)
Travel - overseas		(121)	(306)
Post retirement benefit		(11,441)	2,429
		(1,572,197)	**(1,315,797)**
Operating surplus	21	**628,420**	**316,190**
Finance costs	25	(341,671)	(364,700)
Surplus (deficit) for the year		**286,952**	**(48,510)**