

Planning by	Reviewed	Performed by	Final review

Client details





Client name: City Power Johannesburg (SOC) Limited
Year end: 30 June 2023

File details

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Design mode has been entered

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Balance Check		Controlling entity	
		2023	2022
	Statement of financial position is out of balance	Diff	-
	Cash flow statement is out of balance	Diff	-
	Net Surplus per the Statement of Financial Performance does not agree with the NETINC account	Diff	4
	Opening Accumulated Surplus (deficit) does not match the closing balance for the prior year	Diff	-

Print details

Printed by
Date printed



City Power Johannesburg (SOC) Limited
Trading as City Power Johannesburg
Annual Financial Statements
for the year ended 30 June 2023

City Power Johannesburg (SOC) Limited

Trading as City Power Johannesburg

Annual Financial Statements for the year ended 30 June 2023

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	The principal activity of the entity is the distribution of electricity to industries, businesses and households in Johannesburg within its area of supply
Directors	Mr B Ramokhele - Chairperson Ms B Damoyi Mr M Kekana Mr N Kgope Ms M Mashabela Ms TS Mashava - Executive Mr S Nduna Mr P Ragimana Ms N Ramotebele Mr L Ratsiku Mr M Seopela Mr T Sibeko
Registered office	40 Heronmere Road Reuven Johannesburg Gauteng 2016
Business address	40 Heronmere Road Reuven Johannesburg Gauteng 2016
Postal address	PO Box 38766 Booyens Johannesburg Gauteng 2016
Controlling entity	The City of Johannesburg Metropolitan Municipality
Bankers	ABSA Limited Standard Bank Limited
Auditors	The Auditor General of South Africa
Secretary	Mr MJ Smith

City Power Johannesburg (SOC) Limited

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Annual Financial Statements for the year ended 30 June 2023

General Information

Attorneys

Padi Incorporated Attorneys
Madhlopa & Thenga Incorporated Attorneys
ENS Africa
Ngubane & Associates Attorneys
Ramatshila-Mugeri inc
SD Moloi and Partners
Tshiqi Zebediela Attorneys
Salema Employer's Organisation

City Power Johannesburg (SOC) Limited

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Annual Financial Statements for the year ended 30 June 2023

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

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Directors' Responsibilities and Approval

The directors are required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the directors to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

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

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

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

To address the stagnation in the internal control environment, internal audit performed various process audits and during the current financial year to identify the gaps and make recommendations for improvement. The review of Annual Financial Statements was subjected to a review by an external company, while the Integrated Annual report was reviewed by Internal Audit. The implementation of the turnaround is central to the improvements in the control environment and financial health of the entity. The focus of the directors for the coming financial year will also be extended to streamlining organizational arrangements to allow timeous consequence management on irregular, fruitless and wasteful expenditure.

The directors are of the opinion, based on the information and explanations given by management, expert opinion where appropriate, 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 deficit.

The directors have reviewed the entity's cash flow forecast for the year 30 June 2024 and, in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future. The entity has generated negative cash flows from operations during the financial year. The liquidity of the entity remains of concerns. The directors are exploring a financial recovery plan that will include a debt restructure with the shareholder. The directors opinion on the liquidity and going concern position of the entity is based on and dependent on the shareholder's continued support of the entity's cash requirements for both operational and capital requirements through current account and long term loans to make up the shortfall in revenue and cash collections, should this be required.

The board of directors are primarily responsible for the financial affairs of City Power Johannesburg Soc Ltd (herein referred to as the entity).

The external auditors are responsible for audit and reporting of the entity's annual financial statements in terms of the MFMA.

The annual financial statements set out on pages 6 to 83, which have been prepared on the going concern basis.

Mr B Ramokhele - Chairperson

City Power Johannesburg (SOC) Limited

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Annual Financial Statements for the year ended 30 June 2023

Directors' Report

The directors have pleasure to submit their report, including the audited annual financial statements for the year ended 30 June 2023.

1. Incorporation

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

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

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

Therefore, in terms of the Companies Act, 2008 (Act 71 of 2008) as from 1 May 2011, the name of the entity is City Power Johannesburg (SOC) Ltd.

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

2. Review of activities

Main business and operations

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

Net deficit of the entity after tax for the period ended 30 June 2023 is (R1 823 030 000) (2022: R702 587 000).

3. Going concern

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

4. Tax status

The entity is disputing income tax assessments from 2014 until 2019 issued by SARS. Wear and tear allowances claimed under section 12 (c) and section 13 (1) relating to plant and machinery and buildings respectively has been rejected by SARS. No allowance was considered by SARS for the specific assets under sec11e which resulted in an overstatement of taxable income for the respective returns. A settlement proposal by City Power to SARS based on sec11e allowance is currently being considered by SARS.

Bad debt provisions claimed under section 11j was rejected by SARS for the tax years 2010 to 2012. The entity has claimed 100% bad debts allowance under section 11j for all returns preceding to 2021. The change in legislation allows for a mixture of 40% and 20% deductions of the outstanding debt due to taxpayer against taxable income effective 1 July 2021.

5. Directors' personal financial interest

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

6. Subsequent events

Ms R Sadiki was appointed as Chief Financial Officer effective from 1 August 2023. Ms B Damoyi Audit & Risk Committee chairperson resigned on 24 July 2023.

The directors are not aware of any other matter or circumstance arising since the end of the financial period, not otherwise dealt with in the financial statements that would affect the operations or results of the entity significantly.

City Power Johannesburg (SOC) Limited

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Annual Financial Statements for the year ended 30 June 2023

Directors' Report

7. Accounting policies

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

8. Share capital / contributed capital

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

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

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

9. Borrowing limitations

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

10. Non-current assets

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

11. Dividends or similar distributions paid or received

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

12. Directors

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

Name	Nationality	Changes
Mr B Ramokhele - Chairperson	South African	Appointed Wednesday, 01 March 2023
Ms B Damoyi	South African	Appointed Wednesday, 01 March 2023
Mr M Kekana	South African	Appointed Wednesday, 01 March 2023
Mr N Kgope	South African	
Ms M Mashabela	South African	
Ms TS Mashava - Executive	South African	Appointed Monday, 15 August 2022
Mr S Nduna	South African	Appointed Wednesday, 01 March 2023
Mr P Ragimana	South African	Appointed Wednesday, 01 March 2023
Ms N Ramotebele	South African	Appointed Wednesday, 01 March 2023
Mr L Ratsiku	South African	Appointed Wednesday, 01 March 2023
Mr M Seopela	South African	Appointed Wednesday, 01 March 2023
Mr T Sibeko	South African	Appointed Wednesday, 01 March 2023
Amb. D Gibson - Chairperson	South African	Resigned Wednesday, 01 March 2023
Mr B Mpangalasane	South African	Resigned Wednesday, 01 March 2023
Mr D Hunt	South African	Resigned Wednesday, 01 March 2023
Mr J Du Plessis	South African	Resigned Wednesday, 01 March 2023
Mr M Jojozi	South African	Resigned Tuesday, 30 August 2022
Mr M Mello	South African	Resigned Wednesday, 01 March 2023
Ms P Mabece	South African	Resigned Wednesday, 01 March 2023

13. Secretary

The secretary of the entity is Mr MJ Smith.

Business address

40 Heronmere Road
Reuven
Johannesburg
Gauteng
2016

Postal address

City Power Johannesburg (SOC) Limited

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Annual Financial Statements for the year ended 30 June 2023

Directors' Report

PO Box 38766
Booyens
Gauteng
2016

14. Corporate governance

General

The entity confirms and acknowledges its responsibility to total compliance with King IV Report on Corporate Governance for South Africa. The directors (executive director) discuss the responsibilities of management in this respect, at board meetings and monitors the entity's compliance with the code during the year.

The salient features of the entity's adoption of the Code is outlined below:

Board of directors

The Board:

- retains control of the plans and strategy of the entity. However due to the mechanism implemented by the Shareholder the Board is not in control of certain aspects of the entity's value chain including budgeting, billing and revenue collection.
- 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 entity;
- is a unitary structure comprising: Eleven non-executive directors, all of whom are independent directors as defined in the Code of Corporate Practices and Conduct ("the code") laid out in the King IV Report on Corporate Governance for South Africa; and one executive director namely the Chief Executive Officer

Chairperson and chief executive

The chairperson is a non-executive and independent director.

Ms TS Mashava was appointed as Chief Executive Officer effective from 15 August 2022. Ms R Sadiki was appointed as Chief Financial Officer effective from 1 August 2023.

The roles of chairperson and Chief Executive Officer are separate, with responsibilities divided between them, so that no individual has unfettered powers of discretion.

Remuneration

The remuneration of the Chief Executive Officer is determined by the board of directors within the parameters set by the City of Johannesburg Metropolitan Municipality as provided for in section 89 of the MFMA.

City Power Johannesburg (SOC) Limited

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Annual Financial Statements for the year ended 30 June 2023

Directors' Report

Executive meetings

The board met on 8 (eight) separate occasions during the financial year. The board schedules to meet a minimum of 4 (four) times per annum.

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

Name	Board meeting	Risk, Assurance & Compliance committee meeting	Quarterly Review committee meeting	Social & Ethics committee meeting	HR & Remuneration committee meeting	Audit committee meeting	AGM & Workshops
Total meetings	10	5	4	4	5	6	2
Rev F Chikane-Chairperson	9		4	4			2
Mr NE Galawe	5		2	1			1
Mr Q Green	10	5	4	4	4	6	2
Mr NSA Hlubi	8	2	2			4	
Mr V Lukhele	8	4		3	5		2
Ms S Makotoko	8	4			3		2
Ms NP Mohlala	10		4	4	5		1
Mr DR Mokhobo	7		2			4	1
Mr D Naidu	10	5	4				2
Mr TI Sithole	9	4			5	5	2
Mr SG Xulu	8	4	3	3	3	2	2
Ms L Mabhena-Olagunju						1	1
Mr W Hattingh	1					6	1
Ms ML Shongwe						3	1

City Power Johannesburg (SOC) Limited

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Annual Financial Statements for the year ended 30 June 2023

Directors' Report

Audit and risk committee

The Audit committee is constituted of 3 (three) non-executive directors and 3 (three) independent member. The committee met 8 (eight) times during the 2022/2023 financial year to review matters necessary to fulfil its role.

In terms of Section 166 of the MFMA, the Audit committee shall consist of at least 3 (three) persons with appropriate experience, of whom the majority may not be in the employ of the shareholder or City Power. In this regard the shareholder has appointed 3 (three) independent audit committee members following the retirement of the previous members of the committee. The Independent Audit Committee members are shown below:

- | | |
|----------------|---|
| - Ms A Banda | - Appointed 01 March 2023 |
| - Mr S Mlauzi | - Appointed 01 March 2023 (Resigned 18 June 2023) |
| - Ms N Mtembu | - Appointed 01 March 2023 |
| - Ms M Modisa | - Appointed 01 March 2023 |
| - Ms J Dlamini | - Resigned 01 March 2023 |
| - Mr P Phili | - Resigned 05 September 2022 |
| - Mr A Tau | - Resigned 21 November 2022 |

The Audit Committee has fulfilled its responsibilities as provided for in section 166 of the MFMA.

INTERNAL AUDIT

The entity's internal audit function is performed internally and assisted by outside service providers in areas where internal capacity is inadequate. This is in compliance with the MFMA.

15. Controlling entity

The entity's controlling entity is The City of Johannesburg Metropolitan Municipality.

16. Bankers

ABSA Limited and Standard Bank Limited.

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

17. Auditors

The Auditor General of South Africa performs the audit in terms of section 92 of the MFMA.

City Power Johannesburg (SOC) Limited

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Annual Financial Statements for the year ended 30 June 2023

Company Secretary's Certification

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

In terms of Section 88(2)(e) of the Companies Act, I certify that in respect of the year ended 30 June 2023 that the company has lodged with the Commissioner all such returns as are required of a public company in terms of the Companies Act and that all such returns appear to be true, correct and up to date.

Mr MJ Smith
Company Secretary

City Power Johannesburg (SOC) Limited

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Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Position as at 30 June 2023

Figures in Rand thousand	Note(s)	2023	2022 Restated*
Assets			
Current Assets			
Inventories	3	51 235	103 663
Current tax receivable	4	109 457	72 566
Receivables from exchange transactions	5	1 339 544	868 772
Receivables from non-exchange transactions	6	405 159	311 141
VAT receivables	8	161 758	118 497
Consumer debtors	7	2 332 502	2 495 821
Cash and cash equivalents	9	74 416	149 319
		4 474 071	4 119 779
Non-Current Assets			
Property, plant and equipment	10	16 310 723	15 763 026
Intangible assets	11	399 059	409 779
Deferred tax	18	341 644	-
		17 051 426	16 172 805
Total Assets		21 525 497	20 292 584
Liabilities			
Current Liabilities			
Loans from shareholders	12	10 482 694	7 140 915
Finance lease obligation	13	9 825	8 235
Payables from exchange transactions	14	5 635 360	5 420 921
Provisions	15	293 378	335 989
		16 421 257	12 906 060
Non-Current Liabilities			
Loans from shareholders	12	2 045 506	1 957 350
Finance lease obligation	13	6 090	11 208
Employee benefit obligation	16	4 380	4 506
Deferred Income	17	39 594	51 365
Deferred tax	18	-	531 540
Consumer Deposit	19	766 805	765 657
		2 862 375	3 321 626
Total Liabilities		19 283 632	16 227 686
Net Assets		2 241 865	4 064 898
Share capital / contributed capital	20	112 466	112 466
Accumulated surplus		2 129 399	3 952 432
Total Net Assets		2 241 865	4 064 898

* See Note 46

City Power Johannesburg (SOC) Limited

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Annual Financial Statements for the year ended 30 June 2023

Statement of Financial Performance

Figures in Rand thousand	Note(s)	2023	2022 Restated*
Revenue			
Revenue from exchange transactions			
Service charges	23	16 715 015	17 517 913
Other income	24	61 371	30 923
DSM Levy	25	283 363	321 550
Interest income	26	117 153	75 292
Total revenue from exchange transactions		17 176 902	17 945 678
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	27	350 253	400 608
Total revenue		17 527 155	18 346 286
Expenditure			
Employee related costs	28	(1 719 974)	(1 499 138)
Administration	29	(114 456)	(109 006)
Depreciation and amortisation	30	(631 690)	(591 438)
Reversal of Impairments	31	22 134	-
Finance costs	32	(900 264)	(649 613)
Lease rentals on operating lease	33	(94 563)	(358 265)
Debt Impairment	34	(786 461)	(719 974)
Bulk purchases	35	(14 112 107)	(13 917 174)
General expenses	36	(1 885 988)	(1 513 170)
Total expenditure		(20 223 369)	(19 357 778)
Deficit before taxation		(2 696 214)	(1 011 492)
Taxation	37	873 184	308 905
Deficit for the year		(1 823 030)	(702 587)

* See Note 46

City Power Johannesburg (SOC) Limited

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Annual Financial Statements for the year ended 30 June 2023

Statement of Changes in Net Assets

	Share capital / contributed capital	Accumulated surplus	Total net assets
Figures in Rand thousand			
Balance at 01 July 2021	112 466	4 655 019	4 767 485
Changes in net assets	-	(702 587)	(702 587)
Deficit for the year	-	(702 587)	(702 587)
Total changes	-	(702 587)	(702 587)
Restated* Balance at 01 July 2022	112 466	3 952 429	4 064 895
Changes in net assets	-	(1 823 030)	(1 823 030)
Deficit for the year	-	(1 823 030)	(1 823 030)
Total changes	-	(1 823 030)	(1 823 030)
Balance at 30 June 2023	112 466	2 129 399	2 241 865
Note(s)	20&46		

* See Note 46

City Power Johannesburg (SOC) Limited

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Annual Financial Statements for the year ended 30 June 2023

Cash Flow statement

Figures in Rand thousand	Note(s)	2023	2022 Restated*
Cash flows arising from operating activities			
Receipts			
Cash receipts from charges for goods and services		16 024 208	16 323 204
Cash receipts from other income		97 093	382 907
Cash receipts from grants		244 464	252 006
		16 365 765	16 958 117
Payments			
Cash payments to employees		(1 689 052)	(1 508 036)
Cash payments to suppliers for goods and services		(16 006 178)	(15 378 770)
Taxes paid		(95 436)	(56 388)
		(17 790 666)	(16 943 194)
Net cash flows arising from operating activities	39	(1 424 901)	14 923
Cash flows arising from investing activities			
Purchase of property, plant and equipment		(1 105 922)	(980 988)
Purchase of intangible assets		(58 231)	(60 566)
Net cash flows arising from investing activities		(1 164 153)	(1 041 554)
Cash flows arising from financing activities			
Interest paid		(900 264)	(649 613)
Finance lease payments		(3 528)	(13 617)
Interest received		117 153	75 292
Cash receipts from consumer deposits		1 148	63 695
Funds advanced from shareholder		3 299 642	1 132 733
Net cash flows arising from financing activities		2 514 151	608 490
Net increase/(decrease) in cash and cash equivalents		(74 903)	(418 141)
Cash and cash equivalents at the beginning of the year		149 319	567 460
Cash and cash equivalents at the end of the year	9	74 416	149 319

* See Note 46

City Power Johannesburg (SOC) Limited

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Annual Financial Statements for the year ended 30 June 2023

Budget Comparison: Statement of Financial Position

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand thousand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	-	-	-	16 715 015	16 715 015	[
Other income	-	-	-	61 371	61 371	
Other income 3	-	-	-	283 363	283 363	
Interest received - investment	-	-	-	117 153	117 153	
Total revenue from exchange transactions	-	-	-	17 176 902	17 176 902	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	-	-	-	350 253	350 253	
Total revenue	-	-	-	17 527 155	17 527 155	
Expenditure						
Personnel	-	-	-	(1 719 974)	(1 719 974)	
Administration	-	-	-	(114 456)	(114 456)	
Depreciation and amortisation	-	-	-	(631 690)	(631 690)	
Impairment loss/ Reversal of impairments	-	-	-	22 134	22 134	
Finance costs	-	-	-	(900 264)	(900 264)	
Lease rentals on operating lease	-	-	-	(94 563)	(94 563)	
Debt Impairment	-	-	-	(786 461)	(786 461)	
Bulk purchases	-	-	-	(14 112 107)	(14 112 107)	
General Expenses	-	-	-	(1 885 988)	(1 885 988)	
Total expenditure	-	-	-	(20 223 369)	(20 223 369)	
Deficit before taxation	-	-	-	(2 696 214)	(2 696 214)	
Taxation	-	-	-	(873 184)	(873 184)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	-	-	-	(1 823 030)	(1 823 030)	

City Power Johannesburg (SOC) Limited

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City Power Johannesburg (SOC) Limited

Trading as City Power Johannesburg

Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand thousand

2023

2022

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP) and any interpretations and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the entity. All figures are rounded to the nearest thousand Rand.

1.2 Significant judgements and sources of estimation uncertainty

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

Valuation of loans and receivables

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

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

Allowance for slow moving, damaged and obsolete stock

Management makes an estimate of the selling price and direct cost to sell to determine the net realisable value of inventory items. Allowance for obsolete stock is recognised when stock is slow moving and/or will not be used. The difference between the cost of inventory and the net realisable value is recognised in the statement of financial performance.

Impairment testing of non-financial assets

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

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

Management used 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.

City Power Johannesburg (SOC) Limited

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Annual Financial Statements for the year ended 30 June 2023

1.2 Significant judgements and sources of estimation uncertainty (continued)

Provisions

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

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

Debtors with credit balances

City of Johannesburg (COJ) invoices clients for the following revenue components; electricity on behalf of City Power, water on behalf of Joburg Water, refuse on behalf of Pikitup and rates and taxes on behalf of COJ Core Administration. Revenue and corresponding debtor is allocated to each municipal entity based on the actual consumption/billing.

With regards to credit balances in consumer debtors, COJ allocates credit balances applicable to each entity using the billing trend, allocation takes into account that credit balances are typically utilised through consumption of services to be provided by COJ in the future. Management have applied judgment in determining the allocation basis, this is consistent with prior financial years.

Useful lives

The useful life of assets are based on management's estimates. Management considers the impact of technology, service requirements and the required return on assets to determine the optimum useful life expectation, where appropriate. The estimated residual value of assets is also based on management's judgement which takes into account the condition of assets at the end of their useful lives.

Post retirement benefits

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

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

Effective interest rate

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

Service charges revenue

Consumers are invoiced based on estimates of consumption where no meter reading has taken place during the billing period. These invoices are best estimates based on historical customer's average consumption and enable revenue to be measured reliably. On an annual basis the actual consumption is compared to the estimated consumption in order to provide additional assurance that significant adjustments are not required to reverse excessive estimates. In the event that significant adjustments are identified, these adjustments are treated as changes in estimates in terms of GRAP 3 and are recognised in surplus or deficit in the period of the changes.

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1.2 Significant judgements and sources of estimation uncertainty (continued)

Taxation

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

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

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

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

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

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

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

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

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

The carrying amount of the work in progress is recognised in the various asset classes of property, plant and equipment.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

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

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

Item	Depreciation method	Average useful life
Land		Infinite

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1.3 Property, plant and equipment (continued)

Buildings	Straight line	40 - 60 years
Leasehold property	Straight line	6 years
Plant and machinery	Straight line	
• Transformers		55 years
• Transmission cables		61 - 85 Years
• Mini-substation		55 years
Furniture and fixtures	Straight line	6 - 20 years
Motor vehicles	Straight line	3 - 5 years
IT equipment	Straight line	3 - 9 years

The depreciation amount of an asset is allocated on a systematic basis over its useful life.

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 method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the entity. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The entity assesses at each reporting date whether there is any indication that the entity expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

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

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

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

Assets which the entity holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The entity separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements (see note 36).

The entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 10).

1.4 Intangible assets

Intangible assets are identifiable non-monetary assets without a physical substance held for use in the production or supply of goods and services, for rental to others, for administrative purposes are classified and recognised as intangible assets.

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

An intangible asset is recognised when:

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

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1.4 Intangible assets (continued)

The entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

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 or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

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

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

Item	Depreciation method	Average useful life
Additional capacity rights		infinite
Computer software	Straight line	3 -9 years

The entity discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 11).

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use.

1.5 Financial instruments

Classification

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

- Financial assets at amortised cost
- Financial liabilities measured at amortised cost

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

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1.5 Financial instruments (continued)

Initial recognition and measurement

Financial instruments are recognised initially when the entity becomes a party to the contractual provisions of the instruments.

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

Financial instruments are measured at fair value at initial recognition.

The entity recognises financial assets using trade date accounting.

Subsequent measurement

Financial assets at amortised costs are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

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

Gains and losses

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

Impairment of financial assets

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

For amounts due to the entity, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in surplus or deficit in the statement of financial performance.

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

Financial assets are impaired through use of an allowance account, the amount of the loss is recognised in surplus or deficit.

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1.5 Financial instruments (continued)

Cash and cash equivalents

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

Derecognition

Financial assets

The entity derecognises a financial asset only when:

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

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

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

Financial liabilities

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

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

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

The transaction amount (for purposes of this Standard) for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

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1.6 Tax

Current tax assets and liabilities

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

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

Deferred tax assets and liabilities

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

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

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable 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 end of the reporting period.

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

1.7 Leases

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

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

Finance leases - lessee

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

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

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

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

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

Finance leased assets are depreciated over the useful life of the asset.

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1.7 Leases (continued)

Operating leases - lessee

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

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

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

1.8 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

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

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

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

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

Current replacement cost is the cost the entity incurs to acquire the asset on the reporting date.

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

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

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down 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 or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.9 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

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

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1.9 Impairment of cash-generating assets (continued)

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

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

Useful life is either:

- the period of time over which an asset is expected to be used by the entity; or
- the number of production or similar units expected to be obtained from the asset by the entity.

Identification

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

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

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

Value in use

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

When estimating the value in use of an asset, the entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the entity applies the appropriate discount rate to those future cash flows.

Discount rate

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

Recognition and measurement (individual asset)

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

An impairment loss is recognised immediately in surplus or deficit.

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

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1.9 Impairment of cash-generating assets (continued)

Cash-generating units

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

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the entity uses management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating asset of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

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

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

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1.9 Impairment of cash-generating assets (continued)

Reversal of impairment loss

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

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

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

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

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

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

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

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

Redesignation

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

1.10 Prior year errors

When the presentation or classification of items in the financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

Where accounting errors have been identified in the current financial year the correction is made retrospectively as far as it is practical and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as it is practical and the prior year comparatives are restated accordingly.

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1.11 Employee benefits

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example , medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

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.

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Accounting Policies

1.11 Employee benefits (continued)

Post-employment benefits: Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense in the financial period in which they are due.

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

Post-employment benefits: Defined benefit plans

The entity has a defined benefit Medical Aid and Retirement Gratuity plan.

The cost of providing the benefits for defined benefit plans is determined using the projected 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 end of the reporting period where the interim valuation is performed at an earlier date.

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

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

Gains or losses on the curtailment or settlement of a defined benefit plan are recognised when the entity is demonstrably committed to curtailment or settlement.

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

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation, and reduced by the fair value of plan assets.

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

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs takes account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

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Accounting Policies

1.11 Employee benefits (continued)

Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

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

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

1.12 Provisions and contingencies

Provisions are recognised when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

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

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

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

Provisions are not recognised for future operating surplus (surplus (deficit)).

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

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

1.13 Capital Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of resources.

Capital commitments are not recognised in the Statement of financial position as a liability but are included in the disclosure note in the following cases:

City Power Johannesburg (SOC) Limited

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Accounting Policies

1.13 Capital Commitments (continued)

- Approved and contracted commitments, where the expenditure has been approved and the contract has been awarded at the reporting date, where disclosure is required by a specific standard of GRAP.
- Approved but not yet contracted commitments, where expenditure has been approved and the contract is yet to be awarded or is awaiting finalisation at the reporting date.
- Contracts that are entered into before the reporting date, but goods and services have not yet been received are disclosed in the disclosure notes to the financial statements.

1.14 Revenue from exchange transactions

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

Measurement

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

Sale of goods

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

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

Rendering of services

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;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

Revenue estimation

Consumers are invoiced based on estimates of consumption where no meter reading has taken place during the billing period. These invoices are best estimates based on historical customer's average consumption and enable revenue to be measured reliably. On an annual basis the actual consumption is compared to the estimated consumption in order to provide additional assurance that significant adjustments are not required to reverse excessive estimates. In the event that significant adjustments are identified, these adjustments are treated as changes in estimates in terms of GRAP 3 and are recognised in surplus or deficit in the period of the change.

Interest

Interest is recognized on a time- proportion basis, in surplus or deficit, using the effective interest rate method.

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Accounting Policies

1.15 Revenue from non-exchange transactions

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset shall be recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

When, as a result of a non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, as the condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Transfers

Apart from Services in kind, which are not recognised, the entity recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The entity recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Grants

Grants are recognised as revenue when:

- It is probable that economic benefits or services potential associated with the transaction will flow to the entity.
- The amount of revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant

Conditional grants

Conditions on transferred assets (hereafter referred to as conditions) require that the entity either consume the future economic benefits or service potential of the asset as specified or return future economic benefits or service potential to the transferor in the event that the conditions are breached. Therefore, the entity incurs a present obligation to transfer future economic benefits or service potential to third parties when it initially gains control of an asset subject to a condition. This is because the entity is unable to avoid the outflow of resources as it is required to consume the future economic benefits or service potential embodied in the transferred asset in the delivery of particular goods or services to third parties or else to return to the transferor future economic benefits or service potential. Therefore, when the entity initially recognises an asset that is subject to a condition it also recognises a liability. Revenue on such grants is recognised when the qualifying expenditure has been incurred and to the extent that conditions have been complied with.

Unconditional grants

The entity recognises revenue from unconditional grants upon receipt and/or when resources transferred meet the criteria for recognition as an asset and there is also no present obligation to the entity to refund transferred resources to the transferor.

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Accounting Policies

1.15 Revenue from non-exchange transactions (continued)

Unconditional grants also includes grants with restrictions, as restrictions do not include a requirement that the transferred asset, or future economic benefits or service potential be returned to the transferor if the asset is not deployed as specified. Therefore, gaining control of an asset subject to a restriction does not impose on the entity a present obligation to transfer future economic benefits or service potential to third parties when control of the asset is initially gained. The entity recognises grants with restriction and unconditional grants as revenue upon receipt of the grant and no corresponding liability is recognised. Unconditional grants are measured at their fair value.

Gifts and donations, including goods in kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

1.16 Research and development expenditure

Expenditure on research is recognised as an expense when it is incurred.

An asset arising from development is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

1.17 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.18 Fruitless and wasteful expenditure

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

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

1.19 Budget information

A reconciliation between the statement of financial performance and the budget must be disclosed in the annual financial statements as determined by National Treasury. The annual financial statements and the budget are reported on the accrual basis of accounting.

The approved budget has been revised through an adjustment budget in line with the stipulation of section 28 of the MFMA. The adjustment budget takes into account the change in trading conditions and the performance of the business. In general, a difference of 5% or more is considered material, although the surrounding circumstances are taken into account if it could influence the decisions or assessments of the users of the financial statements in determining whether a difference between the budgeted and actual amount is material. Refer to the statements of comparison (pages 15&16).

The approved budget covers the fiscal period from 1 July 2022 to 30 June 2023.

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Accounting Policies

1.20 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the ventures).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

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

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

The entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the entity is exempt from the disclosures in accordance with the above, the entity discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

1.21 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.22 Bulk purchases

Bulk purchases represent the cost of electricity purchased for onwards selling to consumers and to power streetlights within the City of Johannesburg. The expense is recognised in relation to the income earned.

Expenses are measured reliably at the amortised cost of the consideration payable, exclusive of value added tax.

1.23 Share capital

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

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

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Accounting Policies

1.24 Going concern

The financial statement 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. Refer to note 53.

1.25 Value added tax

VAT is an indirect tax based on the consumption in the economy. Vendors act as the agent of the government in collecting the VAT charged on taxable transactions. SARS is a government agency which administers the VAT Act and ensures that the tax is collected and that the tax law is properly enforced.

VAT is currently levied at the standard rate of 15% on most supplies and importations, but there is a limited range of goods and services which are either exempt, or which are subject to tax at the zero rate.

The entity registered with SARS for VAT on the payment basis, in accordance with sec 15(2)(a) of the Value Added Tax Act No 89 of 1991.

1.26 Income Tax

The entity is liable for tax and is registered with SARS for income tax.

Income tax expense is recognised in the statement of financial performance.

1.27 Expenses - Administration expenses, repairs and maintenance and general expenses

Expenses are measured reliably at amortised cost of the consideration payable, exclusive of value added tax.

1.28 Accounting by principals and agents

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Identifying whether an entity is a principal or an agent

When the entity is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether an entity is a principal or an agent requires the entity to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Binding arrangement

The entity assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

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Accounting Policies

1.28 Accounting by principals and agents (continued)

Assessing which entity benefits from the transactions with third parties

When the entity in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the entity concludes that it is not the agent, then it is the principal in the transactions.

The entity is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the entity has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that it is an agent. The entity applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the entity is an agent.

Recognition

The entity, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The entity, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The entity recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

The entity has an existing arrangement with City of Johannesburg acting as an agent to collect and manage the electricity consumer debtors on behalf of the entity (principal). Refer to note 29.

1.29 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA:

- expenditure incurred by an entity or municipality entity in contravention of, or that is not in accordance with, a requirement of this Act, and which has not been condoned in terms of section 170;
- expenditure incurred by a municipality or municipality entity in contravention of, or that is not in accordance with, a requirement of the municipality System Act, and which has not been condoned in terms of this Act;
- expenditure incurred by a municipality or municipality entity in contravention of, or that is not in accordance with, a requirement of the Public Office-Bearers Act, 1998 (Act No.20 of 1998); or

Expenditure incurred by a municipality or municipality entity in contravention of, or that is not in accordance with, a requirement of the supply chain management policy of the municipality or entity or any of the municipality's by-law giving effect to such policy, and which has been condoned in terms of such policy or by-law but excludes expenditure by municipality which falls within the definition of "unauthorised expenditure".

Irregular expenditure that was incurred and identified during the current financial period and which was condoned before year end and/or before finalisation of financial statements must be recorded appropriately in the irregular expenditure register. In such an instance, the note to the financial statement must be updated to reflect this.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury of the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such person is liable in law. Immediate steps must be thereafter be taken to recover the amount from the person concerned. If recovery is not possible, write off of the amount must be considered.

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

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Accounting Policies

1.30 Comparative figures

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.31 Segment information

A segment is an activity of an entity:

- that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);
- whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and
- for which separate financial information is available.

Reportable segments are the actual segments which are reported on in the segment report. They are the segments identified above or alternatively an aggregation of two or more of those segments where the aggregation criteria are met.

Measurement

The amount of each segment item reported is the measure reported to management for the purposes of making decisions about allocating resources to the segment and assessing its performance. Adjustments and eliminations made in preparing the entity's financial statements and allocations of revenues and expenses are included in determining reported segment surplus or deficit only if they are included in the measure of the segment's surplus or deficit that is used by management. Similarly, only those assets and liabilities that are included in the measures of the segment's assets and segment's liabilities that are used by management are reported for that segment. If amounts are allocated to reported segment surplus or deficit, assets or liabilities, those amounts are allocated on a reasonable basis.

If management uses only one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities in assessing segment performance and deciding how to allocate resources, segment surplus or deficit, assets and liabilities are reported in terms of that measure. If management uses more than one measure of a segment's surplus or deficit, the segment's assets or the segment's liabilities, the reported measures are those that management believes are determined in accordance with the measurement principles most consistent with those used in measuring the corresponding amounts in the entity's financial statements.

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Notes to the Annual Financial Statements

Figures in Rand thousand	2023	2022
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2. New standards not yet effective

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice on a basis consistent with the prior year, at the date of authorisation of these annual financial statements, the following Standards and Interpretations were in issue but not yet effective

GRAP 104 Financial Instruments (Revised Standard) - Effective date yet to be determined

GRAP 103 Heritage Assets (Revised Standard) - Effective date yet to be determined)

IGRAP21 Effective of past decision on materiality (The effective date is still to be determined by the Minister of Finance)

The entity only adopted effective standards which are relevant to its business operations. The new standards will be adequately reviewed by the entity to determine the impact on the financial statements when they become effective.

3. Inventories

Consumable stores	24 747	27 015
Electrical maintenance material	105 029	146 299
	129 776	173 314
Inventory write-downs	(78 541)	(69 651)
	51 235	103 663
Carrying value of inventories carried at net realisable value	51 235	103 663
Inventories recognised as an expense in repairs and maintenance during the year	479 593	408 623

Inventory amounting to R8 890 000 (R2022: 21 965 000) was written-down to net-realisable value in the statement of financial performance.

Inventory pledged as security

No inventory was pledged as security during the year.

4. Current tax

The amount represents an overpayment through vat refunds withheld by the South African Revenue Services (SARS). The receivable amount was calculated by the entity after determining the tax liability that arose after the Receiver denied the entity the 100% bad debt deduction for the tax years 2010 to 2012.

South African Revenue Service	109 457	72 566
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5. Receivables from exchange transactions

Prepayments	2 374	5 316
Deposits	68	68
Sundry receivables	302 159	62 981
Related party receivables	1 034 943	800 407
	1 339 544	868 772

Debtors age analysis

Current (0 -30 days)	1 293 160	852 454
31 - 60 days	2 725	201
61 - 90 days	-	-
91 - 120 days	-	-
121 - 365 days	39 890	15 011
> 365 days	3 769	1 106
	1 339 544	868 772

Trade and other receivables pledged as security

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Annual Financial Statements for the year ended 30 June 2023

Notes to the Annual Financial Statements

Figures in Rand thousand	2023	2022
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5. Receivables from exchange transactions (continued)

None of the trade and other receivables are pledged as security.

Trade and other receivables past due but not impaired

At 30 June 2023, R46 384 000 (2022: R16 117 000) were past due but not impaired.

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

1 month past due	2 725	-
2 months past due	39 890	-
3 months past due	3 769	16 117

6. Receivables from non-exchange transactions

Related party receivables	405 159	311 141
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Debtors age analysis

Current (0 - 30 days)	186 684	224 356
31 - 60 days	-	-
61 - 90 days	-	-
91 - 120 days	-	-
121 - 365 days	131 604	-
> 365 days	86 871	86 785
	405 159	311 141

Receivables from non-exchange transactions pledged as security

None of the receivables from non-exchange transactions were pledged as security.

Receivables from non-exchange transactions past due but not impaired

Other receivables from non-exchange transactions which are less than 3 months past due are not considered to be impaired. At 30 June 2023, R218 475 000 (2022: R86 785 000 -) were past due but not impaired.

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

1 month past due	-	-
2 months past due	-	-
3 months past due	218 475	86 785

7. Consumer debtors

Gross balances

Electricity	9 067 408	8 376 536
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Less: Allowance for impairment

Electricity	(6 734 906)	(5 880 715)
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Net balance

Electricity	2 332 502	2 495 821
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Notes to the Annual Financial Statements

Figures in Rand thousand	2023	2022
7. Consumer debtors (continued)		
Electricity		
Current (0 -30 days)	1 942 071	2 101 816
31 - 60 days	138 944	166 773
61 - 90 days	44 482	52 635
91 - 120 days	23 972	33 726
121 - 365 days	75 722	87 369
> 365 days	107 311	53 502
	2 332 502	2 495 821

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Notes to the Annual Financial Statements

Figures in Rand thousand	2023	2022
7. Consumer debtors (continued)		
Summary of debtors by customer classification		
Residential		
Current (0 -30 days)	589 679	665 053
31 - 60 days	91 242	92 106
61 - 90 days	74 439	71 029
91 - 120 days	34 094	64 002
121 - 365 days	455 003	473 329
> 365 days	1 753 617	1 341 037
	2 998 074	2 706 556
Less: Allowance for impairment	(2 413 567)	(2 066 735)
	584 507	639 821
Industrial/ commercial		
Current (0 -30 days)	1 506 526	1 661 394
31 - 60 days	202 145	227 909
61 - 90 days	152 730	183 888
91 - 120 days	115 993	204 272
121 - 365 days	1 023 119	1 086 978
> 365 days	2 830 838	2 087 624
	5 831 351	5 452 065
Less: Allowance for impairment	(4 321 339)	(3 813 980)
	1 510 012	1 638 085
National and provincial government		
Current (0 -30 days)	60 924	61 494
31 - 60 days	15 322	11 717
61 - 90 days	12 246	24 037
91 - 120 days	9 429	13 022
121 - 365 days	49 609	63 411
> 365 days	90 453	44 234
	237 983	217 915
Less: Allowance for impairment	-	-
	237 983	217 915
Total		
Current (0 -30 days)	2 157 129	2 387 941
31 - 60 days	308 710	331 732
61 - 90 days	239 415	278 955
91 - 120 days	159 515	281 296
121 - 365 days	1 527 731	1 623 717
> 365 days	4 674 908	3 472 895
	9 067 408	8 376 536
Less: Allowance for impairment	(6 734 906)	(5 880 715)
	2 332 502	2 495 821
Less: Allowance for impairment		
Current (0 -30 days)	(215 057)	(286 125)
31 - 60 days	(169 766)	(164 960)
61 - 90 days	(194 933)	(226 320)
91 - 120 days	(135 543)	(247 569)
121 - 365 days	(1 452 010)	(1 536 348)
> 365 days	(4 567 597)	(3 419 393)
	(6 734 906)	(5 880 715)

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Figures in Rand thousand	2023	2022
7. Consumer debtors (continued)		
Reconciliation of allowance for impairment		
Balance at beginning of the year	(5 880 715)	(5 085 600)
Contributions to allowance	(904 430)	(827 970)
Reversal of allowance	50 239	32 855
	(6 734 906)	(5 880 715)

The provision of impairment in the statement of comprehensive income is disclosed exclusive of VAT.

Residential and commercial accounts are impaired based on their payment propensity. Customers who did not make any payment during the financial year are fully impaired.

No government accounts were impaired in line with the entity's bad debt provision policy.

Consumer debtors pledged as security

None of the Consumer debtors were pledged as security.

Credit quality of consumer debtors

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

Consumer debtors past due but not impaired

Consumer debtors which are less than 3 months past due are not considered to be impaired. At 30 June 2023, R 390 431 000 (2022: R 394 005 000) were past due but not impaired.

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

1 month past due	138 944	166 773
2 months past due	44 482	52 635
3 months past due	207 005	174 597

Consumer debtors impaired

As of 30 June 2023, consumer debtors of R 6 734 906 000 (2022: R 5 880 715 000) were impaired and provided for.

3 to 6 months	1 039 574	1 290 345
Over 6 months	5 695 332	4 590 370

8. Value added Tax

VAT payable to SARS is considered a statutory payable. All VAT returns were submitted timeously during the current financial year in terms of the Value Added Tax Act.

Value added tax	161 758	118 497
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9. Cash and cash equivalents

Cash and cash equivalents consist of:

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Figures in Rand thousand	2023	2022
9. Cash and cash equivalents (continued)		
Cash on hand	30	30
Bank balances	74 386	149 289
	74 416	149 319

Cash is reflected at the carrying value which approximates fair value. There is minimal credit risk attached to the instrument.

The municipal entity has a sweeping arrangement with the City of Johannesburg Metropolitan Municipality whereby all cash is swept on a daily basis to the City of Johannesburg Metropolitan Municipality's bank account. All bank accounts have a zero balance due to the sweeping arrangement with City of Johannesburg except some of the entity's ABSA bank accounts which were not swept during the financial period which resulted in balances at the end of the reporting period. Petty cash is reflected as cash on hand. The cash owed to the entity by the City of Johannesburg Metropolitan Municipality is reflected as an amount due from the shareholder.

The bank balances at the beginning and end of financial period are as follows:

Bank account and description		
4055151238 ABSA Electricity deposits	3 859	10 193
4055418357 ABSA Prepaid account	67 566	137 900
4054636689 ABSA Sundry revenue account	167	129
4054394736 ABSA Main cheque	2 785	1 064
4054394744 ABSA Bank charges	9	3
198641 Standard Bank Limited Bank charges account	-	-
198684 Standard Bank Limited Sundry account	-	-
198714 Standard Bank Limited Main account	-	-
	74 386	149 289

The entity has three active accounts are held with Standard Bank Ltd and five accounts with ABSA Limited.

Standard Bank Accounts:

198641 Standard Bank Limited Bank charges account

198684 Standard Bank Limited Sundry account

198714 Standard Bank Limited Main account

ABSA Accounts:

4054394736 ABSA Main cheque

4054394744 ABSA Bank charges

4054636689 ABSA Sundry revenue account

4055151238 ABSA Electricity deposits

4055418357 ABSA Prepaid account

10. Property, plant and equipment

	2023			2022		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	32 095	-	32 095	32 095	-	32 095
Buildings	1 039 454	(257 442)	782 012	1 019 998	(242 780)	777 218
Plant and machinery	20 617 909	(5 202 173)	15 415 736	19 613 163	(4 699 450)	14 913 713
Furniture and fixtures	25 999	(19 827)	6 172	24 565	(19 057)	5 508
Motor vehicles	43 234	(29 095)	14 139	38 981	(21 831)	17 150
IT equipment	154 602	(94 033)	60 569	102 966	(85 624)	17 342
Total	21 913 293	(5 602 570)	16 310 723	20 831 768	(5 068 742)	15 763 026

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10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment reversal	Total
Land	32 095	-	-	-	-	-	32 095
Buildings	777 218	17 159	-	2 297	(14 662)	-	782 012
Plant and machinery	14 913 713	1 018 617	(289)	(2 297)	(536 141)	22 133	15 415 736
Furniture and fixtures	5 508	1 459	(6)	-	(789)	-	6 172
Motor vehicles	17 150	4 763	-	-	(7 774)	-	14 139
IT equipment	17 342	51 635	-	-	(8 408)	-	60 569
	15 763 026	1 093 633	(295)	-	(567 774)	22 133	16 310 723

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	32 095	-	-	-	-	32 095
Buildings	780 279	9 836	-	1 580	(14 477)	777 218
Plant and machinery	14 514 611	923 070	(4 312)	(1 580)	(518 076)	14 913 713
Furniture and fixtures	5 699	433	(27)	(45)	(552)	5 508
Motor vehicles	31 056	-	-	-	(13 906)	17 150
IT equipment	12 505	9 987	(61)	45	(5 134)	17 342
	15 376 245	943 326	(4 400)	-	(552 145)	15 763 026

Disposals of property, plant and equipment relates to assets that were retired during the financial year. These assets were not disposed for any monetary value.

Borrowing costs capitalised

No borrowing costs were capitalised to property, plant and equipment during the financial year by the entity.

Pledged as security

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

Assets subject to finance lease (Net carrying amount)

Motor vehicles	14 139	17 150
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10. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2023

	Cost	Accumulated impairment	Carrying Amount
Buildings	7 898	(3 884)	4 014
Plant and machinery	849 498	(79 414)	770 084
Other-Capital items	276 373	-	276 373
	1 133 769	(83 298)	1 050 471

The above capital work -in-progress is included in the respective asset classes.

Other capital items relates to stock items classified as capital work in progress due to their nature. These items are to be used in capital projects undertaken by the entity.

The remaining work-in-progress relates to expenditure already incurred in the construction of capital assets by the entity. The majority of the capital projects by the entity are taking a significant amount of time to be completed. The duration of each project depends on the scope of work to be done and the availability of financial resources.

WIP expenditure ageing	1 Year	2 - 3 Years	3 Years and above	Total
Building	-	-	4 014	4 014
Plant and machinery	382 900	121 369	265 815	770 084
Other-Capital items	276 373	-	-	276 373
	659 273	121 369	269 829	1 050 471

1 Year expenditure:

Relates to amounts incurred on capital projects in the financial year. These projects were initiated in the current financial year. The entity intend to complete these projects in the new financial period.

2 - 3 Year expenditure:

The amounts includes Capital projects which were undertaken but could not be completed due to lack of funding, it also includes multi year projects which are delayed due to budget constrains and projects which are in the final stages of completion.

3 Year and above expenditure:

The amount is mainly made up of design fees with no funds to start construction. The amount also includes multi year projects which are delayed due to budget constrains and projects which are in final stages of completion.

The capitalisation of long outstanding projects accelerated during the financial period.

Long outstanding Project	Expenditure
Eldorado Park Upgrade	62 513
Hopefield Substation Refurbishment	12 424
Van Beek Substation restoration	8 876
Hopefield Substation	8 088
Fire & Security Projects	7 116
Waterval SWS 11 KVFEEDER	6 372
John Ware Substation Upgrade	6 304
Roodetown TRF & HV CT	6 144
Eikenhof Substation Upgrade	5 415
Sandringham S/S	5 336
Dalkeh-Peter RD OHL	4 653
Electrification Infills	4 545
Alex Normalization design fee	4 482
C DE Wet PL	4 469

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Figures in Rand thousand	2023	2022
10. Property, plant and equipment (continued)		
Lunar Transformer		4 097
Hopefield Substation		4 005
Other project		114 990
		269 829

Other projects refers to the aggregated amount of capital projects with individual values below R4 000 000.

Reconciliation of Work-in-Progress 2022

	Cost	Accumulated impairment	Carrying Amount
Buildings	7 898	(3 884)	4 014
Plant and machinery	812 984	(117 947)	695 037
Other-Capital items	458 073	-	458 073
	1 278 955	(121 831)	1 157 124

WIP expenditure ageing	1 Year	2 - 3 Years	3 Years and above	Total
Buildings	-	39	3 975	4 014
Plant and machinery	416 280	111 802	166 955	695 037
Other-Capital items	458 073	-	-	458 073
	874 353	111 841	170 930	1 157 124

Expenditure incurred to repair and maintain property, plant and equipment

The entity recognised expenditure amounting to R1 122 728 947 (2022: R891 487 114) in the Statement of Financial Performance relating repairs and maintenance of property, plant and equipment during the financial year.

Impairment: PPE

Buildings under construction with a cost of R3 884 387 is considered impaired. The majority of plant and machinery impairment of R79 413 454 relates to design fees included in assets under construction. The entity does not intend to pursue the project within the next 3 years.

Property, plant and equipment were reviewed for impairment in the current financial year. This resulted in a reversal of previously impaired projects amounting R22 134 000 which were halted by the entity in previous financial periods. The entity assessed the viability of certain substation upgrade and is of the view that it is still necessary. The recent blackout in City of Johannesburg has forced the entity to implement part of that scope as part of the restoration plan. Budget provision has been made available for the next two financial years in which the entity intends to implement and complete these projects.

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

It should be noted that the electricity utilities were regarded as essential services throughout the Covid-19 lockdown and therefore there were no grounds to further impair the property plant and equipment due to the pandemic.

Additional information

Disposals of intangible assets relates to assets that were retired during the financial year. These assets were not disposed for any monetary value.

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11. Intangible assets

	2023			2022		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Capacity rights	261 228	-	261 228	261 228	-	261 228
Computer software	429 192	(291 361)	137 831	408 652	(260 101)	148 551
Total	690 420	(291 361)	399 059	669 880	(260 101)	409 779

Reconciliation of intangible assets - 2023

	Opening balance	Additions	Disposals	Amortisation	Total
Capacity rights	261 228	-	-	-	261 228
Computer software	148 551	58 231	(5 035)	(63 916)	137 831
	409 779	58 231	(5 035)	(63 916)	399 059

Reconciliation of intangible assets - 2022

	Opening balance	Additions	Disposals	Amortisation	Total
Capacity rights	261 228	-	-	-	261 228
Computer software	127 279	60 566	(2)	(39 292)	148 551
	388 507	60 566	(2)	(39 292)	409 779

Pledged as security

No items of intangible assets are pledged as security.

Borrowing costs capitalised

No borrowing costs were capitalised to intangible assets during the financial year by the entity.

Intangible assets work-in-progress

No intangible assets were under construction at reporting date.

Other information

Capacity Rights

Capacity Rights arise from a payment made to Eskom for the right to receive electricity at a specific supply point within a certain capacity. Eskom in turn utilises the funds to upgrade/install equipment within their infrastructure to ensure electricity supply in accordance within the agreed upon capacity.

Capacity Rights with carrying amount of R261 228 000 were assessed to have indefinite useful lives because the supply agreements does are not limit the supply of electricity to a specific timeframe and Eskom also undertakes to ensure that all future maintenance and replacement of the infrastructure is carried out to maintain the agreed capacity in perpetuity.

Expenditure incurred to support and maintain intangible assets

The entity recognised expenditure amounting to R20 837 392 (2022: R10 796 886) in the Statement of Financial Performance relating to support and maintenance of software during the financial year.

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12. Loans to (from) shareholders

City of Johannesburg Metropolitan Municipality - Capex loans	(1 845 895)	(1 691 146)
Sweeping account	(10 057 512)	(6 782 326)
City of Johannesburg Metropolitan Municipality - Shareholder loans	(624 793)	(624 793)
	(12 528 200)	(9 098 265)

Non-current liabilities	(2 045 506)	(1 957 350)
Current liabilities	(10 482 694)	(7 140 915)
	(12 528 200)	(9 098 265)

Loan liability balance	Interest rate	FY 2023	FY 2022
Shareholder loans	17.5%	581 814	581 814
Midrand loan	14.5%	42 979	42 979
Capex loan 2014	9.65%	-	8 711
Capex loan 2015	10.18%	140 975	268 379
Capex loan 2016	9.88%	190 721	272 917
Capex loan 2017	11.23%	105 733	133 809
Capex loan 2018	10.56%	128 791	153 385
Capex loan 2019	10.07%	275 662	316 083
Capex loan 2020	10.44%	126 942	141 629
Capex loan 2021	7.73%	121 130	133 700
Capex loan 2022	10.57%	242 603	262 533
Capex loan 2023	10.80%	513 338	-
Total loan liabilities	-	2 470 688	2 315 939
Less: Current liabilities		(425 182)	(358 589)
Non current liabilities		2 045 506	1 957 350

Sweeping account

Loans at beginning of the year	(6 782 326)	(5 405 599)
Receipts	(3 275 186)	(1 376 727)
Balance at end of year	(10 057 512)	(6 782 326)

Capex Loans

Loans at beginning of the year	(1 691 146)	(1 795 961)
Receipts	(517 131)	(262 787)
Repayments	362 382	367 602
Balance at end of the year	(1 845 895)	(1 691 146)

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Figures in Rand thousand	2023	2022
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12. Loans to (from) shareholders (continued)

Shareholder Loans movement for the year

Loans at beginning of the year	(624 793)	(624 793)
Receipts	(109 617)	(109 616)
Repayments	109 617	109 616
Balance at end of the year	(624 793)	(624 793)

Non current liabilities

Capex loans	(1 420 713)	(1 332 557)
Shareholder's loans	(624 793)	(624 793)
	(2 045 506)	(1 957 350)

Current liabilities

Capex loans	(425 182)	(358 589)
Sweeping account	(10 057 512)	(6 782 326)
	(10 482 694)	(7 140 915)

13. Finance lease obligation

Minimum lease payments due

- within one year	11 116	9 809
- in second to fifth year inclusive	7 367	12 054
	18 483	21 863
less: future finance charges	(2 568)	(2 420)
Present value of minimum lease payments	15 915	19 443

Present value of minimum lease payments due

- within one year	9 825	8 235
- in second to fifth year inclusive	6 090	11 208
	15 915	19 443

Non-current liabilities	6 090	11 208
Current liabilities	9 825	8 235
	15 915	19 443

It is entity policy to lease certain motor vehicles and equipment under finance leases. The finance lease obligation relates to motor vehicles leased from City of Johannesburg.

The average lease term is 5 years and the average effective borrowing rate is 10% (2022: 10%) on the old lease agreement. The new additional lease agreement has an average borrowing rate of 13.24% with an average lease term of 5 years.

Interest rates are fixed at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

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Figures in Rand thousand	2023	2022
14. Payables from exchange transactions		
Trade payables	880 017	419 642
Audit fees payable	-	108
Accrual service bonus	6 533	6 404
Accrual for leave pay	125 008	100 696
Mogale City payable	234	266
Consumer debtors with credit balances	484 716	454 807
Kelvin payable	217 062	132 224
Eskom payable	1 790 904	2 007 256
Lethabong payable	8 293	2 783
Accrued expenses	580 333	513 050
Deferred prepaid electricity	23 128	24 473
Related party creditor	1 519 132	1 759 212
	5 635 360	5 420 921

Significant judgement: Debtors with credit balance:

City of Johannesburg (COJ) invoices clients for the following revenue components; electricity on behalf of City Power, water on behalf of Joburg Water, refuse on behalf of Pikitup and rates and taxes on behalf of COJ Core Administration. Revenue and corresponding debtor is allocated to each municipal entity based on the actual consumption/billing.

With regards to credit balances in consumer debtors, CJMM allocates credit balances applicable to each entity by using three year billing for customers with credit balances at account level. In the event that the customer has no current billing and a credit balance exist, a three year annualised overall billed revenue will be used to determine the allocation rate. Management has applied judgement in determine the allocation basis.

Trade and other payables includes the following statutory payables:

Statutory Payables

PAYE Deductions	30 093	28 150
Compensation Commission (COID)	-	-
	30 093	28 150

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15. Provisions

Reconciliation of provisions - 2023

	Opening Balance	Additions	Utilised during the year	Increase to existing provision	Total
Bonus provision	45 017	51 624	(49 213)	4 196	51 624
Kelvin ash disposal	132 068	-	-	-	132 068
Kelvin bulk purchase provision	82 089	-	(82 089)	-	-
Software licence provision	76 815	32 871	-	-	109 686
	335 989	84 495	(131 302)	4 196	293 378

Reconciliation of provisions - 2022

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Bonus provision	64 654	45 017	(25 211)	(39 443)	45 017
Kelvin Ash disposal	128 695	3 373	-	-	132 068
Kelvin bulk purchase provision	66 216	15 873	-	-	82 089
Software licence provision	52 327	24 488	-	-	76 815
	311 892	88 751	(25 211)	(39 443)	335 989

The bonus provision relates to the performance bonus that the entity expects to pay to qualifying employees. The amount is based on the performance of the financial year under review which is still to be determined. The provision is management's best estimate of the entity's liability at reporting date.

The software licence provision relates to Microsoft software utilised by the entity for which no invoices has been received from the supplier. The amount is for the period 1 April 2017 - 30 June 2023. The amount is based on the latest annual invoice received from the supplier for the period 1 April 2016 - 31 March 2017, adjusted for potential increase in price. The entity is uncertain of when the actual invoices will be received from the service provider and the exchange rate at which the transactions will be measured to determine the actual liability. The provision recognised is management's best estimate of the entity's liability at reporting date.

The Kelvin bulk purchase provision relates to carbon tax imposed for emissions by Kelvin during electricity generation. The carbon tax to Kelvin was considered a pass through cost to City Power, subject to Kelvin demonstrating prudence to limit the cost. The Carbon Tax Act which became effective from 1 June 2019 makes taxpayers liable for carbon tax should they conduct one of the activities in Schedule 2 of the Carbon Tax Act (Act No. 15 of 2019), above the threshold for that activity. Carbon tax are levied on the sum of greenhouse gas emissions from fuel combustion, industrial processes, and fugitive emissions, determined in accordance with a reporting methodology approved by the Department of Environmental Affairs. The provision relates to previous purchase agreement which expired on 8 November 2021. The payment of Carbon tax depends on Kelvin Power demonstrating how the costs were curtailed during the generation of electricity sold to the entity. In this regard the entity settled an amount of R82 089 180 in the current financial year which it believes is due to Kelvin Power. Carbon tax is measured at a standard rate per KWh of units purchased included in the monthly bulk purchases invoices from Kelvin under the new purchase agreement effective from 1 November 2021.

Ash disposal has been provided for in respect of Kelvin Power Station. These amounts are invoiced by Kelvin but are not paid due to that there is a dispute declared between City Power and Kelvin. The entity has extended the purchase agreement from November 2021 which could result in the reversal of the ash disposal provision should an agreement be finalised between the entities. Negotiations are underway to resolved the disputed invoices.

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16. Employee benefit obligations

Defined benefit plan

Carrying value

Present value of the defined benefit obligation-Medical aid	(4 380)	(4 391)
Present value of the defined benefit obligation-Retirement Gratuity	-	(115)
Balance at end of year	(4 380)	(4 506)

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

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

Movement for the year

Opening balance	(4 391)	(4 943)
Interest costs	(454)	(337)
Actuarial gains (losses)	(134)	361
Benefits paid	599	528
Balance at end of the year	(4 380)	(4 391)

Net expense recognised in the statement of financial performance

Interest cost	(454)	(337)
Actuarial gains (losses)	(134)	361
Benefits paid	599	528
	11	552

Key assumptions used

Assumptions used at the reporting date:

Discount rates used	10,97 %	11,12 %
Consumer inflation	6,00 %	7,53 %
Medical aid contribution inflation	7,00 %	8,53 %
Net effective discount rate (PRMA)	3,71 %	2,39 %

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16. Employee benefit obligations (continued)

Post-retirement gratuity plan

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

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

The plan is a post-retirement gratuity benefit plan.

Movement for the year

Opening balance	(115)	(332)
Interest cost	-	(12)
Benefits paid	105	96
Actuarial gains (losses)	10	133
	-	(115)

Net expenses recognised in the statement of financial performance

Interest cost	-	(12)
Actuarial gains (losses)	10	133
Benefits paid	105	96
	115	217

Sensitivity Analysis

In order to illustrate the sensitivity of the valuation results the following assumptions have been used:

1% increase/decrease per annum in the medical and salary inflation rate assumptions used.

- 20% increase/decrease per annum in mortality rate assumptions used

The effect of these assumptions are as follows:

Medical and Salary Inflation	-1% in medical/salary inflation	Valuation assumptions	+1% in medical/salary inflation
Post-retirement medical aid	4 337	4 380	4 413
Mortality rates	-20% Mortality rate	Valuation assumptions	+20% Mortality rate
Post-retirement medical aid	4 738	4 380	4 084

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17. Deferred Income		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Integrated National Electrification (DoE)	6 542	6 542
Infrastructure skills and development grant	4 044	9 062
Public contributions: Service connections	29 008	35 761
	39 594	51 365
Deferred Income reconciliation		
Opening balance	51 365	83 805
Additions	365 163	419 839
Transfer to income (Service connections)	(20 159)	(30 371)
Transfer to non-exchange revenue (Grants & Subsidies)	(350 253)	(400 608)
Repayment	(6 522)	(21 300)
Closing balance	39 594	51 365
Public contributions: Service connections		
Opening balance	35 761	51 825
Additions	13 406	14 307
Transfer to income	(20 159)	(30 371)
Repayment	-	-
Closing balance	29 008	35 761
Public contributions: Engineering contributions		
Opening balance	-	-
Additions	48 346	91 805
Transfer to income	(48 346)	(91 805)
Repayment	-	-
Closing balance	-	-
Integrated National Electrification Grant (DoE)		
Opening balance	6 542	27 842
Additions	-	-
Transfer to income	-	-
Repayment	-	(21 300)
Closing balance	6 542	6 542
Infrastructure skills and development grants		
Opening balance	9 062	4 138
Additions	5 218	6 522
Transfer to income	(3 714)	(1 598)
Repayment	(6 522)	-
Closing balance	4 044	9 062
Urban Settlements Development Grant (USDG)		
Opening balance	-	-
Additions	100 000	99 955
Transfer to income	(100 000)	(99 955)
Repayment	-	-
Closing balance	-	-
Energy Efficiency Demand Management Grant		
Opening balance	-	-

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Figures in Rand thousand	2023	2022
17. Deferred Income (continued)		
Additions	6 541	8 696
Transfer to income	(6 541)	(8 696)
Repayment	-	-
Closing balance	-	-
Upgrading of Informal Settlements Program		
Opening balance	-	-
Additions	194 744	195 678
Transfer to income	(194 744)	(195 678)
Repayment	-	-
Closing balance	-	-
EWSETA		
Opening balance	-	-
Additions	3 449	2 875
Transfer to income	(3 449)	(2 875)
Repayment	-	-
Closing balance	-	-
18. Deferred tax		
The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows:		
Deferred tax liability	-	(531 540)
Deferred tax asset	341 644	-
Total net deferred tax asset (liability)	341 644	(531 540)
Reconciliation of deferred tax		
At beginning of year	(531 540)	(840 445)
Taxable temporary differences	873 184	308 905
	341 644	(531 540)
Deferred tax analysis		
Fixed Assets	(2 873 688)	(3 373 819)
Provision for bonus	13 939	12 605
Provision for leave	33 752	28 195
Post retirement liability	1 183	1 262
Post retirement assests	(36 063)	(34 993)
Provision for bad debts	975 314	987 960
Prepaid electricity	6 245	6 852
Deferred expenditure	(10 690)	10 013
Finance leased assets	619	642
Assessed loss	2 201 418	1 808 235
Software provision	29 615	21 508
	341 644	(531 540)

The allocation of deferred tax categories will change should the entity loose its court challenges with SARS.

19. Consumer Deposit

Electricity	766 805	765 657
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Consumer deposits are released on termination of the electricity account by the customer.

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Figures in Rand thousand	2023	2022
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20. Share capital / contributed capital

Authorised

10 000 Ordinary shares of R1 each	10	10
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Reconciliation of number of shares issued:

Reported as at 01 July 2022	10	10
Issue of shares – ordinary shares	-	-

Reported as at end of year	10	10
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Issued

Share premium	112 466	112 466
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Issued share capital consists of 10 000 issued share of R1 nominal value.

21. Financial assets by category

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

Financial assets at amortised cost

Consumer debtors	2 332 502	2 495 821
Trade and other receivables from exchange transactions	1 339 544	868 772
Trade and other receivables from non-exchange transactions	405 159	311 141
Cash and cash equivalents	74 416	149 319
	4 151 621	3 825 053

22. Financial liabilities by category

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

Current Financial liabilities at amortised cost

Loans from shareholders	10 482 694	7 140 915
Finance lease obligation	9 825	8 235
Trade and other payables from exchange transactions	5 503 819	5 313 821
	15 996 338	12 462 971

Non Current Financial liabilities at amortised costs

Loans from shareholders	2 045 506	1 957 350
Finance lease obligation	6 090	11 208
Consumer deposit	766 805	765 657
Deferred Income	39 594	51 365
	2 857 995	2 785 580

23. Service charges

Sale of electricity	15 107 088	15 799 091
Sales of prepaid electricity	1 509 736	1 577 740
New service connections	98 191	141 082
	16 715 015	17 517 913

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Figures in Rand thousand	2023	2022
24. Other income		
Reconnection fees	8 446	2 339
Canteen revenue	2 097	2 378
Sundry Revenue	43 625	14 786
Sale of scrap	931	7 828
Street pole advertising	2 644	1 351
Cut off fees	2 832	1 195
Rental revenue	613	596
Discounts received	-	25
External training	183	425
	61 371	30 923
25. Demand side management		
The charge is levied to support Demand Side Management (DSM) projects. This levy is charged on all units (kWh) consumed in a month, except for the first 500kWh in the case of residential customers which is exempt. Any consumption above this level would be subject to this levy.		
DSM Levy of 6.00c/kWh was levied in the current and preceding financial year.		
Collection for the year		
DSM Levy	283 363	321 550
26. Interest Income		
Interest from Post retirement benefit asset	8 494	4 656
Interest from overdue debtor's accounts	98 940	53 147
Interest from bank	9 719	17 489
	117 153	75 292
27. Government grants and subsidies		
Operating grants		
Skills and development grants	7 163	4 473
Capital grants		
Government grants	343 090	396 135
	350 253	400 608
Conditional and Unconditional		
Included in above are the following grants and subsidies received:		
Urban settlement development grant	100 000	99 955
Engineering fees contributions	48 346	91 805
EWSETA	3 449	2 875
Infrastructure Skills development grant	3 713	1 598
Energy Efficiency Demand Management	-	8 696
Upgrading of Informal Settlement Program	194 745	195 679
	350 253	400 608

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Figures in Rand thousand	2023	2022
28. Employee related costs		
Basic	934 100	871 796
Bonus	55 820	6 111
Medical aid contributions	98 761	89 945
UIF	4 491	4 355
WCA	9 410	8 966
SDL	14 156	12 526
Leave pay provision charge	31 353	14 855
Pension fund contributions	129 751	120 104
Cellphone allowance	8 479	8 059
Group Life Assurance	35 824	27 521
Overtime payments	239 524	189 269
Long-service awards	14 636	12 740
13th Cheques	9 987	9 663
Acting allowances	10 565	6 178
Car allowance	31 982	31 689
Employee training	2 275	7 623
Membership fees	320	304
Bursary grants	35	158
Shift allowances	74 606	71 403
Uniforms and protective clothing	10 458	2 416
Gratuities	525	46
Termination benefits	2 916	3 411
	1 719 974	1 499 138

29. Administrative expenditure

Administration and management fees - related party	114 456	109 006
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Agent-Principal arrangement:

The entity has an existing arrangement with City of Johannesburg acting as an agent to collect and manage the electricity consumer debtors on behalf of the entity (principal). A fixed monthly administration fee of R9 538 025 (2022: R9 083 833) was paid to City of Johannesburg in terms of the arrangement.

In the event of a change in the current arrangement, City Power would require additional modules of the SAP software, IT equipment and employees to manage the outsourced function currently performed by the agent. It is expected that the operating costs to manage the function would be equivalent or similar to the administration fee that is currently being incurred in addition to capital assets that will be required. There is therefore minimal risk of continuity to City Power due to the fact that the arrangement is internal. Moreover City Power has historic experience to bill and collect based on past activities.

The arrangement is indefinite and there are no changes in the current year.

No resources of the entity are under custodianship of the agent.

30. Depreciation and amortisation

Property, plant and equipment	567 774	552 146
Intangible assets	63 916	39 292
	631 690	591 438

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Figures in Rand thousand	2023	2022
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31. Reversal of Impairment

Impairment: Plant and machinery	(22 134)	-
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Property, plant and equipment and Intangible assets were reviewed for impairment in the current financial year. This resulted in a reversal of previously impaired projects which halted by the entity in previous financial period. The entity assessed the viability of certain substation upgrade and is of the view that it is still necessary. The recent blackout in City of Johannesburg has forced the entity to implement part of that scope as part of the restoration plan. Budget provision has been made available for the next two financial years in which the entity intends to implement and complete these projects.

32. Interest paid

Group companies	271 095	277 085
Interest on taxation	-	98 212
Bank	622 180	270 627
Interest on late payment	4 909	650
Finance lease interest	1 626	2 690
Interest on Post Retirement obligation	454	349
	900 264	649 613

33. Lease rentals on operating lease

Operating lease expenses

Kelvin Power lease	-	289 944
Fleet lease	88 889	64 938
Equipment	5 674	3 383
	94 563	358 265

34. Debt impairment

Increase in allowance for doubtful debt	786 461	719 974
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35. Bulk purchases

Electricity	14 112 107	13 917 174
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Bulk purchases includes electricity bought from Eskom, Kelvin Power, Lethabong, Mogale City, Eskom streetlights, Kelvin carbon tax and demand charges where applicable, but excludes Kelvin capacity charges which are reported as lease costs.

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35. Bulk purchases (continued)

Electricity losses

Units purchased (kWh)	9 717 576	11 030 868
Units sold (kWh)	(6 835 177)	(7 780 265)
Total loss (kWh)	2 882 399	3 250 603

Rand Value loss: (R/kWh)		
Technical losses	1 272 956	1 273 214
Non-technical losses	2 922 382	2 895 604
Total	4 195 338	4 168 818

Percentage Loss:		
Technical losses	9 %	9 %
Non-technical losses	21 %	21 %
Total	Note 43	30 %
		30 %

Distribution losses are calculated on available units for sale, after considering own use, street lights and free electricity to indigenous customers.

36. General expenses

Advertising	8 692	1 775
Assessment rates & municipal charges	17 272	15 445
Auditors fees	7 642	7 854
Bank charges	848	680
Cleaning	224	293
Commission paid	40 527	30 054
Consulting and professional fees	97 215	67 881
Entertainment	2 149	2 382
Insurance	91 850	89 789
Conferences and seminars	547	1 630
Magazines, books and periodicals	36	9
Motor vehicle expenses	79 109	42 406
Printing and stationery	3 872	3 088
Repairs and maintenance	1 143 566	902 284
Security expenses	84 446	92 225
Software expenses	94 582	59 463
Staff welfare	9 450	8 455
Subscription fees	517	376
Telephone and fax	34 378	26 891
Travel - local	8 225	5 736
Travel - overseas	-	60
Tree pruning	65 512	46 523
Meter readings and audits	48 733	34 668
Inventory write down/(write-up)	8 889	21 965
Loss on disposal of assets	5 330	4 402
Cut off fees	19 308	29 048
Material issues	8 541	14 628
Sundry expenses	322	104
Eskom free electricity costs	4 206	3 056
	1 885 988	1 513 170

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37. Taxation

Major components of the tax income

Current

Local income tax	-	-
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Deferred

Taxation for the year	(873 184)	(308 905)
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Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate.

Applicable tax rate	27,00 %	28,00 %
Disallowed charges	(6,20)%	- %
Prior year (over)/ under provision	0,10 %	- %
Change in rate	0,70 %	- %
Income not taxable	11,20 %	- %
	32,80 %	28,00 %

38. Auditors' remuneration

Fees	7 642	7 854
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39. Cash (used in) generated from operations

Deficit	(1 823 030)	(702 587)
Adjustments for:		
Depreciation and amortisation	631 690	591 438
Finance costs	900 264	649 613
Interest Income	(117 153)	(75 292)
Impairment	(22 134)	-
Disposal loss	5 330	4 402
Movements in retirement benefit assets and liabilities	(126)	(769)
Movements in provisions	(42 611)	24 097
Movement in current tax payable	(36 891)	98 212
Annual Charge for deferred tax	(873 184)	(308 905)
Changes in working capital:		
Inventories	52 428	(44 045)
Receivables from exchange transactions	(340 479)	119 187
Consumer debtors	163 319	(566 635)
Trade and other receivables from non-exchange transactions	(94 018)	(116 162)
VAT receivables	(43 261)	(56 388)
Payables from exchange transactions	226 726	434 417
Trade and other payables from non exchange transactions	-	(3 220)
Deferred Income	(11 771)	(32 440)
	(1 424 901)	14 923

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40. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Property, plant and equipment	159 698	1 224 791
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Total capital commitments

Authorised and contracted for	-	-
Plant and machinery	159 698	1 224 791
	159 698	1 224 791

Authorised operational expenditure

The amount disclosed for commitments is the value of all outstanding capital contracts entered into by the entity for the foreseeable future. The expenditure however will be limited to the approved capital budget.

Operating leases - as lessee

Kelvin Power

The lease relates to electricity capacity charge payable monthly. The amount is payable for the availability of capacity as a fixed charge linked to contracted volumes regardless of whether City Power consumes electricity from Kelvin Power. The Kelvin Power contract expired on 8 November 2021 and was extended by the parties during the year. The new Power Purchase Agreement which become effective from 1 November 2021 does not include any fixed monthly capacity charges payable to Kelvin Power.

Minimum lease payments due

within one year	-	-
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Dalitso Business Equipment

The lease contract between Dalitso Business Equipment and City Power for printing machines expired on 30 November 2022. The contract was not renewed.

Minimum leases payments

within one year	-	1 153
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Metro Trading Company Soc Ltd

The entity leases printing machines from Metro Trading Company SOC Ltd. In terms of the agreement the rentals as per the price list on the contract and is escalated annually by the applicable Consumer Price Index (CPI) rate for duration of the lease contract. The lease is for thirty six (36) months period, effective from 15 November 2022 until 16 October 2025.

Minimum leases payments

within one year	4 298	-
in second to fifth year inclusive	5 731	-
	10 029	-

Afrirent

City of Johannesburg entered into a lease agreement with Afrirent on the 1 May 2020 on behalf of City of Johannesburg and the municipal entities under its control. The lease is for non specialised vehicles for a period of 30 months which commenced on the 1 May 2020 and shall continue until 30 October 2022. A new lease agreement commenced in the current financial year and has been classified as a finance lease (Refer to finance lease note 12) .

Minimum leases payments

within one year	-	18 375
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41. Contingent liabilities (Amounts in Rands)

Setheo Investment has lodged legal proceedings in respect of outstanding invoices; variation orders; consumer price index difference and delay damages. Attempts to settle the matter without prejudice has failed. The potential liability is R69 667 600.

Setheo Engineering instituted summons against City Power in respect of the Hopefield substation. Setheo alleged that City Power delayed the implementation, continuation and finalization of the substation project and has claimed R25 985 827 for damages. The matter is being defended by the entity.

Setheo Engineering instituted summons against City Power in respect of alleged unpaid invoices for services rendered at Hopefield substation, to the value of R764 656. The matter is being defended by the entity.

J&B Consulting has lodged a claim for damages amounting to R3 203 730 resulting from stoppage/delay in execution of the project as a result of budget cuts at Lutz substation. The attempt to settle the matter between the parties has failed. The matter is being defended.

ABB South Africa a supplier is claiming R14 446 911 in terms of non payment for services rendered to the entity. HITACHI ENERGY procured the energy grid from ABB South Africa and possessed City Power only settle the undisputed amounts between the entities. The potential liability is R5 882 539.

Renico Construction has lodged a damages amounting to R1 398 722 in respect of diesel for generators resulting from alleged failure to install and supply electricity on time as per City Power undertaking. The matter is being defended.

City Power has submitted tax returns to SARS for 2013, 2014, 2015, 2016, 2017, 2018, 2019 and 2020 financial years claiming 100% bad debt allowance. However the South African Revenue Services has approved a deduction of 25% in terms of bad debt allowances. City Power is currently continuing to claim a 100% allowance as it is appealing the decision of the Receiver. The entity is fully accrued in the event that its endeavours to claim 100% bad debt allowance fails.

SARS has disallowed wear and tear allowances claimed under section 12C and 13(1) for the tax years 2014, 2015, 2016, 2017, 2018 and 2019 years of assessment. The entity has been claiming these allowances based on written approval received from SARS in 2003. SARS indicated in its letter of disallowance that the entity is entitled to section 11e wear and tear allowances. However in the revised assessments for these years issued by SARS no deduction was afforded to the entity. This resulted in an overstatement in the amounts due to SARS. The entity is challenging SARS in the Income tax court after failing in its endeavours to resolve the impasse as prescribed by the Income Tax Administration Act. A settlement offer regarding both bad debts and wear and tear allowance was submitted to SARS. The bad debt proposal was rejected and is proceeding to court. The proposal on the wear and tear allowance is currently under consideration by the Receiver. The total amount outstanding per SARS is R1 866 477 136 and includes interest and penalties of R801 194 96..

Rubbytad X Factor AMR (Pty) Lts is claiming R53 633 408 for unpaid invoices and interest for services rendered. The matter is being defended.

Judgement was made against the entity for R4 465 293 in favour of Stand 21&22 Chiselhurst Homeowners. The amount is in respect of over payment of electricity charges paid to the entity. The entity has filed and served Stand 21 & 22 with application for condonation together with an application for rescission of judgement which was apposed by the applicant. The parties are at pleading stage.

Power Minister Electrical is claiming R1 105 581 for unpaid invoices for services rendered. The entity is of the view that the disputed invoices are duplicated and/or inflated. The matter is being defended.

Raisibe Vivian Makgotloe has lodge a claim for an order for City power to deliver a signed incident report for the death of the Plaintiffs husband through electricity burns incident. The incident report has been provided to the plaintiff. The plaintiff has subsequently appointed an independent investigator as she is unsatisfied with the findings. The parties intends to settle the matter out of court.

Godfrey Mulauzi an employee is challenging his dismissal for gross negligence in dealing with contracts between Setheo and City Power. The employee is claiming the unpaid salary from the date of dismissal. The potential liability is R2 192 631 should the employee succeed. The matter is being defended at bargaining council.

Employees are claiming unfair labour practice relating to non-payment of bonuses for 2019, 2020 and 2021 financial years. The potential liability is R18 282 978 should the employees succeed. The matter is being defended at bargaining council.

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Tshabalala and Moagi two employees are challenging the appointment process of a Group Executive (GE) position after the employees were not appointed after contesting for the position. The matter is going for review in the labour court after the employees were awarded three months salary (Tshabalala R696 750, Moagi R652 500) plus interest each at bargaining council.

Casting Forging and Machining Cluster and some of its members instituted an application to review and set aside the decision by NERSA to approve the electricity tariff for City Power for the 2019/20 financial year. The court has found in favour of the applicant and ordered the 201/2019 tariffs be set aside. The entity has requested the applicant to provide a settlement proposal to resolve the matter amicably. The matter was referred to NERSA after City Power and the plaintiff could not reach an agreement within the stipulated court timeframe. The potential liability cannot be determined at this stage.

LOE Proprieties Pty Ltd has lodged a claim against the entity for the loss of rental income amounting to R1 000 000. The plaintiff claims City Power failed to install an electrical service connection to the property within the agreed timeframe subsequent to payment been made to the entity. The matter is being defended.

Demawusa on behalf of Lebogang Maobane & 79 others wants the entity to absorb all its members as they are deemed to be employees of City Power in terms of section 198 of Labour Relations Act. The SALGBC made an award in favour of City Power and ordered that applicants were not employees of City Power and therefore cannot be deemed to be employees of City Power in terms of section 188B of Labour Act. The applicants filed a review application to the Labour Court to have the SALGBC award reviewed and set aside. City Power is defending the application,

Collect Armed Security Services has issued summons against the entity claiming previously received and paid invoices by the entity was at an incorrect lower rate and did not include certain considerations. The potential liability is R14 000 000 should the applicant succeed. The matter is being defended by the entity.

High Voltage Power Systems (Pty) Ltd is claiming R32 406 000 for unpaid invoices for work completed from June 2022 to November 2022 for the supply of goods and services in the construction of Lutz substation. The matter is being defended by the entity

Divinity Trading a supplier is claiming R5 334 409 in terms of non payment of invoices for maintenance services rendered to the entity at different substations. The invoices submitted by the plaintiff are for the service not covered by the agreement between two parties. The arbitration between the parties has been postponed to 11- 15 September 2023.

Contingent liabilities Prior year:

Setheo Investment has lodged legal proceedings in respect of outstanding invoices; variation orders; consumer price index difference and delay damages. Attempts to settle the matter without prejudice has failed. The potential liability is R69 667 600.

Setheo Engineering instituted summons against City Power in respect of the Hopefield substation. Setheo alleged that City Power delayed the implementation, continuation and finalization of the substation project and has claimed R25 985 827 for damages. The matter is being defended by the entity.

Setheo Engineering instituted summons against City Power in respect of alleged unpaid invoices for services rendered at Hope field substation, to the value of R764 656. The matter is being defended by the entity.

J&B Consulting has lodged a claim for damages amounting to R3 203 730 resulting from stoppage/delay in execution of the project as a result of budget cuts at Lutz substation. The attempt to settle the matter between the parties has failed. The matter is being defended.

ABB South Africa a supplier is claiming R14 446 911 in terms of non payment for services rendered to the entity. The matter is set down for arbitration with a date yet to be determined.

Divinity Trading a supplier is claiming R5 333 409 in terms of non payment of invoices for maintenance services rendered to the entity at different substations. The matter is been defended.

Renico Construction has lodged a damages amounting to R1 200 000 in respect of diesel for generators resulting from alleged failure to install and supply electricity on time as per City Power undertaking. The matter is being defended.

City Power has submitted tax returns to SARS for 2013, 2014, 2015, 2016, 2017, 2018, 2019 and 2020 financial years claiming 100% bad debt allowance. However the South African Revenue Services has approved a deduction of 25% in terms of bad debt allowances. City Power is currently continuing to claim a 100% allowance as it is appealing the decision of the

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Receiver. The entity is fully accrued in the event that its endeavours to claim 100% bad debt allowance fails.

SARS has disallowed wear and tear allowances claimed under section 12C and 13(1) for the tax years 2014, 2015, 2016, 2017, 2018 and 2019 years of assessment. The entity has been claiming these allowances based on written approval received from SARS in 2003. SARS indicated in its letter of disallowance that the entity is entitled to section 11e wear and tear allowances. However in the revised assessments for these years issued by SARS no deduction was afforded to the entity. This resulted in overstatement in the amounts due to SARS. The entity is challenging SARS in the Income tax court after failing in its endeavours to resolve the impasse as prescribed by the Income Tax Administration Act. A settlement offer regarding both bad debts and wear and tear allowance was submitted to SARS. The bad debt proposal was rejected and is proceeding to court, The proposal on the wear and tear allowance is currently under consideration by the Receiver. The total amount outstanding per SARS is R1 763 668 534 and includes interest and penalties of R801 194 96..

Rubbytad X Factor AMR (Pty) Ltd is claiming R53 633 408 for unpaid invoices for services rendered. The matter is being defended.

Judgement was made against the entity for R4 465 293 in favour of Stand 21&22 Chiselhurst Homeowners. The amount is in respect of over payment of electricity charges paid to the entity. The entity has requested reasons for the judgment to lodge an appeal.

Power Minister Electrical is claiming R1 105 581 for unpaid invoices for services rendered. The entity is of the view that the disputed invoices are duplicated and/or inflated. The matter is being defended.

Raisibe Vivian Makgotloe has lodge a claim for an order for City power to deliver a signed incident report for the death of the Plaintiffs husband through electricity burns incident. The parties intends to settle the matter out of court.

Godfrey Mulauzi an employee is challenging his dismissal for gross negligence in dealing with contracts between Setheo and City Power. The employee is claiming the unpaid salary from the date of dismissal. The potential liability is R2 192 631 should the employee succeed. The matter is being defended at bargaining council.

Employees are claiming unfair labour practice relating to non-payment of bonuses for 2019, 2020 and 2021 financial years. The potential liability is R18 282 978 should the employees succeed. The matter is being defended at bargaining council.

Tshabalala and Moagi two employees are challenging the appointment process of a Group Executive (GE) position after the employees were not appointed after contesting for the position. The matter is going for review in the labour court after the employees were awarded three months salary (Tshabalala R696 750, Moagi R652 500) plus interest each at bargaining council.

Due to the complexity in determining the carbon omissions and methodologies Kelvin Power determine the liability based on section 4(2) of the Carbon Tax Act which utilise default emission factors as per schedule 2 compared to section 4(1) utilised by the entity. A provision of R75 508 324 has been provided for the undisputed amount. The potential additional liability is R13 161 710.

Casting Forging and Machining Cluster and some of its members instituted an application to review and set aside the decision by NERSA to approve the electricity tariff for City Power for the 2019/20 financial year. The potential liability cannot be determined at this stage. Refer to Note 54 on subsequent events for further detail.

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42. Related parties

Relationships	
Directors	Refer to directors' report note
Controlling entity	The City of Johannesburg Metropolitan Municipality
Member of Group	Johannesburg Social Housing Company (SOC) Ltd
Member of Group	City of Johannesburg Property Company (SOC) Ltd
Member of Group	Johannesburg Fresh Produce Market (Pty) Ltd
Member of Group	Johannesburg City Parks NPC
Member of Group	Johannesburg Development Agency (SOC) Ltd
Member of Group	Johannesburg Metropolitan Bus Services (SOC) Ltd
Member of Group	Johannesburg Road Agency (SOC) Ltd
Member of Group	Pikitup Johannesburg (SOC) Ltd
Member of Group	Johannesburg Civic Theatre (SOC) Ltd
Member of Group	Johannesburg Water (SOC) Ltd
Member of Group	Johannesburg Metro Trading Company (SOC) Ltd

All related party transactions are at normal trade terms and none are secured.

Related party balances

Trade and other receivables regarding related parties

City of Johannesburg Metropolitan Municipality	1 440 102	1 111 548
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Trade and other payables regarding related parties

City of Johannesburg Metropolitan Municipality	1 365 692	1 630 141
City of Johannesburg Property Company (SOC) Ltd	192	1 059
Johannesburg City Parks NPC	22 270	15 095
Johannesburg Road Agency (SOC) Ltd	349	350
Johannesburg Social Housing Company (SOC) Ltd	46	-
Johannesburg Metro Trading Company (SOC) Ltd	130 583	112 555
Johannesburg Civic Theatre	-	12
	1 519 132	1 759 212

Loans from related party

City of Johannesburg Metropolitan Municipality	12 528 201	9 098 265
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Finance lease liability

City of Johannesburg Metropolitan Municipality	11 208	19 443
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Related party transactions

Revenue from related parties (Amounts are exclusive of VAT)

City of Johannesburg Metropolitan Municipality	202 980	143 129
Johannesburg Social Housing Company (SOC) Ltd	23 715	21 671
Johannesburg Metropolitan Bus Services (SOC) Ltd	1 865	1 784
Johannesburg Water (SOC) Ltd	94 713	38 843
Johannesburg Civic Theatre (SOC) Ltd	10 762	9 878
Johannesburg City Parks NPC	4 641	5 660
Johannesburg Development Agency (SOC) Ltd	778	705
Johannesburg Road Agency (SOC) Ltd	7 732	8 698
Johannesburg Fresh Produce Market (Pty) Ltd	45 883	47 349
Pikitup Johannesburg (SOC) Ltd	4 426	4 358
	397 495	282 075

Purchases from related parties (Amounts are exclusive of VAT)

City of Johannesburg Metropolitan Municipality	1 009 311	659 407
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42. Related parties (continued)		
Johannesburg Water (SOC) Ltd	8 799	11 186
Johannesburg City Parks NPC	65 674	40 810
Johannesburg Civic Theatre	-	36
Pikitup Johannesburg (SOC) Ltd	717	724
City of Johannesburg Property Company (SOC) Ltd	72	297
Johannesburg Metro Trading Company (SOC) Ltd	228 594	151 942
	1 313 167	864 402

Remuneration of management

Executive

2023

Name	Emoluments	Other benefits	Travel allowance	Performance bonus	Termination of service	Total
Ms T Mashava - CEO	2 983	117	-	-	-	3 100
Ms M Buthelezi - CFO	2 183	132	-	79	-	2 394
Mr D Matsheketsheke - Acting CFO	2 082	264	113	63	-	2 522
Ms MN Maluleke - COO	2 364	122	128	-	-	2 614
Mr SS Shabangu - GE: HR and Transformation	2 152	240	174	-	-	2 566
Mr SI Rampedi - GE: SDC Southern Region	2 228	119	178	-	-	2 525
Mr MJ Smith - Company Secretary	1 896	33	93	60	-	2 082
Mr SA Ntlatleng - GE: SDC Northern Region	1 489	42	116	-	1 612	3 259
Mr RM Ramatlo - GE: Energy Management	2 099	38	178	82	-	2 397
Ms TN Mbatha - Executive: Office of the CEO	906	57	-	-	-	963
Ms F Surty - Chief Legal Counsel	1 860	33	-	-	-	1 893
	22 242	1 197	980	284	1 612	26 315

2022

Name	Emoluments	Other benefits	Travel allowance	Termination of service	Total
Mr MM Ntsokolo - CEO	2 988	95	142	3 087	6 312
Ms M Xolo - GE Finance	2 233	131	174	1 458	3 996
Ms MN Maluleke - COO	2 364	185	128	-	2 677
Ms T Mashava - Acting CEO	2 407	215	-	-	2 622
Mr LD Matsheketsheke - Acting GE: Finance	2 157	163	113	-	2 433
Mr SI Rampedi - GE: Engineering Operations	2 224	107	183	-	2 514
Mr MJ Smith - Company Secretary	1 896	39	93	-	2 028
Mr SA Ntlatleng - GE: Engineering Services	2 233	42	174	-	2 449
Mr IM Ramagaga - Acting GE: EnterpriseSupport	2 212	78	-	-	2 290
Mr LR Mahumapelo - Acting GE: BusinessSustainability	2 030	65	92	-	2 187
Mr RM Ramatlo - GE: Retail Services	1 764	70	133	-	1 967
Ms TN Mbatha - Executive: Office of the CEO	1 630	89	-	-	1 719
Ms F Surty - Chief Legal Counsel	1 630	37	-	-	1 667

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42. Related parties (continued)					
Mr SS Shabangu - Acting GE: HR & Transformation	1 842	180	174	-	2 196
	29 610	1 496	1 406	4 545	37 057

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42. Related parties (continued)

Non - Executive

2023

Name	Directors fees	Total
Mr M Mello	56	56
Mr N Kgope	226	226
Mr J Du Plessis	218	218
Amb. D Gibson	218	218
Mr D Hunt	100	100
Mr M Jojozi	20	20
Ms P Mabece	110	110
Ms M Mashabela	150	150
Mr B Mpangalasane	88	88
Ms J Dlamini	48	48
Mr P Phili	24	24
Mr A Tau	16	16
Ms A Banda	16	16
Ms B Damoyi	100	100
Mr M Kekana	1	1
Mr S Mlauzi	8	8
Ms N Mtembu	16	16
Ms M Modise	8	8
Mr S Nduna	64	64
Mr P Ragimana	56	56
Mr B Ramokhele	88	88
Ms N Ramotebele	64	64
Mr L Ratsiku	1	1
Mr M Seopela	82	82
Mr T Sibeko	64	64
	1 842	1 842

2022

Name	Directors' fees	Total
Ms N Batyi	-	-
Mr K Mthembu	-	-
Adv L Maseko	158	158
Mr P Kedama	112	112
Mr N Kgope	188	188
Ms T Marah	114	114
Ms L Mathabathe	138	138
Mr B Ramokhele	146	146
Mr M Seopela	144	144
Ms P Thobejane	88	88
Mr K Setzin	92	92
Prof. B Twala	96	96
Ms P Zondo	48	48
Mr J Du Plessis	78	78
Amb. D Gibson	92	92
Mr D Hunt	68	68
Mr M Jojozi	56	56
Ms P Mabece	64	64
Ms M Mashabela	44	44
Mr B Mpangalasane	44	44
Mr M Mello	44	44
Mr C Lithole	32	32

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42. Related parties (continued)		
Ms D Mthimunye	28	28
Mr H Moolla	34	34
Ms J Dlamini	8	8
Mr P Phili	8	8
Mr A Tau	8	8
	1 932	1 932

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43. Risk management

Financial risk management

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

One of the risks for entity identified both under the operational and strategic risk categories, is the financial sustainability of the entity. To address this risk management has looked into future initiatives that City Power could embark on. There is a Sustainability Committee of the board to monitor management progress. The financial risks and the management thereof, form part of this key risk area. The types of financial risks which are considered to form the major part of the risk profile of the entity are liquidity risk, credit risk and market risk.

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

Interest rate risk

Interest rate risk is a risk that the fair value or future cash of a financial instrument will fluctuate due to changes in the market interest.

The entity's interest rate risk arises from long-term borrowings. There are no borrowings at variable rates of interest except for the sweeping account with CoJ. Borrowings issued at fixed rates are subject to fair value interest rate risk.

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

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Year 2	Year 3 and above
Consumer debtors	10,97 %	2 332 502	-	-
Trade and other receivables from exchange transactions	10,97 %	1 339 544	-	-
Trade and other receivables from non-exchange transactions	10,97 %	405 159	-	-
Trade and other payables from exchange transactions	10,97 %	(5 503 819)	-	-
Deferred grants payables	10,97 %	(39 594)	-	-
Loan from shareholder	11,21 %	(10 482 694)	(311 535)	(1 733 971)
Finance leases	10,00 %	(9 825)	(6 090)	-

Credit risk

Credit risk is the risk of financial loss to the entity if a customer fails to meet its contractual obligations. This arises primarily from the entity's consumer receivables.

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

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43. Risk management (continued)

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

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

Trade and other receivables from exchange transactions	1 339 544	868 772
Trade and other receivables from non-exchange transactions	405 159	311 141
Consumer debtors	2 332 502	2 495 821

Price risk

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

Distribution Losses

The electricity energy losses can be classified into technical losses and non-technical losses, during 2022/2023 financial year.

The entity's technical losses for the year are measured at 9%, amounting to R1 272 956 000 (2022: R1 273 213 603). Technical losses relates to energy that is lost in the transportation of electricity from the point of supply to point of distribution through dissipation as useless heat.

The entity's non-technical losses for the year amounts to R2 922 382 000 (21%). The annual non-technical losses in prior financial year amounted to R 2 895 604 788 (20.5%). The losses are attributable mainly to the following:

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

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

- Installation of automatic meter management systems, for both large and small power users i.e. automated metering technologies
- Continuous replacement of faulty conventional and pre-paid meters
- Automation of process to acquire new customers and change of meters (through the implementation of automated workflow and escalation system)
- Utilisation of anonymous "hot line" to report theft, vandalism and tampering
- Random and targeted audits are performed, followed by removal of illegal connections and normalisation supply
- Stand by stand audit which will constitute (100%) verification against the valuation role of the City of Johannesburg
- Reconciliation of customer population with the number of stands on the General valuation roll of CoJ.

The entity calculates distribution losses as a percentage of Bulk purchases and Kelvin capacity charges which is reported as lease costs in the Statement of Financial Performance.

Liquidity risk

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43. Risk management (continued)

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 an 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 entity's risk to liquidity is a result of the funds available to cover future commitments.

The entity 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 entity'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, entity treasury maintains flexibility in funding by maintaining availability under committed credit lines.

44. Fruitless and wasteful expenditure

Opening balance as previously reported	458 556	359 694
Prior year adjustment	(16 399)	-
Opening balance as restated	442 157	359 694
Add: Expenditure identified - current	4 909	98 862
Less: Amount reversed	(22 134)	-
Less: Amount written off - prior period	(203)	-
Closing balance	424 729	458 556
Fruitless and wasteful expenditure		
Interest payable to SARS	-	98 212
Interest on late payment	4 909	650
	4 909	98 862

The disclosure figure is always calculated inclusive of VAT.

Cases under investigation

One (2022: 2) investigations relating fruitless and wasteful expenditure will be undertaken at the beginning of 2023 calendar year. There was zero (2022:0) investigation outstanding at reporting date.

Details of irregular expenditure under assessment (not included in the main not)

45. Irregular expenditure

The disclosure figure indicating irregular expenditure is always calculated inclusive of VAT.

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45. Irregular expenditure (continued)

Opening balance as previously reported	2 106 769	3 171 919
Prior year adjustment	-	-
Opening balance as restated	2 106 769	3 171 919
Current year expenditure	652 103	961 898
Less: Amount written off	(1 832 995)	(2 027 048)
Closing balance	925 877	2 106 769

Details of irregular expenditure – current year

Contract declared null and void by the court	118 291	-
Fleet contract	151 607	-
Third party vending	2 217	-
Emergency procurement for critical material	20 459	-
Turnkey solutions	491	-
Award not made to qualifying supplier	937	-
Physical Security Services	38 721	-
Emergency procurement of cables and other critical material	102 179	-
Emergency procurement for VPNS and internet services	964	-
Procurement of Miniature Substation	2 199	-
Labour contract	3 469	-
Overspending on approved budget	208 739	-
Emergency procurement for testing diesel	13	-
External witnesses	258	-
Procurement of PPE	1 559	-
	652 103	-

Details of irregular expenditure – prior year

Upgrade of Cleveland station	-	10 728
Upgrade of Eldorado station	-	5 517
Third Party vending	-	9 679
Labour contracts	-	619 770
Fleet contract	-	158 670
Emergency procurement for critical material	-	12 242
Personal protection equipment	-	3 916
Turnkey solutions	-	79 092
Emergency procurement for critical material	-	57 539
Award to person of state	-	1 509
Award not made to qualifying supplier	-	3 236
	-	961 898

The overspending on the approved budget includes the following non cash items:

Expense		
Debt impairment	(236 596)	-
Depreciation and amortisation	(20 394)	-
Impairment reversals	22 134	-
Leave provision	(1 212)	-
Provision for obsolete stock	(6 931)	-
	(242 999)	-

Cases under investigation

Six (2022: 8) cases relating to non-compliance with procurement process requirements were investigated in the current financial year. There was six (2022: 0) investigation outstanding at reporting date.

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45. Irregular expenditure (continued)

Details of irregular expenditure under assessment (not included in the main note)

Incident

Alleged Non-compliance with MFMA-extension of labour contract	39 617	-
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This narration relates to the alleged non-compliance that could lead to irregular expenditure raised during 2022/2023 audit by AGSA. The alleged non-compliance will be assessed by the department and be finalised within 3 months period as per the Amendments to National Treasury Instruction No. 2 of 2019/2020 irregular Expenditure Framework paragraph 2.2.

46. Prior-year adjustments

Commitments

During the current financial year the entity discovered that the commitments reported in the prior financial year was understated by R19 732 638. This is due to a capital expenditure contract which was extended and erroneously omitted in the commitments disclosure. The prior year commitment amount has been corrected to include the additional contract which resulted in the restatement of the 2022 commitments from R1 205 058 000 to R1 224 791 000.

Kelvin bulk purchase provision

The entity previously under estimated carbon tax payable to Kelvin Power. This is a pass through costs included in monthly bulk electricity purchases.

The provision has been adjusted retrospectively in the particular periods and comparative amounts restated.

The effect of the corrected errors on the individual items are as follows:

Property, plant and equipment

Expenditure amounting R16 399 516 relating to consulting fees was incorrectly capitalised in the asset register and included as work-in-progress. These projects were subsequently impaired with R16 399 516 during the 2021 financial year.

The property, plant and equipment Costs and Accumulated Depreciation/Impairment has been adjusted retrospectively in the particular periods and comparative amounts restated.

The effect of the corrected errors on the individual items are as follows:

VAT Accrual

Expenditure and revenue accruals were previously erroneously recognised exclusive of VAT. This resulted in a misstatement of R189 809 041 in consumer debtors balances previously reported due to the unrecognised Output VAT. The trade and other payables were also misstated by R376 921 796 due to the unrecognised Input VAT in the 2022 financial year. The error has been corrected and prior year figures were restated.

The effect of the corrected errors on the individual items are as follows:

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46. Prior-year adjustments (continued)

Statement of Financial Performance	FY 2021	FY 2022	Total
Bulk purchases; Increase (decrease)	6 458	123	6 581
Service charges; (Increase) decrease	(28 822)	14 263	(14 559)
	(22 364)	14 386	(7 978)

Statement of Financial Position	FY 2021	FY 2022	Total
Trade and other payables from exchange transactions (Decrease) Increase	-	(376 922)	(376 922)
Consumer debtors; Increase (decrease)	28 822	175 546	204 368
Provisions; (Increase) decrease	(6 458)	(123)	(6 581)
Accumulated profit; (Increase) decrease	(22 364)	14 386	(7 978)
Vallue added Tax	-	187 113	187 113
	-	-	-

The correction of the above amounts has resulted in prior year amounts been restated. Presented below are those items contained in the statement of financial performance and statement of financial position.

Statement of financial position

FY 2021	Previously reported	Correction of error	Restated
Consumer debtors; Increase (decrease)	1 710 555	28 822	1 739 377
Provisions; (Increase) decrease	(305 434)	(6 458)	(311 892)
Accumulated profit; (Increase) decrease	(4 632 657)	(22 364)	(4 655 021)
	(3 227 536)	-	(3 227 536)

FY 2022	Previously reported	Correction of error	Restated
Trade and other payables form exchange transactions	(5 043 999)	(376 922)	(5 420 921)
Vallue added Tax	(68 616)	187 113	118 497
Consumer debtors; Increase (decrease)	2 291 453	204 368	2 495 821
Provisions; (Increase) decrease	(329 408)	(6 581)	(335 989)
Accumulated profit; (Increase) decrease	(3 944 456)	(7 978)	(3 952 434)
	(7 095 026)	-	(7 095 026)

Statement of Financial Performance

FY 2021	Previously reported	Correction of error	Restated
Service charges	(16 094 063)	(28 822)	(16 122 885)
Bulk Purchases; Increase (decrease)	12 151 576	6 458	12 158 034
	(3 942 487)	(22 364)	(3 964 851)

FY 2022	Previously reported	Correction of error	Restated
Service charges; (Increase) decrease	(17 532 176)	14 263	(17 517 913)
Bulk purchases; Increase (decrease)	13 917 051	123	13 917 174
	(3 615 125)	14 386	(3 600 739)

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47. Change in estimate

Property, plant and equipment

Property plant and equipment original useful lives have been reassessed as per table below in the beginning of the current financial period to reflect the actual pattern of service potential derived from the assets. The depreciation is to be calculated on a straight line basis for the remaining useful life of the assets.

Asset class	Useful lives extension
Computer equipment	2 - 3 years
Plant and machinery	2 - 9 years
Furniture and fittings	3 years

The change in the useful lives of the assets had the following impact on depreciation:

Depreciation impact	Current year depreciation (Decrease)	Future period impact (Increase)
Computer equipment	(816)	816
Plant and machinery	(1 588)	1 588
Furniture and fittings	(21)	21
	(2 425)	2 425

Intangible assets

The useful lives of computer software was reassessed as per table below in the beginning of the current financial period to reflect the actual pattern of service potential derived from the assets. The amortisation is to be calculated on a straight line basis for the remaining useful life of the assets.

Asset class	Useful lives extension
Computer Software	2 -3 years

The change in the useful lives of the assets had the following impact on amortisation:

Amortisation impact	Current year amortisation (Decrease)	Future period impact (Increase)
Computer Software	(2 769)	(2 769)

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48. Reportable supply chain deviations in terms of section 36 (Amounts in Rands)

Deviation and ratification from the normal procurement processes in terms of regulation 36 (1)(a)(v) and (b) of the municipal supply chain management regulations: (Current year)

Extention of Actom HV contract to complete work at Eldorado park substation upgrade - R28 982 000

Procurement of software licences, maintenance and support from sole suppliers; Acumen, Giscoe, IRT Technology, Inspired, Mindex and Intelipos - R30 565 000

Procurement of software licences, maintenance and support for different application systems from Siemens and Dell - R16 671 000

Procurement of software licences, maintenance and support for different application systems from Martec - R1 057 000

Deviation and ratification from the normal procurement processes in terms of regulation 36 (1)(a)(v) and (b) of the municipal supply chain management regulations: (Prior year)

Various software acquired from DigiSilent, CADDIE, Online Intelligent and Landis & Gyr, DRS: original equipment manufacturers (OEM) or mandate distributors with sole mandate as per specific solution - R17 545 000

Emergency procurement of rental of mobile unisex toilets from Hiltop Training Solutions - R32 000

Various software required from Ontec, Hexing and Agile Bridge: original equipment manufacturers (OEM) or mandate distributors with sole mandate as per specific solution - R68 275 000

Emergency procurement of mobile toilets, water dispensers and filled water bottles from Phakela Business Enterprise cc - R202 000

Once-off purchase from Kone Elevators South Africa (Pty) Ltd to repairs lifts not covered in contract - R11 000

Software licences, maintenance and support for different application systems procured from Acumen, Dell/EMC, Siemens, Giscoe, IRT Technology, Retic Master, GE Energy, Mindex and Intelipos - R55 240 000

A minor bridge in procurement process was ratified where Chief Operating Officer appointed bid committee members without delegation as Chief Operating Office

49. Segment information

Management has determined the reportable segments based on the reports regularly provided, reviewed and used by Executive Committee (Exco) to make strategic decisions and assess performance of the segments. Exco assesses the performance of the operating segments based on a measure of profit or loss consistent with that of the financial statements. The amounts provided to Exco with respect to total assets and liabilities are measured in terms of GRAP. These assets and liabilities are allocated based on the operation of the segment.

The entity has only one segment which is distribution of electricity within City of Johannesburg. The operating unit provide, operate and maintain the distribution network for distributing electricity as well as a customer service function that sells electricity to local large and small power users. The disclosure of information about these segments is also considered appropriate for external reporting purposes.

Segment surplus or deficit, assets and liabilities

2023

	Distribution	Total
Revenue		
Service charges	16 715 015	16 715 015
DSM Levies	283 363	283 363
Other income	61 371	61 371
Interest revenue	117 153	117 153
Revenue from non-exchange transactions	350 253	350 253
Total segment revenue	17 527 155	17 527 155
Entity's revenue		17 527 155

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49. Segment information (continued)

Expenditure

Employee related costs	1 719 974	1 719 974
Administration	114 456	114 456
Depreciation and amortisation	631 690	631 690
Finance costs	900 264	900 264
Lease rentals on operating lease	94 563	94 563
Debt Impairment	786 461	786 461
Bulk purchases	14 112 107	14 112 107
General expenses	1 885 988	1 885 988
Impairment	(22 134)	(22 134)

Total segment expenditure	20 223 369	20 223 369
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Total segmental deficit		(2 696 214)
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Income tax expense		873 184
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Assets

Segment assets	21 525 497	21 525 497
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Total assets as per Statement of financial Position		21 525 497
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Liabilities

Segment liabilities	19 283 632	19 283 632
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Total liabilities as per Statement of financial Position		19 283 632
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2022

	Distribution	Total
Revenue		
Service charges	17 517 913	17 517 913
DSM levy	321 550	321 550
Other Income	30 923	30 923
Interest revenue	75 292	75 292
Revenue from non exchange transactions	400 608	400 608
Total segment revenue	18 346 286	18 346 286
Entity's revenue		18 346 286

Expenditure

Employee related costs	1 499 138	1 499 138
Administration	109 006	109 006
Depreciation and amortisation	591 438	591 438
Finance costs	649 613	649 613
Lease rentals on operating lease	358 265	358 265
Debt Impairment	719 974	719 974
Bulk purchases	13 917 174	13 917 174
General expenses	1 513 170	1 513 170

Total segment expenditure	19 357 778	19 357 778
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Segment profit (deficit) before tax		(1 011 492)
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Income tax expense		308 905
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Assets

Segment assets	20 292 584	20 292 584
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Total assets as per Statement of financial Position		20 292 584
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49. Segment information (continued)

Liabilities

Segment liabilities	16 227 686	16 227 686
Total liabilities as per Statement of financial Position		16 227 686

Information about geographical areas

The entity operates in seven political regions A-G of the City of Johannesburg Metropolitan area. However, such information is not regularly used for decision making.

A feasibility study to determine associated costs is necessary before such reporting can be decided upon.

Additional information

The additions to non-current assets	(1 151 864)	(1 003 892)
The amounts relating to non-cash expenditure - Debt impairment	786 461	719 974
The amounts relating to non-cash expenditure - Depreciation	631 690	591 438
The amounts relating to cash flows from operating activities	(1 424 901)	14 923
The amounts relating to cash flows from investing activities	(1 164 153)	(1 041 554)
The amounts relating to cash flows from financing activities	2 514 151	608 490
	-	-

The entity did not recognise any material non-cash revenue during the financial year.

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2023

2022

50. Other Compulsory Disclosures - MFMA 125

As at 30 June 2023

	Audit fees	PAYE and UIF	Pension deductions	Medical aid deductions
Opening balance	492	28 151	12 434	7 974
Subscription/fees	7 258	376 792	166 982	100 388
Amount paid – current year	(7 750)	(374 850)	(164 957)	(99 360)
Closing balance	-	30 093	14 459	9 002

As at 30 June 2022

	Audit fees	PAYE and UIF	Pension deductions	Medical aid deductions
Opening balance	251	31 143	11 094	6 768
Subscription/fees	7 854	329 238	149 422	91 788
Amount paid – current year	(7 362)	(332 230)	(148 082)	(90 582)
Amount paid – previous years	(251)	-	-	-
Closing balance	492	28 151	12 434	7 974

51. Awards to close family members of persons in the service of the state

During the year under review the municipality gave the following award to a person who is a spouse, child or parent of a person in the service of the state or has been in the service of the state for the previous twelve months.

Awards made to close family members in the current year:

Name of the person (Service of the State)	Name of the person (entity receiving award)	Capacity in which that person is in the service of the state	Amount in R'000
Isabela Muneka	EDGE LINE Engineering	Johannesburg Water	5 247

Awards made to close family members in the prior year:

Name of the person (Service of the State)	Name of the person (entity receiving award)	Capacity in which that person is in the service of the state	Amount in R'000
Isabela Muneka	EDGE LINE Engineering	Johannesburg Water	1 567

52. Subsequent events

Ms R Sadiki was appointed as Chief Financial Officer effective from 1 August 2023. Ms B Damoyi Audit & Risk Committee chairperson resigned on 24 July 2023.

The directors are not aware of any other matter or circumstance arising since the end of the financial period, not otherwise dealt with in the financial statements that would affect the operations or results of the entity significantly.

53. 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.

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53. Going concern (continued)

The directors have reviewed the entity's cash flow forecast for the year 30 June 2024 and, in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future. The entity has generated negative cash flows from operations and the liquidity of the entity remains of concerns. In this regard the shareholder has issued a letter of support to ensure that both operational and capital obligations are met should this be required.

The entity has embarked on measures to improve the liquidity concerns faced by the organisation. The following interventions have been implemented to improve revenue collections: Installation of automatic meter management systems, replacement of faulty meters, utilisation of anonymous "hot line" to report theft, vandalism, increase meter audits to ensure removal of illegal connections

In addition, the entity has embarked on creating new revenue streams by partnering with Gauteng Province and COGTA to bring a more unified and efficient approach to energy management across Gauteng. The MOU with COGTA seeks to position City Power as an implementing agent for COGTA leveraging City Power's agility and expertise in comprehensive energy services to play a central role in managing and streamlining electricity distribution across various municipalities within the province.

City Power proactively responds to the energy sector's challenges with a comprehensive alternative energy strategy. It focuses on four strategic opportunities to enhance its network, mitigate load shedding, facilitate energy trading, retain customers, and improve profitability. These initiatives address the immediate needs of City Power and promise to extend benefits to other municipalities and the entire province.

- **Self-Generation:** Reflecting on Johannesburg's history of self-generation, City Power is reinvesting in this capability. Key measures include implementing rooftop solar and battery systems for City Power and City of Johannesburg facilities and transitioning towards renewable energy. Additionally, the strategy includes recommissioning diesel turbine sites for gas use, offering a more sustainable energy source while exploring diesel options for backup power.
- **Demand Side Management:** Targeting residential markets with higher energy consumption, this project includes recommissioning ripple relays for better load management, rolling out smart meters for enhanced consumption monitoring, upgrading SCADA systems for remote operation, and introducing the LPU Load Curtailment Tariff to incentivise responsible energy usage during peak times.
- **Microgrids and Solar Water Geysers:** Focusing on informal settlements, City Power aims to deploy microgrids to provide equitable electricity access to these communities. Grant Revenue will be used as part of electrification of informal settlements to reduce bulk purchases costs also improve revenue as part of alternative energy charges.
- **Engagement with IPPs:** By collaborating with Independent Power Producers, which are more reliable and cost-effective, City Power seeks to diversify and expand its energy sources, integrating alternative and renewable energies into its grid, thereby enhancing supply sustainability and reliability. City Power has also contracted in the short-term 4 Independent Power Producers with a collective generation capacity of 97MW, this will reduce the energy from Eskom.
- **Review of alternative energy based tariffs.** City Power has developed new tariffs in response to customers with alternative energy sources which will reduce bulk purchases costs, reduce non- technical losses and improve revenue.

These strategic opportunities collectively position City Power to improve its financial position by significantly reducing the impact of load shedding, potentially averting up to 5 stages. They also aim to reduce residential energy consumption by nearly 30%, primarily through geyser control measures and the adoption of solar water geysers