

ANNUAL REPORT
FOR THE FINANCIAL PERIOD
APRIL 2009 - MARCH 2010



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GENERAL INFORMATION

PART ONE

Electricity Distribution Industry Holdings (Pty) Ltd (Registration Number 2003/005572/07)

CORPORATE PROFILE

BACKGROUND

Electricity Distribution Industry Holdings (Pty) Ltd was established in 2003 to lead the restructuring of the electricity distribution industry in South Africa. This restructuring mandate is guided by the Energy White Paper of 1998, the Blueprint on EDI Reform of 2001 as well as related Cabinet decisions. In terms of the Cabinet decision of 25 October 2006, the restructuring process must culminate in the creation of six wall-to-wall Regional Electricity Distributors (REDs) as public entities regulated by the National Energy Regulator of South Africa (NERSA).

VISION

A consolidated and sustainable Electricity Distribution Industry for the benefit of the economy and the people of South Africa.

MISSION

To create and oversee six (6) wall-to-wall REDs as viable and efficient public entities.

STRATEGIC PILLARS

- Industry Leadership
- RED Creation
- RED Oversight
- Advocacy

VALUES

- Excellence
- Results oriented
- Commitment
- Passion
- Transparency
- Learning Organisation
- Professionalism

EDI RESTRUCTURING OBJECTIVES

The Electricity Distribution Industry Holdings (Pty) is guided by the national objectives of restructuring as encapsulated in the Energy White Paper of 1998 and the Blueprint on Electricity Distribution Industry Reform of 2001. These are:

- to provide low cost electricity to all customer segments, with equitable tariffs for each customer segment;
- to provide a reliable and high quality supply of service to all customers, in support of Government's social development and economic goals;
- to meet the country's electrification targets in the most cost-effective manner; and to ensure that electrification is contributing to social and economic development;
- to meet the legitimate employment, economic and social interests of all employees in the sector, and to ensure their safety; and
- to operate in a financially sound and efficient manner in order to provide a reliable and sustainable future for both consumers and employees.

SUBMISSION OF THE ANNUAL REPORT TO THE EXECUTIVE AUTHORITY

STATEMENT OF RESPONSIBILITY

The Public Finance Management Act, 1999 (Act No. 1 of 1999), as amended, (the PFMA) requires that the accounting authority ensure that the company keeps full and proper records of its financial affairs.

The annual financial statements are the responsibility of the accounting authority, i.e. the Board of Directors of EDI Holdings. The Auditor-General is responsible for independently auditing and reporting on the financial statements. The office of the Auditor-General has audited the entity's financial statements and the Auditor-General's report appears on pages 36 to 37.

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

These annual financial statements are based on appropriate accounting policies, supported by reasonable and prudent judgements and estimates.

The Board of Directors has reviewed the company's budgets and cash flow for the year ended 31 March 2010. On the basis of this review, and in view of the current financial position, the Board of Directors has every reason to believe that EDI Holdings will be a going concern in the year ahead, and has continued to adopt the going concern basis in preparing the financial statements.

The Board of Directors sets standards to enable management to meet the above responsibilities by implementing systems

of Internal Control and Risk Management that are designed to provide reasonable, but not absolute, assurance against material misstatements and losses. The company maintains internal financial controls to provide assurance regarding:

1. The safeguarding of assets against unauthorised use or disposal;
2. The maintenance of proper accounting records and the reliability of financial information used within the business or for publication.

These controls contain self-monitoring mechanisms, and actions are taken to correct deficiencies as they are identified. Even an effective system of Internal Control, no matter how well designed, has inherent limitations, including the possibility of circumvention or the overriding of controls. EDI Holdings' system of Internal Control aims to provide reasonable assurance with respect to the reliability of financial information and, in particular, the presentation of financial statements. Furthermore, because of changes in objective conditions, the effectiveness of internal financial controls may vary over time. The Board of Directors has reviewed the company's systems of Internal Control and Risk Management for the period 1 April 2009 to 31 March 2010.

In the opinion of the Board of Directors, the company's systems of Internal Control and Risk Management were effective for the period under review, and based on the information available to date, the annual financial statements fairly present the financial position of EDI Holdings as at 31 March 2010 and the results of its operations and cash flow information for the year.

The annual financial statements for the year ended 31 March 2010, set out on pages 32 to 76, were submitted for auditing on 31 May 2010 and approved by the Board of Directors in terms of section 51(1) (f) of the Public Finance Management Act, 1999 (Act No. 1 of 1999), as amended, and section 298 (1) of the Companies Act, 1973 (Act No. 61 of 1973), as amended and are signed on its behalf by:



P Nzimande (Ms)
Chief Executive Officer



DM Nkosi (Mr)
Chairperson

CORPORATE GOVERNANCE REPORT

INTRODUCTION

EDI Holdings commits itself to the principles of good corporate governance, as set out in the King Report on Corporate Governance for South Africa (the King Code). It was during the period under review that it commenced preparing itself for the application of the King Code of Governance for South Africa, 2009 which came into effect on 1 March 2010, just a month before the end of the financial year 2009/2010. As a public entity, EDI Holdings also complies with the the Public Finance Management Act 1 of 1999, as amended (the PFMA).

The Board of EDI Holdings and the employees are committed to upholding the principles of fairness, discipline, independence, accountability, transparency and social responsibility.

In addition to the King Code and the PFMA, the company also takes cognisance of and complies with corporate governance requirements advocated in the Protocol on Corporate Governance in the Public Sector, 2002.

STRATEGIC PLAN

Each year EDI Holdings reviews its Strategic Plan which is submitted to the Department of Minerals and Energy (now Department of Energy) for approval. The plan, inter alia, contains EDI Holdings' strategic objectives and performance indicators against which the company's performance is measured by the Minister of Energy as the executive authority. During the year under review, the three year rolling Strategic Plan was submitted in September 2009.

Reports on organisational performance for the year under review were submitted by the company to the Department of Energy on a quarterly basis in terms of the Treasury Regulation and TR 30.2.1. Through the quarterly reports, EDI Holdings reported on its performance against the strategic objectives as set out in the Strategic Plan.

BOARD

The Board oversees the management of the company and has its responsibilities fully set out in its Charter. During the year under review, the Board complied with this Charter. The Board Charter was reviewed in order to ensure it remained up to date and responsive to the changing governance and legal environment.

BOARD EFFECTIVENESS

There are processes put in place to ensure that the Board and all its structures operate effectively and efficiently. Every financial year the performance of the Board and individual directors is evaluated with the assistance of an independent body. In the year under review, the evaluation was facilitated by the Institute of Directors (IoD). The outcome of the assessment confirmed that on average the performance was ranked on the upper quartile. A remedial action plan was developed to address areas for improvement as identified through the process.

The areas that were assessed included the following:

- Visible corporate governance
- Board meetings
- Roles and responsibilities of directors

- Committees of the Board
- Skills needed at Board level
- Accountability of the Board for risk
- Relationship of the Board with management
- Stakeholder relations
- Communication between meetings.

MEETINGS AND RELATED MATTERS

The Board meets regularly and retains full and effective control over the company. It monitors management in implementing Board plans and strategies. The Board agenda is designed in a manner that enables the Board to focus on strategy, performance monitoring, governance and related matters. The directors have unrestricted access to all information, records and documents of the company to enable them to discharge their responsibilities and to enable them to take informed decisions.

The Board had 3 scheduled and 5 ad hoc meetings during the year under review. Information regarding attendance at the meetings can be found on page 41.

BOARD COMMITTEES

In order to assist the Board and directors in discharging their duties and responsibilities, specific responsibilities have been allocated to the Board Committees listed below which have specific Terms of Reference. The Terms of Reference deal with or provide for issues such as the composition of Board Committees, duties and responsibilities and their scope of authority.

Executive directors and members of the executive management team are always invited to attend meetings of the various Committees. Membership of the various Committees is outlined on page 42 to 44 of the annual report.

AUDIT AND RISK MANAGEMENT COMMITTEE

The Committee meets at least four times a year and is primarily responsible for assisting the Board in carrying out its duties relating to accounting policies and procedures, Internal Controls, financial reporting, the functions of the External Auditors, and the Internal Audit and Risk Management Functions.

During the period under review, the Committee performed all its duties and responsibilities in accordance with its terms of reference.

The Chief Financial Officer, representatives of the External Auditors, Internal Auditors, Risk Management Team and members of the Financial Division attend every meeting of the Committee by invitation.

The External and Internal Auditors have unrestricted access to the Chairperson of the Committee, as well as the Chairperson of the Board and every non-executive director. The Chairperson of the Committee always meets separately with the External Audit team, the Internal Audit team and the Executive Management prior to or after every meeting of the Committee to discuss various matters of concern, if any.

The Committee had 5 scheduled meetings and 1 ad hoc meeting during the year under review. Information regarding attendance at the meetings can be found on page 42.

FINANCE AND PROCUREMENT COMMITTEE

This Committee has two main areas of responsibility, namely, monitoring of the financial position of the company and maintaining effective, equitable, transparent and fair procurement systems. This Committee discharged all its duties in accordance with its terms of reference during the year under review. The Committee had 5 scheduled and 5 ad hoc meetings during the year under review. The information regarding attendance at the meetings can be found on page 43.

COMMUNICATION AND ADVOCACY COMMITTEE

This Committee's function is to oversee the communication and stakeholder management activities and to facilitate decision making processes required to ensure that EDI Holdings is well positioned as the industry leader and advocate for the EDI restructuring process.

This Committee has its terms of reference which are reviewed annually. All its duties as set out in the terms of reference were performed during the year under review.

The Committee had 3 meetings during the year under review. The information regarding attendance at the meetings can be found on page 43.

HUMAN CAPITAL AND REMUNERATION COMMITTEE

The Human Capital and Remuneration Committee has terms of reference which are reviewed annually. The main duties of the Committee include formulation, development

and implementation of remuneration and human capital strategies, policies, plans and programmes.

In addition, the Committee is responsible for assisting the Board in dealing with human capital matters relating to the restructuring of the Electricity Distribution Industry (EDI). All its duties as set out in the terms of reference were discharged during the year under review.

The Committee had 6 scheduled meetings and 1 ad hoc meeting during the year under review. The information regarding the attendance at the meetings can be found on page 44.

POLICY AND STRATEGY COMMITTEE

This Committee advises and makes recommendations to the Board on matters concerning EDI restructuring policy and strategy. It also assists the Board in overseeing the development of a legal and institutional framework for the Regional Electricity Distributors (REDs).

This Committee has terms of reference which are reviewed annually. All its duties as set out in the terms of reference were carried out during the year under review.

The Committee had 2 scheduled meetings during the year under review. The information regarding attendance at the meetings can be found on page 42.

PROGRAMME MANAGEMENT BOARD COMMITTEE

The primary responsibility of this Committee is to assist the Board with the implementation and management of the EDI restructuring programme. The Committee also looks at

operational strategic issues such as the Wires and Retail strategy as well as making input into national debates on technical aspects of the Electricity Distribution Industry.

This Committee has terms of reference. All its duties as set out in the terms of reference were discharged during the year under review. The Committee had 5 scheduled meetings during the year under review. The information regarding attendance at the meetings can be found on page 43.

BOARD REMUNERATION

The remuneration of the Board members is determined by the Minister of Energy (the Minister) and is reviewed annually by the Minister. The Board members are only paid for attending Board or Committee meetings. There is no base fee that is payable to them. The details of the Board members' remuneration for the year under review are stated in Note 20 to the Annual Financial Statements on page 65 to 66.

INDEPENDENCE OF THE BOARD

The independence of the Board is achieved and maintained through a number of measures, including but not limited to the following:

- Board members being remunerated for attending meetings only.
- Separation of the positions of the Chief Executive Officer and that of the Chairman.
- All Board Committees being chaired by non-executive directors.
- The Board having access to independent external advice at the cost of the company.
- The Board members being appointed for a specific period, although appointments may be extended.

COMPLIANCE

PUBLIC FINANCE MANAGEMENT ACT 1 OF 1999, AS AMENDED (PFMA)

The PFMA is one of the legislation that EDI Holdings has to comply with. The company has systems in place to ensure that it complies with this legislation. Its policies and procedures are responsive to the requirements of the PFMA and its Regulations. The company reports to the Department of Energy on compliance with the PFMA and the Treasury Regulations on a quarterly basis. During the period under review, the company complied with the requirements of the PFMA.

KING CODE

EDI Holdings complies with the requirements of the King Code. Its corporate governance framework and structures are in line with the King II. Towards the end of the period under review, the company commenced with preparations aimed at complying with the King Code of Governance for South Africa, 2009. The process of integrating some of the recommended practices into its systems and operations was initiated.

OTHER LEGISLATION

Systems have been put in place to monitor compliance. All risks relating to compliance with legislation have been identified and are regularly managed and reported on. The company's policies and procedures are also regularly reviewed in order to ensure they are responsive to legal requirements. In order to ensure that the company remains abreast of developments in the legal environment, systems have been put in place to continuously monitor the legal environment and to get regular updates.

INTERNAL AUDIT

The Internal Audit function is currently outsourced and reports to the Board through the Audit and Risk Management Committee, which approves its Internal Audit Plan and monitors its performance against the three year rolling plan.

The Internal Audit functions include examination and evaluation of the adequacy and effectiveness of the financial, operational, compliance and IT controls to reduce business risk to an acceptable level in the most cost-effective manner.

Internal Audit has an approved Charter which was developed in accordance with the Institute of Internal Auditors Guidelines. The Internal Audit Charter is reviewed annually and was reviewed during the year under review. All duties of the Internal Audit Function were discharged, as set out in the Plan.

RISK MANAGEMENT

The Board recognises risk management as one of its major responsibilities. During the year under review, the Board re-engineered the company's approach to risk management in order to ensure that risk management was more practical and fully embedded into the operations of the company. While management and employees are responsible for managing risks, the co-ordination of the risk management activities is currently outsourced.

The Audit and Risk Management Committee of the Board assists the Board in managing or overseeing risk management.

The evaluation of risk processes is undertaken annually and through this process, all strategic and operational risks

facing the company are identified and measures put in place to manage them.

CODE OF ETHICS

The company has a Code of Ethics by which all employees and Board members are bound. The company's Code of Ethics is underpinned by the company values.

COMPANY SECRETARY

The Company Secretary, *inter alia*, plays a significant role in the following:

- Induction of new directors
- Providing the board with relevant information on regulatory and legislative changes
- Providing guidance to directors individually and collectively on their duties and responsibilities to the company
- Providing guidance and advice to the board on matters of ethics and good governance
- Communication with the shareholder
- Facilitating and ensuring compliance with the King Code, the Companies Act, the PFMA and other legislation

The directors have unrestricted access to the advice and services of the Company Secretary.

The Company Secretary ensured that all reports and returns to relevant supervisory institutions were submitted during the year under review.

STAKEHOLDER MANAGEMENT

EDI Holdings believes it is in the company's best interest to maintain active and open communication with its stakeholders regarding the EDI restructuring process.

The Company recognises its ongoing responsibility to disclose all relevant information to stakeholders. This recognition is coupled with the equal treatment of all stakeholders. The various methods of interaction include, among others, interaction via stakeholder fora, publications and media. All reports to stakeholders present a comprehensive and objective assessment of the company so that all relevant stakeholders with legitimate interests in the company's affairs, operations and conduct, are apprised of a complete, fair and responsible account of its performance and impact.

HUMAN RESOURCE MANAGEMENT

SOCIAL RESPONSIBILITY

The EDI Holdings Corporate Social Investment (CSI) Programme is undertaken or implemented closely with individuals and communities as an integral part of the Company's operations. As a result, CSI at EDI Holdings is becoming a key component of the business strategy. EDI Holdings is committed to contributing positively to the development and growth of all our stakeholders.

HEALTH, SAFETY AND SECURITY

The Directors acknowledge their accountability to all

employees and the public with regards to Safety, Health and the Environment (SHE). Executive Management have been delegated the responsibility of ensuring that all legislative and regulatory requirements such as the Occupational Health and Safety Act (OHSA) are adhered to.

WELLNESS

In order to help prevent and combat the HIV/AIDS pandemic in South Africa, EDI Holdings has committed itself through its adopted HIV/AIDS Policy to assist and support employees in terms of education, voluntary counselling and testing initiatives. These services are an integral part of our long established Wellness Programme.

The Empilweni (Health, Abundance, Life) Wellness Programme at EDI Holdings aims to empower the employees with the tools they need to take responsibility for their own health by living well. In doing so, this directly contributes to the physical, mental, emotional, spiritual, occupational, social and environmental aspects of their health for the long-term. A happy and healthy workforce is a motivated and productive one.

CHAIRMAN'S REPORT



Mr DM Nkosi
Chairman of the Board

INTRODUCTION

The Chairman's Report for the 2009/10 reporting period has a lot of significance for me for a number of reasons.

Firstly, whilst it is my second Chairman's Report for the organisation's annual report back to the shareholder and the rest of the stakeholders, it is the very first where I give a report for a full financial year since I joined the leadership at EDI Holdings.

Secondly, the call by the communities across the length and breadth of South Africa for improved service delivery at all levels still remained a feature of our national agenda during this period, perhaps at an even greater level than had hitherto been the case.

Thirdly, the change in political leadership following the fourth democratic elections in April 2009 altered the political landscape at both national and provincial level. This transitional period necessitated that we reduce the pace of our work in order to give the current leadership a chance to settle into their new portfolios; and take the opportunity to build consensus on the way forward.

I believe it is common cause that many a programme of Government were affected by this transitional phase and that the EDI restructuring process, of which we are the main architects, was no exception.

The socio-economic challenges facing our country persist. The reduction of poverty, inequality and unemployment remains pivotal to Government's developmental goals. These challenges continue to put pressure on electricity infrastructure to meet the citizens' expected levels of service

delivery. Our message in this regard is that the electricity distribution industry requires urgent intervention to deal with the backlog in maintenance and to meet future electricity demand.

The worst global economic recession experienced in the last two years continued to affect economic growth worldwide. This has also meant that Government's limited resources were stretched to an extent that state-owned entities like us had to find ways of generating efficiencies and cutting costs.

THE RESTRUCTURING ENVIRONMENT

Much as we acknowledge the constraints imposed on us by the prevailing socio-political environment during the period under review, the organisation continued in its mission to fulfill the critical mandate of restructuring and consolidating the electricity distribution industry.

Together with my colleagues on the Board, we continued to provide the strategic leadership and guidance entrusted upon us by the shareholder. To this end, we ensured that key activities related to EDI restructuring work; such as engagements with key stakeholders, the intensification of RED readiness preparations as well as our active role in ensuring an enabling legislative environment continued unabated. The Chief Executive Officer will elaborate further and provide details of these in her report.

With regards to the legislative environment in particular, I can report with confidence that our role and assistance to the relevant bodies responsible for this area of work have been outstanding indeed. In this regard, the following are worthy of note:

- The proposed 17th Constitutional Amendment Bill was published for public comment and also introduced in the Parliamentary system during the period under review.
- The RED Establishment Bill, which is intended to give effect to the constitutional amendment as far as it relates to electricity distribution industry issues, remained an intrinsic part of the discourse on bringing about the required enabling legislative environment, and is currently under development by the Department of Energy.

With regard to the management of financial resources under our charge, we remained cost-effective and efficient in the utilisation of the limited resources at our disposal and the favourable pronouncement we got from the auditing authorities has proven this once again.

OUR PERFORMANCE

As always, the four pillars of the organisational strategy continued to guide the Board in its leadership role to ensure the fulfillment of both the overall mandate of the organisation as well as the business plan for the 2009/10 reporting period.

As far as the Leadership pillar goes, I am pleased to report that our active and strategic role in supporting national endeavours to bring about an enabling legislative environment through policy matters such as the 17th Constitutional Amendment Bill, remained key.

Equally so were our efforts to educate relevant stakeholders on the infrastructure challenges and potential hazards facing the electricity distribution industry, as informed by the research work conducted by the Approach to Distribution Asset Management (ADAM) team.

We also continued to play an active role in all initiatives of the National Electricity Response Team (NERT), including hosting its Programme Management Unit (PMU).

On RED Creation, we continued to provide strategic guidance and leadership in all organisational efforts aimed at intensifying the signing of Accession to Co-operative Agreements by municipalities as well as the intensification of work related to ring fencing and Local Government: Municipal Systems Act 32 of 2000 (MSA) Section 78 processes by municipalities.

We have also finalised the preliminary transaction design which responds to the “Deal Issues”, which is the set of 23 issues of concern that have been raised by our stakeholders over the years of consultation with them on EDI Restructuring. The outcomes of this process have informed the commencement of fruitful preliminary negotiations with stakeholders, particularly current asset owners.

On the Advocacy front, we upped the ante in relation to our engagement with key stakeholders, in particular focusing on the need to highlight the continued importance of the EDI restructuring process to the executive authority responsible for the administration of Government during the period under review. At the same time, we ensured that our usual efforts aimed at promoting the EDI Holdings brand as well as profiling the restructuring process remained constant.

In relation to the Oversight pillar, the organisation developed an Electricity Distribution Industry (EDI) Scorecard, whose implementation will come into effect not only once the Regional Electricity Distributors (REDs) have been established, but during the transitional period as well. This scorecard will constitute the chart against which the benefits of the industry restructure will be evaluated.

OUR FUTURE

The work that our organisation has been doing since its inception in 2003 has laid a solid foundation from which we can base our future activities. We will indeed utilise this experience, with its challenges and milestones as well as lessons learnt, to build consensus with critical stakeholders as we prepare for the final implementation leg in our journey.

Thus, we approach the 2010/11 financial year determined to work harder in ensuring that the legislation that will bring about an enabling legislative environment and take the EDI restructuring process to a point of no return is attended to; by ensuring that the 17th Constitutional Amendment and RED Establishment Bills are duly given the necessary attention in Parliament.

We will also, during this period, intensify our engagement with key stakeholders as we seek to raise the bar in our quest to finalise the execution of our mandate. The six (6) months stakeholder engagement programme initiated by the Minister has already begun. Consensus on the Strategic Implementation Plan (SIP) was reached with the Department of Energy. A joint Cabinet memo by the Department together with EDI Holdings is under development for Cabinet to approve the SIP. The Minister will table the memo to Cabinet for approval once key stakeholders have been engaged, particularly the Inter-Ministerial Committee on Energy. Approval of the SIP will pave the way for the acceleration of the implementation phase of our journey towards the establishment of the REDs in the next reporting period.

We will also continue to provide leadership and guidance in relation to all RED readiness preparations; thus ensuring that

more municipalities conclude the Accession to Co-operative Agreement as well as engage in the process of ringfencing and the completion of MSA Section 78 processes.

My experience of this organisation thus far is that conviction, tenacity and commitment are the driving forces behind the team working on the EDI restructuring process. I have every reason to believe that, as usual, this team will rise to the occasion and give this mission all it has got.

ACKNOWLEDGEMENTS

My sincerest and heartfelt appreciation and gratitude go to the Minister of Energy, Ms Dipuo Peters, for the support, strength and political leadership she continues to provide to the restructuring process.

We also extend our sincerest thanks to the Director-General of Energy, Ms. Nelisiwe Magubane, the entire Department and other National and Provincial Government Departments for their continued support and guidance.

We must also pay special tribute to the former Minister of Minerals and Energy, Ms Buyelwa Sonjica and the former Director-General of Minerals and Energy, Advocate Sandile Nogxina for having championed the cause of EDI restructuring with aplomb during their tenure.

We extend as well our heartfelt thanks and appreciation to the Cabinet, Inter-Ministerial Committee on Energy, and the Parliamentary Portfolio Committee on Energy for providing political direction and support.

Our thanks also go to all Premiers, Executive Mayors, Councillors and Municipal Managers; as well as key

stakeholders including Organised Labour, SALGA, Eskom and Organised Business, for their participation in and support to the restructuring process.

To my colleagues on the Board of EDI Holdings, I extend my sincerest and heartfelt appreciation and gratitude for their wisdom, guidance, commitment and determination in helping to steer the restructuring process in the right direction.

Last but certainly not least, my unreserved and sincerest gratitude goes to our Chief Executive, Ms Phindile Nzimande and her entire team for showing such unwavering tenacity, passion, and enthusiasm in executing the mandate to restructure the electricity distribution industry.

Working together, we certainly will create viable and efficient REDs for affordable, accessible and reliable electricity for all.

Many thanks!



Duma M. Nkosi (Mr)
Chairman

CHIEF EXECUTIVE OFFICER'S REPORT



Ms P Nzimande
Chief Executive Officer

INTRODUCTION

EDI Holdings entered the 2009/10 reporting period anticipating the intensification of national efforts to bring about a conducive and enabling legislative environment that would facilitate the speedy completion of our mandate to create the REDs.

In view of this, we forged ahead with our RED readiness programme, in particular the completion of ringfencing and Local Government: Municipal Systems Act 32 of 2000 (MSA) Section 78 processes to ensure that, once the legislative path has been cleared, all electricity distributing municipalities and Eskom are ready to join the REDs.

Equally so, we carried out the other responsibilities placed on us by our principals in relation to the broader electricity industry, in particular our role in the National Electricity Response Team (NERT) and its activities, as well as efforts led by us to find solutions to the infrastructure challenges facing the Electricity Distribution Industry (EDI).

We also entered this period buoyed by the knowledge that we were ready to take the EDI restructuring process to its logical conclusion, having formulated the Strategic Implementation Plan (SIP), together with the concomitant Restructure Roadmap, which would inform the navigation of the last miles of the restructuring journey.

The first three quarters of this reporting period fell in a critical year for the country. This was the year of the fourth democratic elections, whose outcome reconfigured the political leadership of the country, at both national and provincial government level. It also brought about a review and re-evaluation of Government programmes, and the EDI restructuring process was no exception, as it required that

the newly-elected public representatives be given sufficient time to settle into their new portfolios and determine their programme of action.

The intermittent service delivery protests that we have witnessed during the preceding year also gained momentum and intensity during this period, highlighting the issues that concern communities, including access to affordable and reliable electricity.

Notwithstanding this, Team EDI Holdings did not slow down, but forged ahead with the work related to readiness preparations, the response to the electricity supply challenge facing the country, as well as the infrastructure challenges facing the EDI in particular. Most importantly, we raised the bar with regard to engagement with key stakeholders, and created the necessary awareness of the challenges facing the industry and the urgency to find a lasting solution.

As we report back on the financial year that has passed, we are certain that given the appropriate legislative environment and consensus of key stakeholders, in particular asset owners and signatories, our mandate to restructure and consolidate this industry into financially viable independent REDs will soon be achieved.

RESTRUCTURING LEGISLATIVE ENVIRONMENT

The necessity to have an enabling policy and legislative environment to allow for a smooth completion of the EDI restructuring process remained a priority during this reporting period.

Hence, we did not reduce the pace and intensity of our work, co-operating with the Department of Energy (DoE), the Department of Justice and Constitutional Development



(DoJ&CD), the EDI Restructuring Task Team (EDIRTT) and the Inter-Ministerial Committee (IMC) on Energy, towards ensuring the finalisation of the outstanding legislation.

In this regard, the following should be noted:

- The proposed 17th Constitutional Amendment Bill was approved by Cabinet in April 2009, published for public comment in June 2009 and was introduced in the Parliamentary system in August 2009.
- The RED Establishment Bill, which is intended to give effect to the constitutional amendment as far as it relates to EDI restructuring, remained an intrinsic part of the discourse on bringing about the required enabling legislative environment, and is currently under development by the Department of Energy.

PERFORMANCE OVERVIEW

Business strategy

The business strategy of the organisation continued to inform our annual programme, with the four strategic pillars forming its basis. The four pillars are Industry Leadership, RED Creation, RED Oversight and Advocacy; and are in turn underpinned by the organisation's mandate, vision, mission and values.

The Strategic Implementation Plan (SIP), which articulates a transformative vision of the EDI, was concluded in the beginning of the reporting period. It was against this backdrop of fundamentally changing the industry that the SIP had to be approved by Cabinet.

The SIP was concluded during the transitional period when the incumbent Honourable Minister Dipuo Peters was

appointed Minister of Energy. It was therefore necessary that the Minister engage political principals as well as other political structures to pave the way for the submission of the SIP for Cabinet approval. This was further communicated by the Minister through a letter to the EDI Holdings Board in July 2009, wherein she advised that all SIP related activities be put in abeyance until she has completed her engagement with political principals and key stakeholders. However, the Minister wisely advised that we channel our focus on activities that would lay a solid foundation to accelerate the implementation phase once the SIP is approved.

In compliance with the Minister's letter of July 2009, we had to scale down restructure initiatives, most of which were premised on the SIP. The focus of our work during this period was thus consolidating and strengthening existing programmes in preparation for the implementation phase of the EDI restructuring programme. We are confident that the SIP, which forms the basis of the implementation phase of the EDI restructure programme, will be approved and implemented within the next reporting period.

The key highlights for the year, the detail of which is contained in the organisational scorecard for the period under review, are as follows:

Financial Management

During the period under review, we were consistent with our established practice of applying prudence and efficiency in the management of our finances.

We obtained funding through the National Energy Regulator of South Africa (NERSA) amounting to R1.2 billion over a three-year period, for the restructuring of the electricity distribution industry, effective from 1 April 2006 to 31 March 2009.

This funding, which is from the NERSA-approved ESKOM Multi-Year Price Determination (MYPD) for the period 2006 to 2009, was received from ESKOM, which is the collection agent. As at the end of March 2010, the total amount received in respect of the MYPD transfer payments amounted to R733.5 million (2009: R378.9 million).

An amount of R394.6 million (2009: R118.6 million) has been received during the current financial year as part payment of the R1.2 billion MYPD Restructuring funding.

Total income received for the year in respect of Government funding, interest and other income amounted to R195.7 million (2009: R260.5 million). Of this income, an amount of R72.2 million (2009: R69.2 million) was received from the Department of Energy (DoE) to cover corporate operational expenditure, whilst the balance of R98 million (2009: R153.7 million) was released from the conditional grant.

Operational expenditure for the financial period amounted to R208.8 million (2009: R258.4 million). The net result of the year reflects a net surplus amounting to (R13.1) million (2009: R2.1 million).

No provision for taxation has been made in the financial statements of the company since the company is exempt from taxation in terms of section 10(1) (CA) (ii) of the Income Tax Act, act no 58 of 1962, as amended. Unutilised Government grants and funding amounted to R496.2 million (2009: R191.4 million) as at the end of the financial year.

Industry Leadership

- We continued to provide strategic support to the DoE on the proposed 17th Constitutional Amendment Bill which seeks to amend Section 156 of the Constitution

by inserting a new subsection allowing national legislation to further regulate the executive authority of municipalities in respect of local government matters listed in Part B of Schedule 4 and Part B of Schedule 5 of the Constitution.

- We conducted an in-depth study of the ringfenced municipalities' data to acquire comprehensive insight into the state of municipalities as well as operation of the electricity distribution systems. We have commenced an analysis of the information obtained during ringfencing from the various municipalities that had completed the ringfencing exercise and, where possible, to verify the extent of EDI challenges.
- We continued to serve on the National Electricity Response Team (NERT) and its workgroups, in our assigned role as convener and chairman of the Co-Generation task team, as well as host of the Programme Management Unit of NERT.
- We completed the National Goals project and the accompanying scorecard for the EDI in the country. The approval process in this regard was put on hold following receipt of the Minister of Energy's letter requesting that all activities relating to the Strategic Implementation Plan (SIP) be put in abeyance.
- We completed the social and economic impact assessment of the EDIR process, particularly the transaction on various key stakeholders, and some valuable insights were obtained. The report is in the process of approval as part of the SIP.
- We continued to provide strategic leadership in respect of the industry framework and institutional arrangement.

RED Creation

We have continued with readiness preparations towards RED creation. On a strategic front a number of activities were completed. The RED business case was augmented and finalised.

To this end, we are pleased to report as follows. As at 31 March 2010:

- Cumulatively, a total of 150 out of 187 electricity distributing municipalities had signed the Accession to Co-operative Agreement. As at 31 March 2010, nine (9) of these were signed during the reporting period.
- Ringfenced thirty three (33) of the fifty six (56) municipalities that commenced with the ringfencing exercise in preparation for the ultimate transfer of their electricity distribution assets to the REDs during this period.
- As at 31 March 2010, thirty three (33) municipalities had completed their ringfencing process. 14 were 100 per cent complete in the current reporting period, while the remaining 19 had finished all onsite ringfencing work and were being processed internally within EDI Holdings.
- Eskom, on the other hand, was 98 per cent ringfenced as at 31 March 2010.

Oversight

While the EDI Holdings oversight role will only play out to its full extent once the REDs are established, some oversight progress was made in this regard during the year under

review. With respect to the development of the national goals framework and a strategy to contribute to the enhancement of service delivery, the project was finalised.

The EDI industry scorecard framework was developed in line with national goals and the following are the categories of the framework:

- **National Outcomes** - the highest order of goals for industry restructuring which describe the impact that the end-state industry must have on the lives of our citizens, the economy, the electricity distribution industry and its employees.
- **Industry Outcomes** - the goals that describe the health and level of performance of the Transitional and End-state industry that will deliver the impact described by the National Outcomes.
- **Restructuring Principles** - a set of agreed conditions with which the restructuring process must comply.

Advocacy

Our effort to advocate for the EDI restructuring process continued in the period under review. We formulated our Advocacy Strategy and Approach which was translated into a high level stakeholder engagement and advocacy plan for the year. Given the change in political leadership as a result of the democratic elections, we developed a transitional plan to guide how we manage the pre and post elections political environment. With the guidance of the Minister and the Department of Energy, an effective six months stakeholder engagement plan was developed and finalised in December 2009 and subsequently implemented.

Various activities were embarked upon during this period, relating to engagement with key stakeholders as well as the

promotion and profiling of the EDI Holdings brand and the EDI restructuring process. Significant developments during the reporting period include the following:

- The MIN/MEC of the Ministry for Cooperative Governance and Traditional Affairs (COGTA) resolved that provincial visits to the individual MECs be undertaken in order to ensure that MECs were fully briefed on the EDIR process and were able to provide political championship on the implementation of this national programme.
- The Gauteng Provincial Government, represented by the MEC for Local Government and Housing gave support to the EDIR and established a technical team to engage us on pertinent matters relating to EDIR in the Province.
- Our engagement and consultative processes with the South African Local Government Association (SALGA) were strengthened and consolidated during the review period.
- The negotiations in the Transitional Labour Relations Structure (TLRS) resulted in a significant milestone being reached after more than 2 years of intense deliberations at the TLRS. The following critical Collective Agreements were adopted by all participants:
 - The Employee Transfer Agreement;
 - The Placement and Migration Agreement; and
 - The Regional Transitional Labour Relations Structure Agreement.

The signature of these agreements proved to be a challenge, but we are confident that the process will be finalised, signed and sealed in the next financial year.

The advocacy activities carried out during the period under review were instrumental in establishing good and sound relationship with the new political leadership. The outcomes of these meaningful engagements were fruitful and yielded good support of the EDIR process.

THE ROAD AHEAD

We have reached a critical stage in our restructuring journey and are now poised to deliver on the mandate to create the Regional Electricity Distributors (REDs) as mandated by Government and for the benefit of the people of South Africa.

Our collective experience of the past years, the challenges encountered, as well as the milestones achieved on this journey so far, have been insightful and will be instructive in informing the way forward, as illustrated in our revised EDI Restructure Roadmap.

We will build on these experiences, challenges and milestones as we seek to create consensus with critical stakeholders, in particular asset owners, on a strategic implementation approach for the establishment of the REDs. Consensus on the EDIR implementation model as expressed in the SIP has been reached with the DoE. This was further acknowledged by the Minister through a letter to the EDI Holdings Board in March 2010, wherein she advised that a memo to solicit Cabinet approval will be tabled to Cabinet once the Minister has consulted with key stakeholders, especially the Inter-Ministerial Committee on Energy. We also recognise that the creation of an enabling policy and legislative environment remains critical. As such, we will expend more energy and spare no effort on the work we started a few years ago in providing support and assistance to the national drivers of

this project, aimed specifically at ensuring the enactment of the 17th Constitutional Amendment Bill and the RED Establishment Bill in the next financial year and reporting period.

We will intensify readiness preparations, with the key focus on ensuring that all the remaining municipalities sign Accession to Co-Operative Agreements, and that the completion of ringfencing and MSA Section 78 processes is achieved.

We will also remain active in broader electricity industry issues such as the electricity emergency response programme and finding solutions for the ailing electricity distribution infrastructure.

OUR PEOPLE

During the period under review, we continued with our deliberate efforts aimed at looking after the interests of our employees, whom we regard as our most valued assets. The training and development of staff was taken to new heights to ensure that they acquire the requisite knowledge and skills to deliver in their respective capacities, as well as equip them for work and economic life beyond the EDI restructuring project.

Over and above this, we established the Employee Performance Excellence Team (EPET), a structure composed of staff members appointed by their colleagues, to forge a shared vision amongst staff within EDI Holdings, create a vibrant morale within the organisation through celebrating successes as well as staff recognition, and looking after training and development of staff in the organisation. Employee engagement is engendered and the EPET facilitates and processes employee suggestions for business improvements. EPET also look after the Employee

Wellness Programme of the organisation, called Empilweni, which was launched during the year under review.

We introduced a revised Remuneration and Reward Policy, as well as the Performance Management System, both of which were approved by the Board during this period. This was done to ensure that we bring our practices in this regard in line with industry norms and to precipitate a culture of high performance within the organisation.

On the community and sporting front, we joined in the patriotic spirit of the country's celebrations of the 2010 FIFA World Cup. As EDI Holdings we wish our national team, Bafana Bafana all the success in this historic tournament, which is a first for Africa. We are confident that Bafana Bafana will do us proud!

ACKNOWLEDGEMENTS

At the outset, my sincerest and heartfelt appreciation and thanks go to the Honourable Minister of Energy, Ms Dipuo Peters. We at EDI Holdings have been humbled by how, since her appointment to the energy portfolio, she has fully embraced the EDI restructuring process and took over the mantle of being its political champion and ambassador.

We also salute the incumbent Director-General of Energy, Ms Nelisiwe Magubane and the Department of Energy for continuing to support the restructuring process and providing invaluable leadership on policy matters related to the project.

The former Minister of Minerals and Energy, Ms Buyelwa Sonjica and the former Director-General of Minerals and Energy, Advocate Sandile Nogxina deserve special thanks

for the sterling leadership they provided during their tenure, as well as for ensuring a smooth transition to the current leadership.

We are also grateful to still be able to rely on the support of other Government departments and structures at National, Provincial and Local Government level, Premiers, Executive Mayors and Councillors. The same goes to key stakeholders such as Organised Labour (NUM, NUMSA, SAMWU, SOLIDARITY and IMATU) the South African Local Government Association (SALGA), Eskom, Organised Business, as well as various other stakeholders.

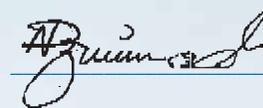
To the Chairman of the Board of EDI Holdings, Mr Duma Nkosi and my other colleagues on the Board, I extend my sincerest gratitude and appreciation for your continued wise counsel, support and strategic guidance. I am truly honoured to serve with you as part of the leadership core at EDI Holdings.

To my teammates on Team EDI Holdings, I thank you from the bottom of my heart for your continued commitment, dedication and loyalty to this organisation and to the EDI restructuring cause. It is an honour for me to be part of such a great team.

As we ready ourselves to step into the final stretch of the journey that began about seven years ago, let the team spirit, tenacity and enduring resilience that has become our hallmark, carry us through once again. I am confident that we are capable of combining these attributes and our long-established relations with our various stakeholders, to build consensus towards our implementation plan and the eventual creation of the Regional Electricity Distributors (REDs) as mandated by the Government.

We are the team that can make it happen!

One Team, One Nation, One Goal!



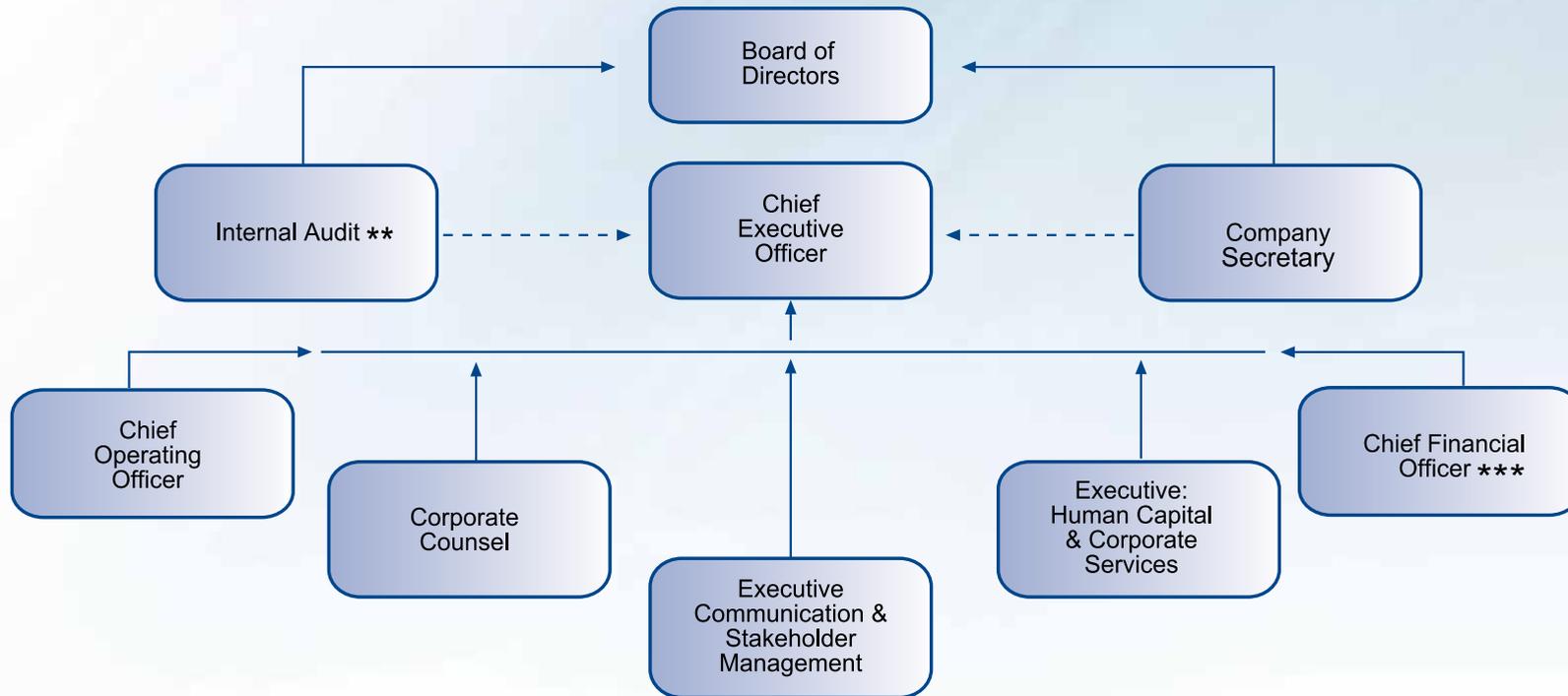
Phindile Nzimande (Ms)
Chief Executive Officer

HUMAN CAPITAL

PART TWO

Electricity Distribution Industry Holdings (Pty) Ltd (Registration Number 2003/005572/07)

EDI HOLDINGS ORGANISATIONAL STRUCTURE



- ** Outsourced
- ← Functional Responsibility
- ← - - Administrative Responsibility
- *** Acting

BOARD OF DIRECTORS



Ms P Nzimande
Chief Executive Officer



Mr DM Nkosi
Chairman



Dr WJ de Beer
Chief Operating Officer



Mr MM Ntsokolo
Member of Programme Management Committee



Dr ZZR Rustumjee
Member of Audit and Risk Management Committee



Mr X George
Member of Human Capital and Remuneration Committee



Mr RS Maphumulo
Chairman of Programme Management Committee



Mr OJ Komane
Chairman of Human Capital and Remuneration Committee



Mr EC Kieswetter
Member of Programme Management Committee



Mr RJ Field
Member of Human Capital & Remuneration and Communication and Advocacy Committees



Mr TA Audat
Member of Finance and Procurement Committee



Mr AB Ally
Chairman of Finance and Procurement Committee and Member of Communication and Advocacy Committee



Mr L Joel
Chairman of Communication and Advocacy Committee and Member of Finance and Procurement Committee



Mr KJ Morgan
Member of Audit and Risk Management Committee



Mr JRD Modise
Chairman of Audit and Risk Management Committee

EXECUTIVE MANAGEMENT



Ms P Nzimande
Chief Executive Officer



Dr WJ de Beer
Chief Operating Officer



Mr J Moshesh
Act Chief Financial Officer



Mr M Musi
Executive: Communication and Stakeholder Management



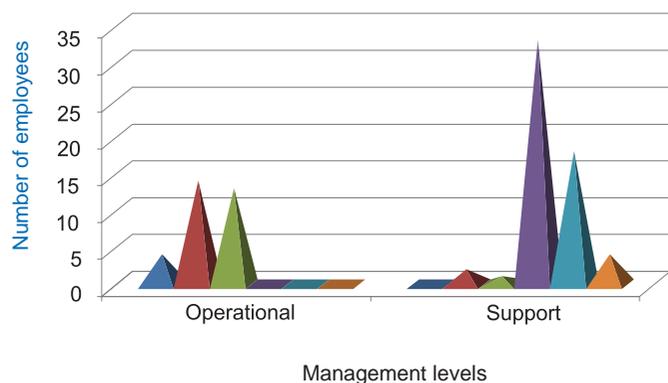
Mr S Dlamini
Company Secretary/Corporate Counsel



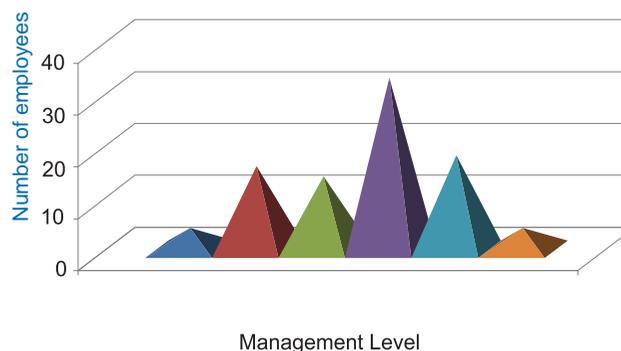
Mr ST Nkese
Executive: Human Capital and Corporate Services

STAFF ESTABLISHMENT REPORT

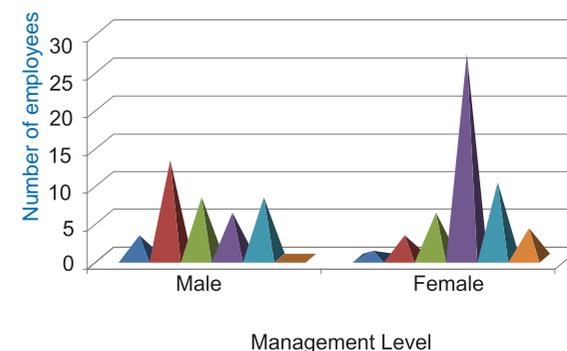
TOTAL EMPLOYEES BY MANAGEMENT LEVELS



TOTAL EMPLOYEES BY JOB LEVELS



TOTAL EMPLOYEES BY GENDER CATEGORIES



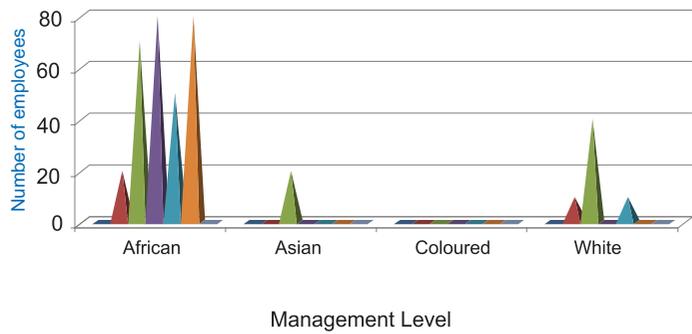
MANAGEMENT LEVEL

Executive Management
Senior Management
Management
Specialist Skills
Discretionary Skills
Basic Skills
Grand Total
% Total Employees

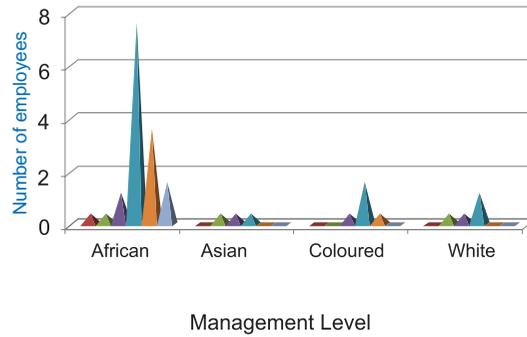
Employees	Job Levels			Gender Classification				
	Number	%	Operational	Support	Total	Male	Female	Total
Executive Management	4	4%	4	0	4	3	1	4
Senior Management	16	19%	14	2	16	13	3	16
Management	14	16%	13	1	14	8	6	14
Specialist Skills	33	37%	0	33	33	6	27	33
Discretionary Skills	18	20%	0	18	18	8	10	18
Basic Skills	4	4%	0	4	4	0	4	4
Grand Total	89	100%	31	58	89	38	51	89
% Total Employees		100%	35%	65%	100%	43%	57%	100%

- Basic Skills
- Discretionary Skills
- Specialist Skills
- Management
- Senior Management
- Executive management

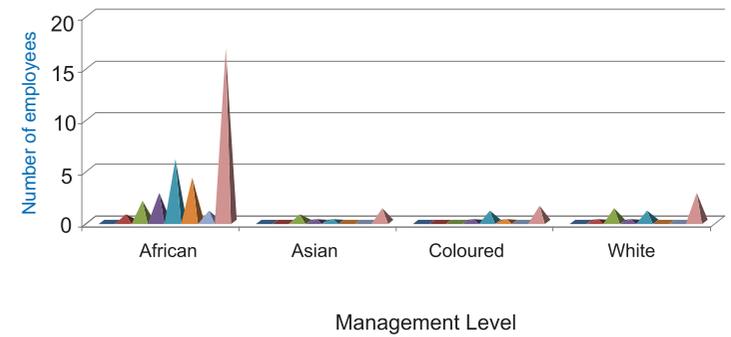
MALE EMPLOYEES BY RACIAL COMPOSITION



FEMALE EMPLOYEES BY RACIAL COMPOSITION



TOTAL EMPLOYEES BY RACIAL COMPOSITION



MANAGEMENT LEVEL

Executive Management
 Senior Management
 Management
 Specialist Skills
 Discretionary Skills
 Basic Skills
 Grand Total
 % Total Employees

	AFRICAN			ASIAN			COLOURED			White		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total
Executive Management	2	1	3	0	0	0	0	0	0	1	0	1
Senior Management	7	1	8	2	1	3	0	0	0	4	1	5
Management	8	3	11	0	1	1	0	1	1	0	1	1
Specialist Skills	5	19	24	0	1	1	0	4	4	1	3	4
Discretionary Skills	8	9	17	0	0	0	0	1	1	0	0	0
Basic Skills	0	4	4	0	0	0	0	0	0	0	0	0
Grand Total	30	37	67	2	3	5	0	6	6	6	5	11
% Total Employees	45%	55%	100%	40%	60%	100%	0%	100%	100%	55%	45%	100%

- Basic Skills
- Discretionary Skills
- Specialist Skills
- Management
- Senior Management
- Executive management



EMPLOYMENT EQUITY PLAN

EDI Holdings exceeded its employment equity targets in some categories, whilst it fell short in others. The details are as follows:

- Black employees (i.e. African, Asian and Coloured)
 - Target: 89%
 - Actual: 87%
- Female employees
 - Target: 69%
 - Actual: 56%
- Disabled employees
 - Target: 10%
 - Actual: 0%

The employment targets were based on the full staff complement of 106. As at 31 March 2010, the staff compliment stood at 89.

The proposed targets took into account EDI Holdings' strategic objectives and shall be achieved, *inter alia*, by:

- Proactively seeking employment equity candidates to establish gender, racial and disability equity at all occupation levels; and
- Giving purposeful consideration to employment equity candidates, who are suitably qualified, based on experience, prior learning, qualification and potential.

A policy on representivity of employees with disabilities is in place. EDI Holdings is working with other Governmental structures to improve the representivity of people with disabilities.

BASIS OF REMUNERATION

All EDI Holdings posts have been evaluated according to the TASK grading system. This system has been utilised to grade all role profiles and benchmark salary structures.

HUMAN CAPITAL COSTS

EDI Holdings was established as a project management company with a limited lifespan and the focus has therefore been on employing people with high level skills within specialist fields. EDI Holdings utilises talent management to ensure that the Company is operationally efficient and effective. This ensures the Company's current and future success. All talented individuals within the organisation are identified and appropriate plans put in place to ensure the continuation of their critical deliverables. It is the policy of EDI Holdings to remunerate employees on a "total-cost-to-company" basis. The company also provides such benefits as medical aid, death and disability cover as well as pension.

Total personnel costs for the financial year were:
R62, 017,000

Overtime paid for the year was:
R210 000,000

Incentives paid for the year were:
Total: R6 839 241

The total number of days' sick leave taken was:
384 days

No injury, illness or death resulting from official duty or work-related environment occurred during this financial period.

PROGRAMME PERFORMANCE

PART THREE

Electricity Distribution Industry Holdings (Pty) Ltd (Registration Number 2003/005572/07)

EDI HOLDINGS ORGANISATIONAL SCORECARD FOR APRIL 2009 TO MARCH 2010

Balanced Scorecard Perspective	Strategic Pillar	Strategic objectives Key Performance Area (KPA)	Measurement Key Performance Indicator (KPI)	Outcomes	Target/Target Date	Achieved/Not Achieved	Explanation/Comments
Financial		Management of EDI Finances	Effective Management of Operational and Restructuring budgets in line with business plan	<ul style="list-style-type: none"> Unqualified audit statements Spend vs budget (variance +/- 10% budget) 	<ul style="list-style-type: none"> Annually +/- 10% budget variance 	<p>Achieved</p> <p>Not Achieved</p>	<ul style="list-style-type: none"> Corporate Budget: 10% unfavourable variance due to transfer of service fees from Restructuring Budget Restructuring Budget: 70% favourable variance due to authorised deviation
		EDI Holdings operated in full compliance with its governance framework and recognised good governance	Compliance with King Report Code of Corporate Practices and other relevant statutory requirements	<ul style="list-style-type: none"> Compliance with all associated corporate governance and statutory requirements Identify requirements to adopt and implement King III and present to board 	<ul style="list-style-type: none"> 100% compliance Sept 2009 	Achieved	<ul style="list-style-type: none"> A risk and issue management methodology has been developed and is monitored and evaluated through the Audit and Risk Committee on an ongoing basis. EDI Holdings implemented a Risk Management Tracking System (CURA) Substantially compliant to King II and 100% to PFMA on adopted corporate governance practices
Customer	Industry Leadership	National Goals determined and implemented	National Goals and metrics defined with accompanying industry scorecard detailing targets and baselines	<ul style="list-style-type: none"> National Goals and Industry Scorecard developed 	<ul style="list-style-type: none"> Sept 2009 	Achieved	The national goals project completed, targets defined with scorecard and Implementation will be post RED establishment.
		Social and Economic Impact Assessments conducted	Social and Economic Impact Assessment of restructuring conducted	<ul style="list-style-type: none"> Social and economic impact quantified 	<ul style="list-style-type: none"> Sept 2009 	Achieved	Social and Economic Impact Assessment of restructuring completed
		EDI infrastructure stabilised (asset management)	Approach to Distribution Asset Management (ADAM) plan developed and approved	<ul style="list-style-type: none"> ADAM project plan developed and approved 	<ul style="list-style-type: none"> Sept 2009 	Achieved	ADAM plan approved by the relevant parties.

Balanced Scorecard Perspective	Strategic Pillar	Strategic objectives Key Performance Area (KPA)	Measurement Key Performance Indicator (KPI)	Outcomes	Target/Target Date	Achieved/Not Achieved	Explanation/ Comments
	Creation	Readiness preparation – Prepare the environment to be ready for entry into the restructured industry	Develop an enabling legislative environment.	<ul style="list-style-type: none"> Constitutional amendment drafted and submitted Draft RED Establishment Bill (REB) developed and submitted for approval REB passed Regulations developed and submitted for approval 	<ul style="list-style-type: none"> Sept 2009 Sept 2009 Sept 2009 March 2010 March 2010 March 2010 	Not achieved	<ul style="list-style-type: none"> The Constitution 17th Amendment Bill was introduced in Parliament on 13/8/2009 following approval by Cabinet. Consultations are underway to enable the process to unfold. With DoJ&CD and DoE driving the process, EDI Holdings is providing support. The REB and the Regulations await the Constitutional Amendment Bill to be passed by Parliament.
			Municipalities and Eskom ready for transfer of assets	<ul style="list-style-type: none"> All phase 1 ringfencing projects completed Ringfencing preparation concluded for 56 municipalities 	<ul style="list-style-type: none"> March 2010 	Partially Achieved	<ul style="list-style-type: none"> As at 31 December 2009 a total of 32 municipal ringfencing reports were received and accepted. The readiness activities (ringfencing) are now limited to 43 projects.
	Advocacy	Effective labour relations management	labour relations plans and strategies developed and implemented	<ul style="list-style-type: none"> TLRS collective agreements agreed and signed 	<ul style="list-style-type: none"> March 2010 	Not Achieved	<p>The following agreements finalised and awaiting signatures:</p> <ul style="list-style-type: none"> Transfer Agreement Placement and Migration of Staff Establishment of RTLRS.
Internal Systems		Ongoing adherence to project management methodology	All projects tracked as per project management methodology	<ul style="list-style-type: none"> Project (programme) capital spend vs budget Overall programme progress against plan Project risks and issues Project reporting 	<ul style="list-style-type: none"> Quarterly 	Achieved	EDI Holdings received a clean audit report based on the registered projects which were audited.
		Effective contract management	Contracts managed and monitored against service delivery to ensure performance is in line with terms of reference	<ul style="list-style-type: none"> Number of complaints arising from past and existing contracts 	<ul style="list-style-type: none"> No legal risks arising from ineffective contract management 	Achieved	Contracts with various service providers logged and managed consistently

Balanced Scorecard Perspective	Strategic Pillar	Strategic objectives Key Performance Area (KPA)	Measurement Key Performance Indicator (KPI)	Outcomes	Target/Target Date	Achieved/Not Achieved	Explanation/Comments
		Create efficient and effective standard operating procedures	Development and implementation of standard operating procedures for administration	<ul style="list-style-type: none"> Identify which procedures and processes are necessary and currently in place Compliance to procedures and processes Revisions of critical organisational policies and procedures approved Compliance to revised policies and procedures 	<ul style="list-style-type: none"> Sept 2009 Sept 2009 Sept 2009 March 2010 	Achieved	Standard operating procedures are being developed continuously
Learning and Growth		Promote best practice human capital management within EDI Holdings	Organisational culture for excellent organisational performance defined and Organisational culture supporting initiatives implemented	<ul style="list-style-type: none"> Employee engagement (survey) Entropy score (survey) 	<ul style="list-style-type: none"> March 2010 	Partially Achieved	Various initiatives undertaken, but a more dedicated change management programme required
			EDI Holdings is recognised as a socially responsible organisation	<ul style="list-style-type: none"> Develop generic CSI strategies and policies for the industry 	<ul style="list-style-type: none"> March 2010 	Partially Achieved	Projects undertaken a beginning, more consistent approach required
			Performance of EDI Holdings against planned employment equity targets	<ul style="list-style-type: none"> Overall EDI Equity target 	<ul style="list-style-type: none"> 100% achievement of plan 	Partially achieved.	Achieved at an organisational level – Partially achieved at divisional level.
			Percentage of training and development implemented and activities completed	<ul style="list-style-type: none"> Percent employees with PDPs Training days per employee per year (#) Compliance with Skills Development Act Refund of skills levy refunds (discretionary and mandatory) Extensive training and change management interventions implemented 	<ul style="list-style-type: none"> 100% achievement of plan 100% achievement of plan 100% compliance Refunds received March 2010 	Partially achieved	Training as per the personal development plans taking place, but 100% remains a challenge

ANNUAL FINANCIAL STATEMENTS

PART FOUR

Electricity Distribution Industry Holdings (Pty) Ltd (Registration Number 2003/005572/07)

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2010

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Report of the Auditor-General	36-37
Report of the Audit and Risk Management Committee	38-40
Report of the Directors	41-45
Statement of financial position	46
Statement of financial performance	47
Statement of changes in net assets	48
Cash flow statement	49
Notes to the annual financial statements	50-75
Supplement to the annual financial statements	76

Country of incorporation:	South Africa	Audit and Risk Management Committee:	Mr JRD Modise (Chairperson) Dr ZZR Rustomjee Mr KJ Morgan Mr Z Sithole (co-opted)
Nature of business:	Restructuring of electricity distribution industry in South Africa	Finance and Procurement Committee:	Mr AB Ally (Chairperson) Mr TA Audat Mr L Joel
Directors:	Mr DM Nkosi (Chairperson) Dr ZZR Rustomjee Mr AB Ally Mr OJ Komane Mr RS Maphumulo Mr RJ Field Mr KJ Morgan Mr L Joel Mr EC Kieswetter Mr MM Ntsokolo Mr JRD Modise Mr X George Mr TA Audat Ms P Nzimande Dr WJ de Beer	Human Capital and Remuneration Committee:	Mr OJ Komane (Chairperson) Mr RJ Field Mr X George Mr DM Nkosi
Policy and Strategy Committee:	Mr D M Nkosi (Chairperson) Mr AB Ally Dr ZZR Rustomjee Mr KJ Morgan Mr RS Maphumulo Mr X George Mr EC Kieswetter Mr OJ Komane Mr JRD Modise Mr MM Ntsokolo	Programme Management Board Committee:	Mr RS Maphumulo (Chairperson) Mr EC Kieswetter Mr MM Ntsokolo
		Communication and Advocacy Committee:	Mr L Joel (Chairperson) Mr RJ Field Mr AB Ally

Governing Legislation	Public Finance Management Act, Act no.1 of 1999 (as amended by Act 29 of 1999), and the Companies Act, Act no 61 of 1973. (Scheduled 3A Public Entity)
Date of incorporation	11 March 2003
Business address	Presidia Building 255 Paul Kruger Street, Pretoria 0002
Postal address	Private Bag X166, Pretoria, 0001
Bankers	First National Bank Corporate Services Bank City, Johannesburg
Auditors	AUDITOR-GENERAL OF SOUTH AFRICA
Company registration number	2003 / 005572 / 07
Registered office	Presidia Building 255 Paul Kruger Street, Pretoria, 0002

APPROVAL AND STATEMENT OF RESPONSIBILITY

DIRECTOR'S STATEMENT OF RESPONSIBILITY

The board of directors is responsible, through management, for ensuring the maintenance of adequate accounting records and the preparation and integrity of the financial statements and related information. The auditors are responsible for independently auditing and reporting on the fair presentation of financial statements in conformity with International Standards on Auditing. The financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board.

The board of directors is also responsible, through management, for ensuring the company's system of internal financial control. This is designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect misstatement and loss. Nothing has come to the attention

of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The annual financial statements have been prepared on a going concern basis, since the directors have every reason to believe that the company has adequate resources in place to continue in operation for the foreseeable future.

The financial statements for the year ended 31 March 2010 which appear on pages 48 to 75 have been approved by the board of directors and are signed on its behalf by:



Mr DM Nkosi
Board Chairperson



Mr JRD Modise
Director

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF EDI HOLDINGS (PROPRIETARY) LIMITED FOR THE YEAR ENDED 31 MARCH 2010

REPORT ON THE FINANCIAL STATEMENTS

Introduction

I have audited the accompanying financial statements of the Electricity Distribution Industry Holdings Proprietary Limited, which comprise the statement of financial position as at 31 March 2010, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information, accounting authority's report, as set out on pages 38 to 76.

Accounting Authority's responsibility for the financial statements

The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP), and in a manner required by the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA) and the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor-General's responsibility

As required by section 188 of the Constitution of South Africa and section 4 of the Public Audit Act of South Africa, my responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with International Standards on Auditing and General Notice 1570 of 2009 issued in Government Gazette 32758 of 27 November 2009. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Electricity Distribution Industry Holdings (Pty) Ltd as at 31 March 2010 and its financial performance, and its cash flows for the year then ended in all material respects, in accordance with Statements of Generally Recognised

Accounting Practice (GRAP) and in a manner required by the PFMA and the Companies Act.

Emphasis of Matter

I draw attention to the matter below. My opinion is not modified in respect of this matter:

Significant uncertainties

With reference to note 23.4 to the financial statements, the entity is the defendant in a legal claim amounting to R4 850 360 relating to a dispute with a service provider. The ultimate outcome of the matter cannot presently be determined, and no provision for any liability that may result has been made in the financial statements.

Irregular expenditure

As disclosed in note 23.1 to the financial statements, irregular expenditure to the amount of R5 122 078 was incurred, as a proper procurement process had not been followed in time regarding extension of consultants' contracts.

Further disclosed in note 23.1 to the financial statements, irregular expenditure was incurred based on payments amounting to R4 219 000 made to third parties on behalf of the Department of Energy which is in contravention of National Treasury Practice Note 4 of 2006/2007.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the PAA of South Africa and General notice 1570 of 2009, issued in Government Gazette No. 32758 of 27 November 2009 I include below my findings on the report on predetermined objectives and compliance with the PFMA.

REPORT OF THE AUDITOR-GENERAL TO PARLIAMENT ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF EDI HOLDINGS (PROPRIETARY) LIMITED FOR THE YEAR ENDED 31 MARCH 2010

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the PAA of South Africa and General notice 1570 of 2009, issued in Government Gazette No. 32758 of 27 November 2009 I include below my findings on the report on predetermined objectives, compliance with the PFMA, Companies Act of South Africa and financial management (internal control)

Findings

Predetermined objectives

No matters to report on

Compliance with laws and regulations

No matters to report on

INTERNAL CONTROL

I considered internal control relevant to my audit of the financial statements and the report on predetermined objectives and compliance with the PFMA, but not for the purposes of expressing an opinion on the effectiveness of internal control. The matters reported below are limited to the deficiencies identified during the audit.

Auditor-General

Pretoria
31 July 2010



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

REPORT OF THE AUDIT AND RISK MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2010

RESPONSIBILITIES

The Board of Directors has the general responsibility to ensure that the company has and maintains effective, efficient and transparent systems of governance, risk management and internal control. The responsibility to ensure the adequacy and effectiveness of these systems is delegated to the Audit and Risk Management Committee. The Audit and Risk Management Committee is an advisory committee of the Board, operating as overseer with an independent and objective stance.

INTERNAL AUDITING

The Internal Audit function has conducted its affairs in compliance with the revised and approved charter and has discharged its responsibilities as contained therein.

During the year under review, the outsourced Internal Audit Activity performed a number of internal audits as per the operational plan approved by the Audit and Risk Committee, including:

- Follow-up of previous internal audit 2008/09 report findings
- High level Annual Financial Statements Review
- Corporate Governance (PFMA, Treasury Regulations & King II) & Compliance with relevant acts.
- Communication and Stakeholder management
- Performance Information Review
- Information Technology
- Asset Management
- Cash Management
- Human Capital Management
- Budgetary Controls

- Payroll Administration
- Procurement & Supply Chain Management (including Contract Management and Accounts Payable)
- Financial Management
- Project Management and Restructuring (including REDs)
- Risk Evaluation and Management
- Follow-up of:
 - Internal audit 2009/10 report findings
 - Auditor General 2008/09 management letter findings

Based on samples tested, the period covered and the results of the audit work done during the year under review, the existing control environment is fair to provide reasonable assurance that the organisation's goals and objectives will be achieved. There were some areas where the internal control systems were identified as requiring some corrective action. Towards the end of the financial year, internal audit also performed follow-up audits on previous internal and external audit findings raised during the year and found that most of the control deficiencies that were identified had been addressed or were in the process of being addressed.

Internal Audit has reported on a monthly basis to the Executive Committee Meeting and thereafter to the Audit and Risk Management Committee Meeting, in terms of audits finalised and status of corrective action taken by management.

Internal Audit will continue to focus on providing reasonable assurance in line with the mandate from the Public Finance Management Act, Treasury Regulations and King III Report with regards to;

- Risk management
- Internal controls
- Governance
- Business Processes
- Ethical Environment

Evaluate and develop recommendations for the enhancement or improvement of the processes through which:

- a. objectives and values are established and communicated;
- b. the accomplishment of objectives is monitored;
- c. accountability is ensured, and
- d. corporate values are preserved.

The Internal Audit function has been independent throughout the year under review.

The Audit and Risk Management Committee convened 6 times during the year under review. In addition to the members, persons attending the meeting by invitation include representatives of Internal Audit, the Chief Financial Officer and representatives of the Auditor-General. Where necessary the Committee met separately with internal and external auditors.

RISK MANAGEMENT

The Board is accountable for the process of Risk Management, the system of Internal Control and for establishing appropriate risk and control policies and communicating these throughout the company. It has delegated these responsibilities to the Audit and Risk Management Committee.

REPORT OF THE AUDIT AND RISK MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2010

The facilitation for the implementation of the strategic risk management process is outsourced at present and ensures that strategic risks are assessed and evaluated on an ongoing basis and assigned to relevant risk owners who ensure that mitigating strategies are put into place as prescribed in the documented Risk Management Framework. Mitigating processes include specific steps to be taken should a risk occur. This does not reduce the responsibility of the EDI Holdings Board of Directors and executive management regarding the management of risks facing the organisation and the EDI restructuring process.

Functional and operational risks are managed internally through a process aligned with the strategic risk management process.

A Risk Management report, including details regarding reportable strategic risks is presented to the Audit and Risk Management Committee on a bi-monthly basis. The key reportable strategic risks in turn are reported to the Board of Directors in such a manner that interaction takes place between the Audit and Risk Management Committee and the Board of Directors.

Strategic risks and mitigating actions are formally identified during risk assessment meetings and confirmed at monthly risk management team meetings, to ensure that strategic risks are properly managed. The most recent review of strategic risks by Executive Management and the Board was conducted in February 2010 and March 2010 respectively. The main purpose of the strategic risk assessment was to revise existing risks, identify new risks, and assess, through a structured and facilitated process, the strategic risks which may prevent EDI Holdings and the EDI Industry from achieving its stated strategic priorities / objectives.

The risk management process is structured to ensure that consideration is given to both, risks under control of EDI Holdings and those not within the ambit of EDI Holdings business operation. This is done to ensure that EDI Holdings attains its objectives. These include, amongst others, risks relating to the adequacy of the current EDI Holdings RED establishment timelines, possible non-realisation of EDI restructuring benefits, loss of key staff at EDI Holdings and the possible negative impact of the EDI restructuring on the balance of the Electricity Supply Industry.

EDI Holdings commitment to compliance with good corporate governance practices has led to the adoption of enterprise risk management principles that ensure good risk management across the entity.

The Enterprise Risk Management (ERM) process at EDI Holdings has been established to:

- Proactively identify and manage risks that may prevent EDI Holdings from achieving its objectives; and
- Comply with the Public Finance Management Act (PFMA), the related Treasury Regulations, the King Report on Governance for South Africa 2009 (King III Report) and other good governance practices that prescribe a proactive Risk Management process requiring transparency, accountability and the sound management of revenue, expenditure, assets and liabilities.

The ERM policy and procedures manual are reviewed and updated annually by the ERM team. The policy and procedures manual consists of the following documentation:

- EDI Holdings ERM Policy
- EDI Holdings ERM Framework

- EDI Holdings ERM Process and Procedures

On a monthly basis, risks are reviewed at operational level, especially regarding the risks associated with the restructuring process at a project level. In addition, strategic risks are reviewed monthly as a standing item on the Executive Committee's agenda. When operational risks and emerging issues warrant it, these items are escalated to the bi-monthly Audit and Risk Committee meeting and the quarterly Board of Directors' meeting. The management of risk is included in the performance contract and appraisal of each manager.

In addition, should any risk that can be turned into a business opportunity be identified during the risk management process, these are investigated and dealt with appropriately.

INTERNAL CONTROL SYSTEM

In establishing the internal control system, consideration was given to controls that would ensure risks are identified and mitigated against and that the company's objectives are achieved.

Key Performance Indicators, through a Balanced Scorecard methodology, are utilised to enhance the attainment of the Company's objectives.

The members of the Audit and Risk Management Committee concur with the Directors' assessment of the internal control processes as described in the financial statements and the notes thereto, including the quality of the year end management and monthly quarterly reports.

The Audit and Risk Committee is satisfied with the content and quality of the monthly reports prepared and issued by the CFO.

REPORT OF THE AUDIT AND RISK MANAGEMENT COMMITTEE FOR THE YEAR ENDED 31 MARCH 2010

FINANCIAL STATEMENTS

The Audit and Risk Management Committee has:
Reviewed and discussed with the external auditors and the Acting Chief Financial Officer the audited annual financial statements to be included in the annual report;
Reviewed external auditors management letter and management response.

The Audit and Risk Committee concurs and accepts the conclusions of the external auditors on the annual financial statements and is of the opinion that the audited financial statements be accepted.

External auditors have been independent throughout the year under review.

LEGAL AND REGULATORY COMPLIANCE

Legal and regulatory compliance is monitored by the members of the Audit and Risk Management Committee in respect of the relevant legislation applicable to the

company's operations. Major legislation and regulations under consideration (for which the company has achieved compliance except for those instances detailed in the Director's Report) includes the Companies Act and the Public Finance Management Act and Treasury Regulations.



Mr JRD Modise
Audit and Risk Management Committee Chairperson

Audit and Risk Management Committee members:

Mr JRD Modise
Dr ZZR Rustomjee
Mr KJ Morgan
Mr Z Sithole (co-opted)

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2010

The directors present their report for the year ended 31 March 2010 This report forms part of the audited financial statements.

1. DIRECTORS

The Articles of Association require that Electricity Distribution Industry Holdings (Pty) Ltd is controlled and managed by a Board comprising of sixteen directors. The board of directors is as follows:

NAME & SURNAME	DATE APPOINTED	Total no. of ordinary meetings	No. attended	Total No. of Adhoc meetings	No. attended
NON EXECUTIVE DIRECTORS					
Mr DM Nkosi (chairman)	1-Dec-2008	3	3	5	5
Mr AB Ally	1-Apr-2006	3	2	5	4
Mr RJ Field	1-Sep-2005	3	3	5	5
Mr OJ Komane	1-Apr-2006	3	2	5	3
Mr RS Maphumulo	1-Jun-2005	3	3	5	3
Mr KJ Morgan	1-Jan-2006	3	2	5	4
Mr L Joel	2-Feb-2006	3	3	5	4
Dr ZZR Rustomjee	1-Apr-2006	3	2	5	5
Mr EC Kieswetter	1-Jan-2008	3	0	5	2
Mr MM Ntsokolo	1-Jan-2008	3	2	5	3
Mr JRD Modise	1-Jan-2008	3	2	5	2
Mr X George	1-Jan-2008	3	3	5	4
Mr TA Audat	1-Jan-2009	3	2	5	3
EXECUTIVE DIRECTORS					
Ms PN Nzimande	1-Apr-2003	3	3	5	5
Dr WJ De Beer	1-Jan-2004	3	3	5	4

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2010

2. POLICY AND STRATEGY COMMITTEE

The composition of the Policy and Strategy Committee is as follows:

Name and Surname	Date Appointed	Total number of ordinary meetings	Number of meetings attended	Total No. of Adhoc meetings	Number of meetings attended
Mr DM Nkosi (Chairman)	1-Dec-2008	2	2	0	0
Dr ZZR Rustomjee	1-Apr-2006	2	2	0	0
Mr KJ Morgan	1-Jan-2006	2	2	0	0
Mr RS Maphumulo	1-Jun-2005	2	2	0	0
Mr X George	1-Jan-2008	2	1	0	0
Mr EC Kieswetter	1-Jan-2008	2	1	0	0
Mr OJ Komane	1-Apr-2006	2	2	0	0
Mr JRD Modise	1-Jan-2008	2	1	0	0
Mr MM Ntsokolo	1-Jan-2008	2	2	0	0
Mr TA Audat	1-Jan-2009	2	1	0	0

3. AUDIT AND RISK MANAGEMENT COMMITTEE

The composition of the Audit and Risk Management Committee is as follows:

Name and Surname	Date Appointed	Total number of ordinary meetings	Number of meetings attended	Total number of Adhoc meetings	Number of meetings attended
Mr JRD Modise (Chairman)	1-Jan-08	5	1	1	1
Dr ZZR Rustomjee	1-Apr-06	5	4	1	1
Mr KJ Morgan	1-Jan-06	5	4	1	1
Mr Z Sithole (co-opted)	18-Aug-06	5	4	1	1

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2010

4. FINANCE AND PROCUREMENT COMMITTEE

The composition of the Finance and Procurement Committee is as follows:

Name and Surname	Date Appointed	Total number of ordinary meetings	Number of meetings attended	Total number of Adhoc meetings	Number of meetings attended
Mr AB Ally (Chairman)	1-Apr-2006	5	5	5	2
Mr L Joel	2-Feb-2006	5	5	5	4
Mr TA Audat	1-Jan-2009	5	2	5	4

5. PROGRAMME MANAGEMENT BOARD COMMITTEE

The composition of the Programme Management Board Committee is as follows:

Name and Surname	Date Appointed	Total number of ordinary meetings	Number of meetings attended	Total number of Adhoc meetings	Number of meetings attended
Mr RS Maphumulo (Chairman)	1-Jun-05	5	5	0	0
Mr EC Kieswetter	1-Jan-08	5	4	0	0
Mr MM Ntsokolo	1-Jan-08	5	3	0	0

6. COMMUNICATION AND ADVOCACY COMMITTEE

The composition of the Communications and Advocacy Committee is as follows:

Name and Surname	Date Appointed	Total number of ordinary meetings	Number of meetings attended	Total number of Adhoc meetings	Number of meetings attended
Mr L Joel (Chairman)	2-Feb-2006	3	3	0	0
Mr RJ Field	1-Sep-2005	3	3	0	0
Mr AB Ally	1-Apr-2006	3	2	0	0

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2010

7. HUMAN CAPITAL AND REMUNERATION COMMITTEE

The composition of the Human Capital and Remuneration Committee is as follows:

Name and Surname	Date Appointed	Total number of ordinary meetings	Number of meetings attended	Total number of Adhoc meetings	Number of meetings attended
Mr OJ Komane (Chairman)	1-Apr-2006	6	6	1	1
Mr RJ Field	1-Sep-2005	6	5	1	0
Mr X George	1-Jan-2008	6	4	1	0
Mr DM Nkosi	1-Dec-2008	6	4	1	1

8. PRINCIPAL ACTIVITIES OF THE COMPANY

The main object of the company is to restructure the electricity distribution industry into financially viable independent Regional Electricity Distributors in South Africa in accordance with National Government policy to ensure a more effective and efficient electricity distribution industry capable of providing affordable and accessible electricity to consumers.

9. OPERATING RESULTS

Total income received for the year in respect of government funding, interest and other income amounted to R195.7 million (2009: R260.5 million). Of this income an amount of R72.2 million (2009: R69.2 million) was received from the Department of Energy (DoE) to cover corporate operational expenditure, whilst the balance of R98 million (2009: 153.7 million) was released from the conditional grant

Operational expenditure for the financial period amounted to R208.9 million (2009: R258.4 million). The net result of the year reflects a net surplus (deficit) amounting to (R13.3) million (2009: R2.1 million).

A government grant amounting to R10m was received from Department of Energy (DoE) to fund the National Electricity Response Team's (NERT) project managed by EDI Holdings on behalf of the Department of Energy (DoE).

No provision for taxation has been made in the financial statements of the company since the company is exempt from taxation in terms of S10.9B of the Income Tax Act, act No. 58 of 1962 as amended.

Unutilised government grants and funding amounted to R496.2 million (2009: R191.4 million) as at the end of the financial year.

10. FUNDING

Funding for operational requirements

Finance required to fund the operational overheads of the company is provided for by the Department of Energy and the National Treasury.

Funding for special projects

An amount of R4.2 million was paid by the company on behalf of DoE, in respect of a portion of the outstanding balance of the National Electricity Response Team's (NERT) project cost. This amount has been raised as a debtor in the company's accounts as at the end of the financial year.

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2010

Funding for Electricity Distribution Industry Restructuring

The company obtained approved funding through the National Energy Regulator of South Africa (NERSA) amounting to R1.2 billion over a three-year period for the restructuring of the electricity distribution industry effective from 1 April 2006 to 31 March 2009.

This funding was to be borne by electricity customers through being included in the NERSA-approved Eskom Multi-Year Price Determination (MYPD) for the period 2006 to 2009, will be received from Eskom who are the collection agent. As at the end of March 2010, the total amount received in respect of the MYPD transfer payments amounted to R759.5 million (2009: R364.9 million).

An amount of R394.6 million (2009: R118.6 million) has been received during the current financial year being part payment of the R1.2 billion MYPD Restructuring funding.

11. SHARE CAPITAL

There were no changes in the authorised and issued share capital of the company during the period under review. The issued share certificates and the register of share capital are kept at the registered office of the company.

12. ASSETS

The company acquired computer software and office equipment, as well as furniture and fittings to the value of R1.476 million during the current financial year (2009: R3.566 million).

13. MANAGEMENT AND CONTROL

Electricity Distribution Industry Holdings (Pty) Ltd, a Scheduled 3A public entity is wholly owned by the State through the Department of Energy

14. NOTE ON ACCOUNTING STANDARDS

The financial statements have been prepared in accordance with the Prescribed Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board replacing the equivalent GAAP statement, in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP), including any interpretations of such statements issued by the Accounting Practices Board, as well as in a manner required by the Companies Act, 1973.

15. GOING CONCERN

The directors believe that the company is a going concern and will continue to be a going concern for the foreseeable future until such time that the Company has achieved its main objective as outlined in paragraph 4 of its Memorandum of Association and as decided by the Minister of Minerals and Energy in line with paragraph 8 of the Memorandum of Association.

16. SUBSEQUENT EVENTS

As at the end of the financial year, the company provided for doubtful debtors amounting to R4, 219 million as a result of the doubtfulness of the recovery of this amount from the Department of Energy.

STATEMENT OF FINANCIAL POSITION FOR THE PERIOD 31 MARCH 2010

	Notes	2010 R'000	2009 R'000
ASSETS			
Non-current assets		6,152	8,026
Property, plant and equipment	2	5,211	6,916
Investment property		0	0
Heritage Assets	2	412	412
Intangible assets	2	531	698
Current assets		529,936	246,530
Trade and Other Receivables	3	736	605
Cash and cash equivalents	4	529,200	245,925
TOTAL ASSETS		536,090	254,556
NET ASSETS AND LIABILITIES			
TOTAL NET ASSETS		4,636	17,614
Contributions from owners	5	0	0
Accumulated surplus/(deficit)		2,970	16,226
Revaluation reserve	6	1,666	1,388
Current liabilities		531,454	236,942
Unutilised transfer payments	7	496,202	191,371
Trade and other payables	8	32,653	43,608
Provisions	9	2,599	1,963
TOTAL NET ASSETS AND LIABILITIES		536,090	254,556

STATEMENT OF FINANCIAL PERFORMANCE FOR THE PERIOD 31 MARCH 2010

	Notes	2010 R'000	2009 R'000
REVENUE			
Transfers and subsidies received	10	170,214	232,811
Finance income	11	25,236	27,491
Other income	12	6	40
National Skills Development Fund income	13	259	191
TOTAL REVENUE		<u>195,715</u>	<u>260,533</u>
EXPENDITURE			
Staff costs	14	62,179	63,137
Administrative expenses	15	30,193	20,997
Marketing costs		1,552	2,093
Audit fees	16	704	606
Other operating expenses	17	24,895	27,347
Project expenses	18	89,441	6544
Losses on disposal of assets		5	2
TOTAL EXPENDITURE		<u>208,969</u>	<u>258,394</u>
SURPLUS/(DEFICIT) FROM OPERATIONS		<u>(13,254)</u>	<u>2,139</u>

STATEMENT OF CHANGES IN NET ASSETS FOR THE PERIOD 31 MARCH 2010

	Contributions from Owners	Revaluation Reserve	Accumulated Surplus / (Deficit)	Total
		R'000	R'000	R'000
Balance at 31 March 2008	0	0	14,087	14,087
Surplus/(Deficit) for the period	0	0	2,139	2,139
Revaluation of property, plant and equipment	0	1,388	0	1,388
Balance as at 31 March 2009	0	1,388	16,226	17,614
Effect of prior period error	0	278	0	278
As restated	0	1,666	16,226	17,892
Revaluation surplus/(deficit) adjustment	0	0	(2)	(2)
Surplus/(Deficit) for the period	0	0	(13,254)	(13,254)
Balance as at 31 March 2010	0	1,666	2,970	4,636

CASH FLOWS STATEMENT FOR THE PERIOD 31 MARCH 2010

CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	Notes	2010 R'000	2009 R'000
Receipts		<u>72,479</u>	<u>183,928</u>
- Transfers and subsidies		72,214	183,697
- Other income		265	231
Payments		<u>(211,579)</u>	<u>(352,615)</u>
- Employee costs		(65,016)	(63,137)
- Suppliers		(146,563)	(289,478)
Net cash inflows/ outflows from operating activities	19.1	(139,100)	(168,687)
Cash generated from/(utilised in) operations		(11,064)	(168,687)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash flows from investing activities		<u>23,762</u>	<u>23,924</u>
Acquisition of:			
Proceeds on disposal of assets		2	0
Property, plant and equipment		(1,160)	(3,248)
Investment property		0	0
Interest received from investments		25,236	27,491
Intangible assets		(316)	(319)
		<u>(115,338)</u>	<u>(144,763)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash flow from financing activities		<u>398,612</u>	<u>118,547</u>
Eskom MYPD EDI Restructuring Funding		394,572	118,547
Borrowings from Restructuring Fund for NERT project		4,040	0
Net increase/(decrease) in cash and cash equivalents		<u>283,275</u>	<u>(26,216)</u>
Net increase/(decrease) in cash and cash equivalents		283,275	(26,216)
Cash and cash equivalents at the beginning of the period		245,925	272,141
Cash and cash equivalents at end of the period		<u>529,200</u>	<u>245,925</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD 31 MARCH 2010

1 ACCOUNTING POLICIES

1.1 Basis of preparation

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

The financial statements have been prepared on a going concern basis and the accounting policies have been applied consistently throughout the period except in the case where omission and /or errors were detected and rectified.

In preparing the financial statements, management is required to make estimates and assumptions that effect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates.

The financial statements have been prepared on a historic cost basis and accounting policies are consistent with prior years. Recognition has also been given to the South African Standards and certain International Financial Reporting Standards (IFRS). The statements are presented in South African Rands since that is the currency in which the company's transactions are denominated, rounded to the nearest R'000. The following are the principal accounting policies used by the company.

1.2 Irregular and fruitless and wasteful Expenditure

Irregular expenditure means expenditure incurred in contravention of, or not in accordance with, a requirement

of any applicable legislation, including the Public Finance Management Act 1 of 1999 (as amended by Act 29 of 1999).

Fruitless and wasteful expenditure means expenditure that was made in vain and would have been avoided had reasonable care been exercised. All irregular, fruitless and wasteful expenditure is charged against income in the period in which it is incurred.

1.3 Property, Plant and Equipment

Computer equipment, office equipment and furniture and fittings are wholly owned and are stated at historical cost less accumulated depreciation and accumulated impairment losses.

Capitalised refurbishments costs relate to the cost of improvements of the office building leased under an operating lease for its intended use and are depreciated over the lease period.

After initial recognition of an asset at cost, an item of property, plant and equipment whose fair value can be measured reliably shall be carried at revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

Depreciation is calculated on a straight-line basis to write off the cost of each asset (less its residual value) over its estimated useful life as follows:

The useful life and residual values are reassessed every financial period

Computer equipment	3-8 years
Office equipment	3-5 years
Furniture and fittings	6-15 years
Capitalised refurbishment costs	5 years

The depreciation method, useful life and residual value of each class of assets are verified during the asset verification process on a yearly basis.

Assets that have been received as donations with no cost values, have been revalued to their market related values.

1.4 Leases

Assets leased with a useful life and where substantially all the risks and rewards are transferred to the lessee is recognised as financial leases. In the case of leases and where the risks and rewards associated with ownership of the leased asset do not transfer to the company, these leases are recorded as operating leases.

Leases of assets in which the risks and rewards of ownership do not transfer to EDI Holdings are classified as operating leases and are not capitalised.

Payments made under operating leases are recognised in the Statement of Financial Performance on a straight line basis over the period of the lease.

Capitalised leases are depreciated over the useful life of the asset or over the period of the lease whichever is the shorter.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD 31 MARCH 2010

1.5 Heritage Assets

Heritage assets, including paintings and sculptures, are recorded at cost and it is foreseen that these assets will have an indefinite life as indicated in GRAP 103. Therefore Heritage assets are not depreciated over their useful lives.

1.6 Intangible Assets

Computer software classified as intangible assets is initially recognised at costs less accumulated amortisation and subsequent impairment losses. Amortisation is calculated on a straight-line basis to write off the cost of each asset (less its residual value) over its estimated useful life as follows:

Computer software	3 years
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1.7 Provisions

Provisions are recognised when the company has a present obligation as a result of a past event and it is probable that this will result in an outflow of economic benefits that can be estimated reliably. Provision was made for legal fees, leave and other costs.

Leave

The provision for annual leave computation is based on calculations of leave days outstanding as at financial period-end for the company's employees. Leave payments are due to the employees during the date when employees' engagement date becomes due.

Other Costs

The provision for other costs consists mainly of Workman's Compensation Fund (WCA) estimated costs incurred due for payment in the following financial period for which no actual claims have been received. The amounts due were estimated based on the previous assessments received from the WCA industry classification schedules

1.8 Impairment

At each reporting date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount for an individual asset, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the assets (cash-generating unit) is reduced to its recoverable amount. Impairment losses are immediately recognised as an expense.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

1.9 Employee benefits

EDI Holdings contributes 50 percent of the employee's contributions to the defined contribution plan and the medical aid fund. Participation in these funds is voluntary and available to all employees. EDI Holdings has no legal or constructive obligations to pay further contributions to the pension and medical fund if the fund does not hold sufficient assets to pay employees the benefit relating to employee

service in the current and prior periods. Obligation for contributions to the defined contribution plan is recognised in surplus/deficit when due.

1.10 Transfer Payments

Government grants are recognised when they are received.

Transfer payments related to income.

Grants awarded with no related conditions are recognised as transfers and subsidies in the period in which they were received.

Transfer payments related to projects.

Grants for specific projects are recorded as deferred income and recognised as income as and when the expenses are incurred.

1.11 Financial instruments

Financial instruments carried on the statement of financial position include cash and bank balances, investment, receivables, and payables. The particular recognition methods for each of these items are as follows:

Financial assets

Financial assets are recognised at their fair values plus transaction costs.

Financial liabilities

The company's financial liabilities are sundry payables, and are measured at amortised cost, comprising original fair value plus transaction costs less principle payments and amortisations.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD 31 MARCH 2010

1.12 Taxation

No provision for taxation has been made since the company is directly funded by the government to affect the restructuring of the electricity distribution industry.

Exemption from taxation in terms of S10.9B has been granted to the company by the South African Revenue Service (SARS).

1.13 Investments

All surplus cash realised in the company's bank account is invested on a short term basis with the Corporation for Public Deposits. All investments are recorded at cost and no revaluation principles are applied. Interest earned on investments is recognised on the accrual basis when it is determined that such income will accrue to the company.

1.14 Other operating income

Insurance payments received are in respect of compensations for property, plant and equipment items lost.

Surplus funds of the company are invested with the Corporation for Public Deposits. Interest received on investments is recognised using the effective interest method as set out in IAS 39 par 9 and AG5-AG8.

Interest income is separately disclosed as part of investments income on the income statement and is recognised on the accrual basis in the Statement of Financial Performance.

The income is recognised as other operating income and is separately disclosed in the Statement of Financial Performance.

1.15 Budgeting Information

Subject to the requirements of paragraph .19, the entity presents a comparison of the budget amounts for which it is publicly accountable and actual amounts as a separate additional financial statement in accordance with Standards of GRAP. The comparison of budget and actual amounts present separately for each level of cost categories.

- (a) the approved and final budget amounts
- (b) the actual amounts on a comparable basis
- (c) by way of note disclosure, an explanation of material differences between the budget for which the entity is held publicly accountable and the actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD 31 MARCH 2010

2.1 PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated depreciation	Carrying value								
	R'000	R'000	R'000	Carrying value at beginning of year	Additions	Impairment	Change in estimate (Revaluation)	Reclassification	Disposal / Write-off	Depreciation	Carrying value at end of year
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Year ended 31 March 2010											
Capital refurbishment costs	6,943	(5,849)	1,094	-	2,444	-	-	-	-	(1,350)	1,094
Heritage assets	412	-	412	-	412	-	-	-	-	0	412
Plant and equipment	10,556	(6,439)	4,117	-	4,472	1,154	280	-	(7)	(1,782)	4,117
Computer equipment	3,207	(1,865)	1,342	-	1,585	438	-	-	0	(681)	1,342
Office equipment	2,265	(1,616)	649	-	747	50	280	-	(4)	(424)	649
Security equipment	153	(3)	150	-	-	153	-	-	0	(3)	150
Furniture and fittings	4,930	(2,955)	1,975	-	2,140	513	-	-	(3)	(675)	1,975
	17,910	(12,288)	5,623		7,328	1,154	280	-	(7)	(3,132)	5,623
Year ended 31 March 2009											
Capital refurbishment costs	6,943	(4,499)	2,444	-	2,084	1,146	564	-	-	(1,350)	2,444
Heritage assets	412	-	412	-	178	234	-	-	-	0	412
Plant and equipment	9,433	(4,961)	4,472	-	3,742	1,869	(517)	871	(13)	(1,480)	4,472
Computer equipment	2,784	(1,199)	1,585	-	1,059	883	(487)	620	(13)	(477)	1,585
Office equipment	2,223	(1,476)	747	-	761	161	251	-	0	(426)	747
Security equipment	-	-	-	-	-	-	-	-	0	0	-
Furniture and fittings	4,426	(2,286)	2,140	-	1,922	825	(30)	-	0	(577)	2,140
	16,788	(9,460)	7,328		6,004	3,249	(517)	1,435	(13)	(2,830)	7,328

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD 31 MARCH 2010

2.2 INTANGIBLE ASSETS

	Cost	Accumulated Amortisation	Carrying value	Carrying value at beginning of year	Additions	Impair- ment	Change in estimate (Revaluation)	Reclassifi- cation	Disposals / Write-offs	Amor- tisation	Carrying value at end of year
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Year ended 31 March 2010											
Computer Software	3,725	(3,194)	531	698	316	-	-	-	-	(483)	531
Year ended 31 March 2009											
Computer Software	3,409	(2,711)	698	801	319	-	-	-	-	(422)	698

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD 31 MARCH 2010

3. Trade and other Receivables

	2010 R'000	2009 R'000
- Deposits	628	572
- Trade Receivables	0	0
- Prepayments	4,327	33
	4,955	605
- Provision for impairment of debtors	(4,219)	0
	<u>736</u>	<u>605</u>

4. Cash and Cash Equivalents

	2010 R'000	2009 R'000
- Cash and banks balances	12,868	5,056
- Short-term deposit/investments	516,332	240,869
	<u>529,200</u>	<u>245,925</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD 31 MARCH 2010

5. Contributions from Owners

	2010 R'000	2009 R'000
Authorised and issued	0	0
100 Ordinary shares of R1.00 each	<u>0</u>	<u>0</u>

The values of Authorised and issued Share Capital for 2010 and 2009 financial period are reflected as zero (0.00) due to the rounding up of the figures to the nearest thousand rands. The actual reported figures are R100.00 for both 2010 and 2009

6. Revaluation Reserve

	2010 R'000	2009 R'000
Revaluation of Property Plant and equipments	1,666	1,388
Changes as a result of estimates	0	278
	<u>1,666</u>	<u>1,666</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD 31 MARCH 2010

7. Unutilised Transfer Payments	2010 R'000	2009 R'000
Government Grants Eskom MYPD and NERT EDI Restructuring Funding		
Opening Balances (MYPD Funds)	191,371	244,487
Add: Transfers received from Eskom	394,572	108,553
Add: Transfers received from NERT	0	10,000
	585,943	363,040
Less: Utilised Eskom MYPD funding	(89,741)	(161,804)
Less: Utilised NERT advance payment	0	(9,865)
	<u>496,202</u>	<u>191,371</u>
Eskom MYPD Funding Reconciliation	2010 R'000	2009 R'000
Budgeted amount per MYPD agreement (1 April 2006 to 31 Oct 2009)	1,200,000	677,000
Restructuring Levy to 31 March 2010		
Total Restructuring Levy Billed ITD per MYPD	1,200,000	416,293
Less: Amounts withheld		
- Arrear debt and FBE Revenue Shortfall	(9,971)	0
- EDI Restructuring costs incurred by Eskom	(62,192)	0
- Audit fees incurred i.r.o. EDI Restructuring costs	(335)	0
- Agency fees (1.9%) i.t.o. Agreements	(25,992)	(7,910)
- Potential Cumulative Income Tax Liability	(342,061)	0
	759,449	408,383
Payments already made ITD EDI Holdings	(364,877)	(146,015)
Total Funds Received Current year	<u>394,572</u>	<u>262,368</u>
Balances previous year	733,516	338,944
Cumulative balances of funds received	759,383	378,984
Cumulative Restructuring Costs incurred	(263,181)	(187,613)
	<u>496,202</u>	<u>191,371</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD 31 MARCH 2010

8. Trade and other Payables

	2010 R'000	2009 R'000
Trade creditors	13,764	1,780
Deferral on Operating Leases	0	476
Accruals	18,889	41,352
- Bonuses	7,244	6,707
- Other Accruals	11,645	34,645
	<u>32,653</u>	<u>43,608</u>

9. Provisions

	Opening Balances	Additional Provisions	Utilisation of Provisions	Unused Amounts Reversed	Closing Balances
Year Ended 31 March 2010	R'000	R'000	R'000	R'000	R'000
Leave	1,807	948	(474)	0	2,281
Legal fees	0	0	0	0	0
Other	156	162	0	0	318
	<u>1,963</u>	<u>1,110</u>	<u>(474)</u>	<u>0</u>	<u>2,599</u>
Year Ended 31 March 2009	R'000	R'000	R'000	R'000	R'000
Leave	1,465	1,961	(1,619)	0	1,807
Legal fees	630	0	(630)	0	0
Other	837	156	(837)	0	156
	<u>2,932</u>	<u>2,117</u>	<u>(3,086)</u>	<u>0</u>	<u>1,963</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD 31 MARCH 2010

10. Transfers and Subsidies	2010 R'000	2009 R'000
Grants Received from Government		
- Department of Energy (DoE)	72,214	69,250
- Eskom MYPD restructuring Funding recognised	98,000	153,696
- National Electricity Response Team (NERT)	0	9,865
	<u>170,214</u>	<u>232,811</u>
11. Finance Income	2010 R'000	2009 R'000
Interest Received: Bank	385	614
Interest Received : DoE Investment	844	532
Interest Received : MYPD	24,007	26,345
		40
	<u>25,236</u>	<u>27,531</u>
12. Other Operating Income	2010 R'000	2009 R'000
Insurance Receipts	6	40
	<u>6</u>	<u>40</u>
13. National Skills Development Fund Income	2,010 R'000	2,009 R'000
Skills Development Levy	259	191
	<u>259</u>	<u>191</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD 31 MARCH 2010

14. Staff Costs

	2010 R'000	2009 R'000
Staff Costs	<u>62,179</u>	<u>63,137</u>
Included in Staff Costs are:		
Employer Contributions to Pension fund	1,865	1,474
Employer Contributions to Medical Fund	1,467	1,171
Employer Contributions to Group Life Cover	480	506

15. Administrative Expenses

	2010 R'000	2009 R'000
Administrative expenses consist of the following:		
General administrative expenses	18	11
Recruitment Fees	0	350
Security	268	345
Staff Refreshments and Welfare	801	379
Subscriptions & Registrations	370	344
Fees for services:	18,676	12,798
- Administrative	13,997	8,559
- Board members	1,070	674
- Managerial	3,307	3,520
- Secretarial	152	45
- Technical	150	0
Other:		
Bad debt written off	4,219	0
Bank charges	62	60
Internal audit fees	2,143	1,148
Legal fees	770	583
Stationery and printing	507	990
Short Term Insurance	345	301
Training and staff development	1,085	1,205
Venues and facilities	929	2,484
Total	<u>30,193</u>	<u>20,998</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD 31 MARCH 2010

16. Audit Fees

	2010 R'000	2009 R'000
External Auditor's remuneration		
Audit fees prior year	591	83
Audit fees current year	113	427
Forensic audit fees	0	96
	<u>704</u>	<u>606</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD 31 MARCH 2010

17. Other operating Expenses

	2010 R'000	2009 R'000
Other Operating Expenses		
Included in other operating expenses are the following		
Fruitless and wasteful expenditure	5	173
Maintenance, repairs and running costs	1,554	1,005
- Property and buildings	1,197	749
- Machinery and Equipment	0	0
- Other maintenance, repairs and running costs	357	256
Impairment recognised / (reversed)	0	517
Depreciation	3,137	2,830
- Assets carried at cost	3,137	2,830
- Assets carried at revalued amounts	0	0
Amortisation	483	422
Courier and delivery charges	240	244
Communication costs	2,214	1,041
Municipal services	2,021	1,390
Travel and subsistence	6,510	11,151
Rentals in respect of operating leases (minimum lease payments)	8,735	8,573
- Buildings	4,941	4,441
- Plant, machinery and equipment	3,593	3,979
- Vehicles	201	153
Total	24,899	27,346
Future commitments under operating lease are as follows		
Minimum future lease payments		
- Up to one year	555	3,168
- Up to five years	109	10
	664	3,178

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD 31 MARCH 2010

18. Project Expenses	2010 R'000	2009 R'000
National Electricity Response	4,219	9,865
Electricity Distribution Restructuring	85,222	134,347
	<u>89,441</u>	<u>144,212</u>
19. Note to the Cash Flow Statement	2010 R'000	2009 R'000
19.1 Net Cash Flow from / (used in) Operating Activities		
Surplus/(deficit) before tax	(13,254)	(2,139)
Cash Generated from Operating Activities	13,254	2,139
Non-cash movements/working capital changes	(100,610)	(143,335)
Depreciation	3,137	2,830
Impairment	0	517
Amortisation	483	422
Increase/(Decrease) in impairment of debtors	4,219	0
Increase/(Decrease) in payables	(10,955)	25,596
Increase/(Decrease) in provisions	636	(969)
(Increase)/Decrease in receivables	(131)	(33)
(Gains)/Losses on sale of property, plant & equipment	5	2
Other	(4)	(31)
Grant funds recognised	(98,000)	(171,669)
Net cash flows from operating activities	<u>(87,355)</u>	<u>(141,196)</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD 31 MARCH 2010

19.2 Cash and Cash Equivalents at end of the period	2010	2009
Cash and cash equivalents	R'000	R'000
Cash at banks	12,858	5,046
Petty Cash	10	9
Short-term deposit/investments	516,332	240,870
	<u>529,200</u>	<u>245,925</u>
	2010	2009
	R'000	R'000
Investments in cash as at end of the period	<u>529,200</u>	<u>245,925</u>
Sensitivity analysis if interest rates increase or decrease by 50 basis points		
Increase or decrease in surplus or deficit	2,647	1,230

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD 31 MARCH 2010

20. Directors Emoluments

	Date Appointed	Date Resigned	Directors Fees	Remuneration for Services as Director	Travel & Subs allowances	Other Payments	Total Employment Costs
			R' 000	R' 000	R' 000	R' 000	R' 000
Directors and Executive Management Period-Ended 31 March 2010							
Non-Executive Directors							
Mr. DM Nkosi	1-Dec-08		121	0	0	0	121
Dr ZZR Rustomjee	1-Apr-06		101	0	0	0	101
Mr AB Ally	1-Apr-06		119	0	0	0	119
Mr OJ Komane	1-Apr-06		76	0	0	0	76
Mr RS Maphumolo	1-Jun-05		107	0	0	0	107
Mr RJ Field	1-Sep-05		111	0	0	0	111
Mr KJ Morgan	1-Jan-06		93	0	0	0	93
Mr Z Sithole (Co-opted)	18-Aug-06		30	0	0	0	30
Mr L Joel	2-Feb-06		141	0	0	0	141
Mr EC Kieswetter	1-Jan-08		33	0	0	0	33
Mr JRD Modise	1-Jan-08		54	0	0	0	54
Mr. TA Audat (DoE)	1-Jan-09		0	0	0	0	0
Mr. MM Ntsokolo	1-Jan-08		76	0	0	0	76
Mr X George	1-Jan-08		67	0	0	0	67
			<u>1,129</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,129</u>
Period-Ended 31 March 2009							
Non-Executive Directors							
Mr. DM Nkosi	1-Dec-08		18	0	0	0	18
Ms DD Motgatle	21-Apr-05	30-Nov-08	42	0	0	0	42
Dr ZZR Rustomjee	1-Apr-06		54	0	0	0	54
Mr AB Ally	1-Apr-06		85	0	0	0	85
Mr OJ Komane	1-Apr-06		36	0	0	0	36
Mr RS Maphumolo	1-Jun-05		58	0	0	0	58
Mr RJ Field	1-Sep-05		67	0	0	0	67
Mr KJ Morgan	1-Jan-06		67	0	0	0	67
Mr Z Sithole (Co-opted)	18-Aug-06		18	0	0	0	18
Mr L Joel	2-Feb-06		81	0	0	0	81
Mr EC Kieswetter	1-Jan-08		27	0	0	0	27
Dr AMB Mokaba	1-Jan-08	19-Feb-09	9	0	0	0	9
Mr JRD Modise	1-Jan-08		31	0	0	0	31
Mr K Moholola (DME)	1-Dec-06	30-Apr-08	0	0	0	0	0
Mr. TA Audat (DoE)	1-Jan-09		0	0	0	0	0
Mr. MM Ntsokolo	1-Jan-08		49	0	0	0	49
Mr X George	1-Jan-08		31	0	0	0	31
			<u>674</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>674</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE PERIOD 31 MARCH 2010

20. Directors Emoluments (cont.)

Period-Ended 31 March 2010	Date Appointed	Date Resigned	Salaries R' 000	Annual Bonuses/ Incentives R' 000	Allowances R' 000	Pension Contributions R' 000	Medical Aid Contributions R' 000	Total Employment Costs R' 000
Executive Directors								
Ms P Nzimande	re-appointed		1,887	566	40	0	62	2,555
	1-Jul-2008							
Dr WJ de Beer	1-Jan-04		1,424	330	32	80	0	1,866
			<u>3,311</u>	<u>896</u>	<u>72</u>	<u>80</u>	<u>62</u>	<u>4,421</u>
Period-Ended 31 March 2009	Date Appointed	Date Resigned	Salaries	Annual Bonuses/ Incentives	Allowances	Pension Contributions	Medical Aid Contributions	Total Employment Costs
Executive Directors								
Ms P Nzimande	1-Apr-03		1725	485	40	0	47	2297
Dr WJ de Beer	1-Jan-04		1309	301	32	0	0	1642
Mr TKE Mokoto	15-Sep-06	31-May-08	1103	0	37	0	0	1140
			<u>4,137</u>	<u>786</u>	<u>109</u>	<u>0</u>	<u>47</u>	<u>5,079</u>
Emoluments to Senior Managers								
Period-Ended 31 March 2010								
Ms R Govender	1-Feb-04	31-Jan-09	0	0	0	0	0	0
Mr S Nkese	1-Feb-06		1,396	249	52	76	61	1,834
Mr M Musi	1-Apr-07		1,084	201	40	61	61	1,447
Mr S Dlamini	1-Dec-08		1,000	67	30	56	17	1,170
			<u>3,480</u>	<u>516</u>	<u>122</u>	<u>193</u>	<u>140</u>	<u>4,450</u>
Period-Ended 31 March 2009								
Ms R Govender	1-Feb-04	31-Jan-09	1,216	0	21	0	0	1,237
Mr S Nkese	1-Feb-06		1,235	630	32	68	17	1,982
Mr M Musi	1-Apr-07		998	122	25	55	5	1,205
Mr S Dlamini	1-Dec-08		423	0	8	0	0	431
			<u>3,872</u>	<u>752</u>	<u>86</u>	<u>123</u>	<u>22</u>	<u>4,855</u>
Summary	Total Employment Costs 2010 R,000	Total Employment Costs 2009 R,000						
Non-Executive Board Members	1,129	674						
	<u>8,871</u>	<u>9,934</u>						
Executive Board Members	4,421	5,079						
Executive management	4,450	4,855						

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD 31 MARCH 2010

21. FINANCIAL INSTRUMENTS

In the course of the company's operation, the company is exposed to interest risk, credit risk and liquidity risk.

Interest rate risk

As required by the Treasury Regulations, the company has invested its surplus funds with the Corporation for Public Deposits (CPD). At year-end, surplus funds were maintained in the CPD call account, while a minimal balance was held in the company's current bank account. The company is exposed to movement in money market interest rate as and when surplus cash is invested.

Sensitivity analysis for variable rate instruments

The sensitivity has been determined based of the movement of interest rates on the surplus funds invested in the CPD call accounts. Based on the investment amount as at year end, if interest had been 50 basis points higher or lower the increase/ (decrease) on the company surplus or deficit are set out on the table below

	2010 R'000	2009 R'000
Investments in cash as at end of the period	<u>529,200</u>	<u>245,925</u>
Sensitivity analysis if interest rates increase or decrease by 50 basis points		
Increase or decrease in surplus or deficit	2,647	1,230

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD 31 MARCH 2010

Credit risk

The company is not exposed to any other credit risks.

Liquidity risk

The company manages liquidity risk through proper management of working capital, capital expenditure and actual versus forecasted cash-flows. Adequate liquid resources are maintained.

Fair values

The company's financial instruments consist mainly of cash and cash equivalents, trade receivables and trade payables.

No financial asset was carried at an amount in excess of its fair value and fair values could be reliably measured for all financial assets that are available-for-sale.

The following methods and assumptions are used to determine the fair value of each class of financial instruments:

Cash and cash equivalents

The carrying amount of cash and cash equivalents approximates fair value due to the relatively short-term maturity of these financial assets and financial liabilities.

Trade receivables

The carrying amount of trade receivables, net of impairment, approximates fair value due to the relatively short-term maturity of this financial asset.

As at the end of the financial year, the company provided for an impairment of debtors amounting to R4, 219 million as a result of the doubtfulness of the recovery of this amount from the Department of Energy

Trade payables

The carrying amount of trade payables approximates fair value due to the relatively short-term maturity of this financial liability.

The fair values of financial assets and financial liabilities at reporting date are as follows:

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD 31 MARCH 2010

21. 1 Fair Values

	Fair Values	Carrying Amounts R'000
Period Ended 31 March 2010	R'000	
- Assets	529,200	529,200
- Trade receivables	736	736
Total financial assets	<u>529,936</u>	<u>529,936</u>
Period Ended 31 March 2010		
- Trade payables	32,653	32,653
Total financial liabilities	<u>32,653</u>	<u>32,653</u>
Period Ended 31 March 2009		
- Assets	245,925	245,925
- Trade receivables	605	605
Total financial assets	<u>246,530</u>	<u>246,530</u>
- Trade payables	18,012	18,012
Total financial liabilities	<u>18,012</u>	<u>18,012</u>

21. 2 One (1) Year or Less

	1 year or less R'000	Total R'000
Period Ended 31 March 2010		
Assets		
- Investment in cash	529,200	529,200
- Trade receivables	736	736
Total financial assets	<u>529,936</u>	<u>529,936</u>
Period Ended 31 March 2010		
- Trade payables	32,653	32,653
Total financial liabilities	<u>32,653</u>	<u>32,653</u>
Period Ended 31 March 2009		
Assets		
- Investment in cash	245,925	245,925
- Trade receivables	605	605
Total financial assets	<u>246,530</u>	<u>246,530</u>
- Trade payables	18,012	18,012
Total financial liabilities	<u>18,012</u>	<u>18,012</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD 31 MARCH 2010

22. RELATED PARTY TRANSACTIONS

EDI Holdings is 100 percent owned by the Government of South Africa represented by the Department of Energy

Grant income received from the Department of Energy is treated as Revenue Income and is mainly used to cover operating expenses of the company. An amount of R4.219 million is owed by the Department of Energy (DoE) to EDI Holdings as at the end of the financial period.

Directors appointed by the Department of Energy to the Board of Directors of the company do not receive compensation in the form of Directors Emoluments, or any other financial benefits.

The remuneration of Executive Directors of the company is disclosed in note 20. One of the Non-Executive Directors of the company is also a Non-Executive Director of Landelahni Recruitment Agency, a company which has had arms-length dealings with EDI Holdings during the current financial year. As at the end of the financial year, the balance on the Landelahni Recruitment Agency's account amounted to ZERO (2009: R43 thousand).

23. COMPLIANCE REPORTING

23.1 Irregular expenditure

An amount of R5.1 million (2009: R0.0 million) was incurred as an irregular expenditure during the 2009/10 financial period.

This amount is as a result of the two major contracts that were approved for extension awaiting the executive authority's ratification to continue work that has already been started

A provision of finance resources undertaken by Nkonki Incorporated was extended from October 2009 to June 2010. The board approval was only received on the 19 November 2009. During this period, an amount of R1.8 million was incurred as irregular expenditure.

An Enterprise Programme Management consulting resources were undertaken by a consortium between Deloitte and Simeka. This contract expired on the 31 December 2009, and the board only set to approve the extension for an additional period of twelve months on the 25 March 2010. During this period, an amount of R3.3 million was incurred as an irregular expenditure.

23.2 Fruitless and wastefully expenditure

The following expenditure has been incurred in the current period which is considered as fruitless and wasteful expenditure:

A total amount of R5, 073 (2009: R13, 436) was spent on potential fruitless and wasteful expenditure in respect of interest and penalties incurred on late payments to various suppliers.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD 31 MARCH 2010

23.3 Commitments

As at the 31st March 2010, the EDI Holdings has entered into major restructuring contracts with service providers amounting to R31, 678 million to provide Ring-Fencing, Section 78 and due diligence on participating Municipalities. Work will commence during the first half of the 2010/11 financial year.

23.4 Contingent Liabilities

As at the 31 March 2010, the company has received a legal claim amounting to R4.8 million relating to a dispute with a service provider whose tender was selected amongst the panel of service providers but has not as yet been selected to render services. At the date of reporting, the matter has been set down for hearing on 31 May 2010.

The Department of Energy has requested EDI Holdings to make payment to the National Electricity Response Team Project Management Unit (NERT-PMU), with respect to the balance of invoices relating to the service rendered. The balance outstanding to the service providers amounts to R24.79 million. EDI Holdings has undertaken an analysis of the deliverable reports from the service providers, in determining projects relating to the core business of restructuring the electricity distribution industry. Of this amount, R15.6 million is directly associated with the electricity distribution industry restructuring mandate undertaken by EDI Holdings. Based on the Ministers letter of 21 April 2010, there is reasonable probability that this amount will be paid in the ensuing financial year.

23.5 Subsequent Events

As at the end of the financial year, the company provided for an impairment of debtors amounting to R4, 219 million as a result of the doubtfulness of the recovery of this amount from the Department of Energy

24. Comparative Figures

Comparative figures have been restated where necessary to align expense classifications with the National Treasury disclosure requirements in the notes 24.1, 24.2 and 24.3

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD 31 MARCH 2010

24.1 Changes in the reclassification of expenses in the Statement of Financial Performance

	Previous 2009	Adjusted 2009	Current 2009
	R'000	R'000	R'000
Administrative expenses	12,678	8,319	20,997
General administrative expenses	11	-	11
Recruitment Fees	350	-	350
Security	345	-	345
Staff Refreshments and Welfare	379	-	379
Subscriptions & Registrations	344	-	344
Fees for services			
- Administrative	240	8,319	8,559
- Board members	674	-	674
- Managerial	3,520	-	3,520
- Secretarial	45	-	45
- Technical	-	-	-
Bad debt written off	-	-	-
Bank charges	60	-	60
Short Term Insurance	301	-	301
Internal audit fees	1,148	-	1,148
Legal fees	583	-	583
Entertainment	-	-	-
Stationery and printing	990	-	990
Training and staff development	1,205	-	1,205
Venues and facilities	2,484	-	2,484

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD 31 MARCH 2010

24.2	Project Expenses	152,531	(8,319)	144,212
	National Electricity Response	9,865	-	9,865
	Electricity Distribution Restructuring	142,666	(8,319)	134,347
24.3	Changes as a result of errors in estimates			
		Previous 2009 R'000	Adjusted 2009 R'000	Current 2009 R'000
	Revaluation Reserves	(1,388)	(278)	(1,666)
		<u>(1,388)</u>	<u>(278)</u>	<u>(1,666)</u>
	Property Plant and Equipments	<u>7,327</u>	<u>278</u>	<u>7,604</u>
	Computer Equipments Cost	2,782	0	2,782
	Computer Equipments Accum. Depr	(1,197)	0	(1,197)
	Furniture and Fittings Cost	4,427	0	4,427
	Furniture and Fittings Accum. Depr	(2,286)	0	(2,286)
	Heritage Property Artworks (H/O) Cost	178	0	178
	Heritage Property Artworks (H/O) Cost	233	0	233
	Office Equipments Cost	2,223	0	2,223
	Office Equipments Accum. Depr	(1,477)	278	(1,200)
	Buildings Refurbishments Cost	5,744	0	5,744
	Buildings Refurbishments Accum. Depr	(4,120)	0	(4,120)
	Buildings Refurbishments Cost	1,198	0	1,198
	Buildings Refurbishments Accum. Depr	(378)	0	(378)

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD 31 MARCH 2010

25. Statement of Comparison of Budget and Actual Amounts For the Period Ended 31 March 2010 Budget on Cash Basis

	Approved Budget 2009/10	Final Budget 2009/10	Actual Amounts on Comparable Basis 2009/10	Differences Final Budgets and Actual 2009/10
OPERATING INCOME				
Transfers & Subsidies Received	521,869	464,877	170,214	294,663
Other Income	25,501	25,501	25,501	(0)
Total Operating Income	547,370	490,378	195,715	294,663
OPERATING EXPENSES				
Staff Costs	68,937	58,930	52,173	6,757
Administrative Expenses	18,330	32,091	34,268	(2,177)
Marketing Costs	1,552	1,494	1,552	(58)
Audit Fees	600	708	707	1
Project Expenses	420,637	333,913	74,291	259,622
Other Operating Expenses	20,399	36,316	24,339	11,978
Gain or Loss with Disposal of Assets	2	5	5	0
Total Operating Expenses	530,456	463,457	187,333	276,124
SURPLUS / (DEFICIT) FOR THE PERIOD	16,914	26,921	8,382	18,539
CASH SURPLUS / (DEFICIT) ANALYSIS:				
Cash surplus / (deficit) before capital expenditure	16,914	26,921	8,382	18,539
Capital Expenditure	(16,914)	(16,914)	(1,286)	(15,627)
Cash surplus / (deficit) after capital expenditure	(0)	10,007	7,096	2,912
Less: Depreciation and refurbishments	4,390	3,093	3,093	0
Depreciation on Assets	2,998	2,118	2,118	0
Amortisation on Refurbishments	1,392	3	3	0
Asset Impairment	0	972	972	0
CASH SURPLUS / (DEFICIT) FOR THE PERIOD	(4,390)	6,914	4,003	2,912

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD 31 MARCH 2010

25. Statement of Comparison of Budget and Actual Amounts

The budget of EDI Holdings is approved on an accrual basis. The budget covers a period from 1 April 2009 to 31 March 2010. EDI Holdings forms part of the general entities within the Department of Energy (DoE), and is therefore budgeted on a cash basis, hence the reconciliation of the EDI Holdings budget to compare on a cash basis.

The favourable expenditure of R276 million on the final budget (R343 million on approved budget) is as a result of the delayed expenditure on the restructuring project activities of R74 million against R421 million final budget (R347 million against approved budget) to allow for the incoming Minister who took office after the 2008/09 national general elections during April 2009, and the separation of the Department of Minerals and Energy into two independent departments to gain insight into the EDI restructuring processes.

There were no other material differences between the final budget and the actual expenditure on the corporate budget, except for the reallocation of an amount of R13, 761 million previously classified as project costs to the administrative expenses. The remaining difference of R18 million is as a result of the timing of the projects start period.

SUPPLEMENT TO THE ANNUAL FINANCIAL STATEMENTS FOR THE PERIOD 31 MARCH 2010

Soccer World Cup 2010 Expenditure

EDI Holdings was part of the national drive aimed at promoting the 2010 FIFA World Cup. This was done through participation in the national Football Fridays campaign as well as the countdown to the World Cup kick-off on 11 June 2010. To this end, EDI Holdings expended resources in ensuring that both its board members and staff and the premises are equipped with the necessary material and regalia aimed at promoting the World Cup. The figures are reflected in the schedule below.

2010 World Cup apparels

	2009/10		2008/09
	Quantity	R'000	R'000
T-Shirts	136	81	0
World Cup Makarapa and Soccer Balls	16	7	0
Flag sets of participating countries	9	2	0
	<u>161</u>	<u>90</u>	<u>0</u>

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Reg No 2003/005572/07

PHYSICAL ADDRESS

Presidia Building
255 Paul Kruger Street
Pretoria, 0002

POSTAL ADDRESS

Private Bag X 166
Pretoria
0001

CONTACT

Tel: (012) 316 7700
Fax: (012) 323 7058

WEBSITE

www.ediholdings.co.za

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