

a world class African city



JOHANNESBURG
SOC Limited

PIKITUP JOHANNESBURG SOC LTD

2013-2014 INTEGRATED ANNUAL REPORT



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

COMPANY INFORMATION:

Registration number : 2000/029899/07

Registered Address : Pikitup Head Office, 63 Juta Street, Braamfontein

Postal Address : Private Bag X74, Braamfontein, 2017

Telephone number : (011) 712-5200

Website : www.pikitup.co.za

Bankers : Standard Bank of South Africa Limited

Auditor : Auditor-General of South Africa

VISION

Pikitup Johannesburg's vision is "to be the leading integrated waste management company in Africa and be considered amongst the best in the World."

MISSION

Pikitup's mission is "To provide sustainable and innovative waste management solutions that exceed stakeholder expectations".

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STRUCTURE OF THE REPORT

National Treasury MFMA Annual Report Circular 63 requires municipal entities to adopt the following format for an Annual Report:

Chapter 1: Mayor's Foreword and Executive Summary;
Chapter 2: Governance;
Chapter 3: Service Delivery Performance;
Chapter 4: Organisational development performance;
Chapter 5: Financial performance; and
Chapter 6: Auditor General's findings

Scope of report

The Annual report for 1 July 2013 to 30 June 2014 is an integrated financial, social and economic report. The entity aligns itself to local and international sustainability best reporting practices, including the:

- Municipal Finance Management Act (MFMA)
- Public Finance Management Act (PFMA)
- Generally Recognised Accounting Principles (GAAP)
- Section 46(1) of the Municipal Systems Act (MSA)
- King III Code on Corporate Governance (KING III)
- Discussion papers issued by the South African Integrated Reporting Committee and the International Integrated Reporting Council (IIRC)
- International Financial Reporting Standards (IFRS)
- Global Reporting Initiative Framework (GRI)
- Millennium Development Goals
- Joburg 2040 Growth and Development Strategy (GDS)
- 2012/16 Integrated Development Plan (IDP)

The report considers economic, environmental, social and technical performance and is also available online on entity's website: www.pikitup.co.za

Materiality

The main areas covered in this report (in terms of both current and future issues) are based on feedback from our stakeholders, our business focus areas, priorities and the actively managed risks we face.

The entity has applied the principle of materiality in pertinent content and disclosure. A matter is material if it is of such relevance and importance that it could substantially influence an assessment of the report and the entity's ability to create value in the short, medium and long term. The following internal and external criteria were used to identify material issues:

CRITERIA	
City of Johannesburg Growth and Development strategy (Joburg 2040 criteria and objectives)	Critical opportunities and challenges Pikitup is geared to respond to.
National and Provincial outcomes of Government	Changes in the socio-economic developmental agenda and priorities of National and Provincial Government
Enterprise Risk Management Process; including key risks impacting Pikitup's strategic and operational objectives and the associated mitigating activities	Factors which may impact on Pikitup's reputation, thereby influencing its ability to promote sustainable growth
Stakeholder expectations and feedback – e.g. from residents, rate-payers, business community, Non-Governmental Organisations (NGOs), National and Provincial Government, neighbouring municipalities, designated targeted groups.	The provisions of various frameworks including: Municipal Finance Management Act (MFMA); Section 46(1) of the Municipal Systems Act (MSA); King III Code on Corporate Governance (King III), International Financial Reporting Standards (IFRS); Millennium Development Goals; BBBEE Code.
Pikitup's mission, vision and values.	
Pikitup's governance framework and policy environment.	

Assurance

Pikitup's Annual report for the 2013/14 financial year was assessed by Group Governance and rated to ascertain whether minimum disclosure requirements were adhered to in terms of the following:

INTEGRATED REPORTING FRAMEWORK	MFMA: CIRCULAR 63 ANNUAL REPORTING REQUIREMENTS
Ethical Leadership and Corporate Citizenship	Mayor's Foreword Statement and Executive Summary Report
Boards and Directors <ul style="list-style-type: none"> - Board Independence; - Board reporting; - Boards performance; - Board Committees; - Director's remuneration 	Governance <ul style="list-style-type: none"> - Governance structures; - Intergovernmental relations ; - Public Accountability Participation; - Supply Chain Management, By laws, oversight committees; - Risk management; - Anti-corruption and fraud; - Disclosure of financial interests; - Councillors and committee.
Audit Committees <ul style="list-style-type: none"> - Finance Competence; - Audit Committee Performance 	Service Delivery
The Governance of Risk	Organizational Development Performance
Compliance with Laws, Codes , Rules and Standards	Financial Performance
Internal Audit <ul style="list-style-type: none"> - Internal Audit Function; 	Appendices; Annual Financial Statements

- Internal Controls	
Governing Stakeholders Relationships	
Integrated Reporting Disclosure - Financial Disclosure; - Sustainability Disclosure;	
Integrated Reporting Philosophy	

All recommendations were considered and the necessary changes were effected, where possible. In addition, the Audit Committee reviewed the Annual Report to ensure correctness and relevance of the information. The mitigation strategies on the assessment and outcomes of the Entity's 2012/13 annual report in terms of the Integrated Reporting and MFMA Circular 63 have been included as part of this report (refer to Section 4 of Chapter 6 – Auditor General's findings).

The Entity will continue to refine its approach in future annual reports to ensure alignment with international reporting standards and to promote consistency and accountability with respect to its role in creating and sustaining value for all the citizens of Johannesburg

ABBREVIATIONS

AG	Auditor General of South Africa
AOPO	Audit of Predetermined Objectives
BAC	Bid Adjudication Committee
BCO	Bin Census Officer
BCP	Business Continuity Planning
BI	Business Intelligence
BP	Business Plan
BSC	Bid Specification Committee
CAE	Chief Audit Executive
CCS	Commercial and Customer Services Department of Pikitup
CFO	Chief Financial Officer
COC	Certificate of Competence
CoJ	City of Johannesburg
CPK	Cost per Kilometre
DEA	National Department of Environmental Affairs
DED	Department of Economic Development
DIFR	Disabling Injury Frequency Rate
DRP	Disaster Recovery Plan
DSDM	Developmental Service Delivery
EAP	Employee Assistance Programme
ED	Executive Director
EIA	Environmental Impact Assessment
EISD	Environment and Infrastructure Services Department
ER	Employee Relations (previously called Industrial Relations)
ERM	Enterprise Risk Management
ESP	Expanded Social Package
FEL	Front End Loader
FMPPI	National Treasury Framework for Managing Programme Performance Information
FROCC	Information system for fleet related information
FTC	Fixed Term Contract
GDARD	Gauteng Department of Agriculture and Rural Development
GRAS	Group Risk and Assurance Services
GSPCR	Group Strategy, Policy Coordination and Relations Department
HO	Head Office
HR	Human Resources
IA	Internal Audit
IDP	Integrated Development Plan of City
IPP	Independent Power Producer
ISWA	International Solid Waste Association
IWMP	Integrated Waste Management Plan of Municipality
IWMSA	Institute for Waste Management South Africa
JCPZ	Johannesburg City Parks and Zoo
JDA	Johannesburg Development Agency
JFPM	Johannesburg Fresh Produce Market
JMPD	Johannesburg Metropolitan Police Department
JPC	Johannesburg Property Company
KPA	Key Performance Area
KPI	Key Performance Indicator

LECS	Legal, Environment, Compliance and Safety Department of Pikitup
MD	Managing Director
ME	Municipal Entity
MFMA	Local Government: Municipal Finance Management Act, 56 of 2003
MMC	Member of Mayoral Committee
MOU	Memorandum of Understanding
MOV	Means of Verification
MRF	Material Recovery Facility
MSA	Local Government: Municipal Systems Act 32 of 2000
MTEF	Medium Term Expenditure Framework
NEMWA	National Environmental Management: Waste Act
NT	National Treasury
OHS	Occupational Health and Safety
OMP	Occupational Medical Practitioner
OPSCO	Operations Committee of Pikitup
PET	Polyethylene teraphthalate (plastic)
PIP	Priority Implementation Plan: plan aligned to each of the 10 Mayoral Priorities
PIU	Pikitup
PO	Purchase Order
PPE	Property, Plant and Equipment
PPP	Public-Private Partnership
PR	Public Relations
PSA	Productivity South Africa
R&CRM	Revenue and Customer Relations Management Department of the COJ
RAC	Risk Assurance and Compliance Committee of Pikitup
RCR	Refuse Collection Rounds
REL	Rear End Loaders
RFP	Request for Proposals
RFQ	Request for Quotation
RM	Regional Manager
RoD	Record of Decision
S@S	Separation at Source
SAP	Financial Management IT System
SAWIC	South African Waste Information Centre
SCM	Supply Chain Management
SDA	Service Delivery Agreement
SDBIP	Service Delivery Budget Implementation Plan
SEC	Social and Ethics Committee of Pikitup
SHE	Safety, Health and Environment
SLA	Service Level Agreement
SOC	State Owned Entity
SSC	Sustainable Services Cluster
TBSC	Technical Budget Steering Committee
TPC	Third Party Contractor
UGB	Underground Bins
VSD	Visible Service Delivery
WCA	Workman's Compensation Act
WMP	Waste Minimisation Plan of Pikitup
WMS&P	Waste Minimisation Strategy and Programmes Department of Pikitup
YTD	Year to Date

KEY ACHIEVEMENTS

- Stable and strengthened Board leadership
- Training of Board members



SECTION 1: CORPORATE PROFILE & OVERVIEW

Pikitup Johannesburg (SOC) Limited (hereafter referred to as Pikitup) was established in 2000 as an independent municipal entity, wholly owned by the City of Johannesburg, to serve and provide waste management services in the Greater Johannesburg area. In terms of the service delivery agreement, Pikitup is contracted to the City of Johannesburg to provide a wide range of waste management services to its citizens.

Pikitup provides a wide range of waste management services to approximately 4.4 million people. Approximately 1.2 million tons of waste is collected and disposed of by Pikitup annually, this is in addition to the waste that is collected and disposed of by private service providers.

Pikitup will continue to deliver on its mandate to provide sustainable integrated waste management services whilst introducing a shift towards addressing the imperatives of the Growth and Development Strategy (GDS 2040), as part of changing course.

Changing course

Pikitup's approach to changing course is informed by the GDS 2040 paradigm, which responds to the global, national and regional challenges of climate change, resource constraints, the triple challenge of poverty, unemployment, and inequality, as well as improving the overall governance and compliance environment in the company. This new course requires Pikitup to focus on activities that will promote waste minimisation and lead to waste being diverted away from landfill sites.

Taking cue from the GDS 2040, it is therefore necessary that a shift be made by Pikitup on its approach to waste management. Importantly, a paradigm shift is needed to understand that waste is not "rubbish", but a resource or a raw material. This means that a full cycle approach is required, which talks to the full cycle of waste management (waste products becoming input materials to another value chain).

Pikitup remains committed to the Polokwane Declaration of zero waste to landfill sites. Pikitup will take leadership, but will encourage the public/customers to be part of the solution. In this regard Pikitup will implement separation at source projects across the City. Pikitup is convinced that if communities are mobilized to sort waste at a household level, this will go a long way in waste reduction and the creation of a clean city.

- Changing course means changing the way we do things within limited resources, that is, doing away with the culture of abundance.
- Increase productivity – doing more with less and managing our resources effectively, including landfill airspace, human capital, budget, and others.
- Developing measurable output indicators, which address the desired outcomes in the GDS 2040.
- There is need for an integrated approach to ensure co-ordination of programmes and to work towards greater impact, working with all departments and entities within the City with various responsibilities.
- As part of changing course, there is a need to stabilise the economic base of Pikitup, and to prepare for long term financial viability.
- Specific actions need to be implemented to address the current defici.
- There is also the need to implement the remodelling programme of Pikitup, in order to align with the changing course.

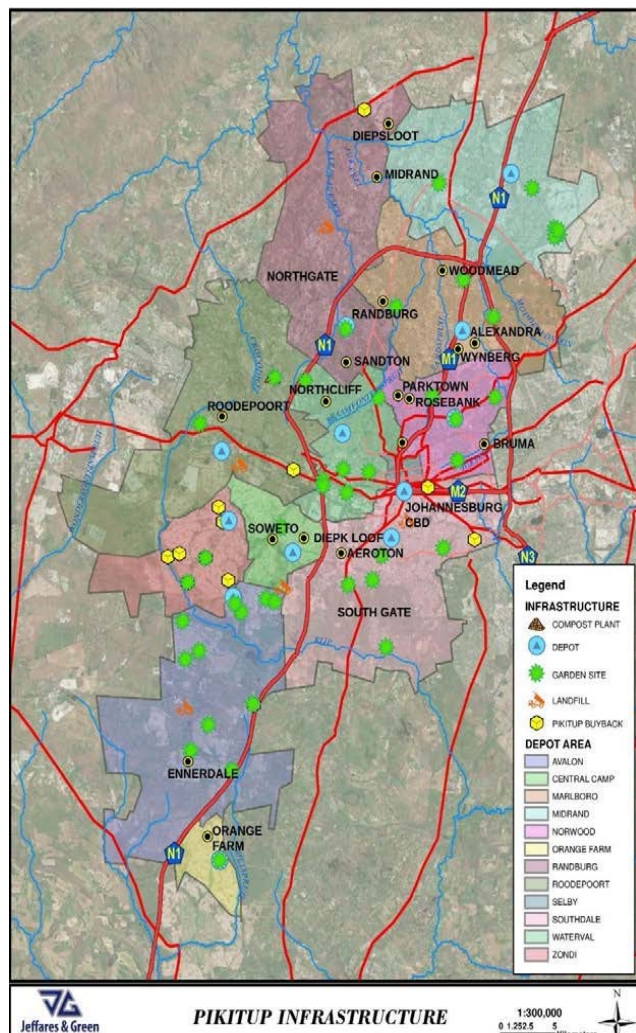
Pikitup's primary mandate is to provide sustainable integrated waste management services to all residential areas (both formal and informal) as well as to business in the City of Johannesburg. The mandate also includes the provision of services to ensure the overall cleanliness of the City's streets and open spaces and certain public areas. The cleaning of public sector hostels, public sector housing estates as well as informal trading areas and taxi ranks do not form part of the mandate but are activities performed by Pikitup at cost. Additional to this mandate Pikitup needs to reduce waste going to landfills by introducing waste minimisation projects, including the roll out of separation at source and contributing to food security.

Pikitup provides two categories of services, viz Council services and commercial services. The Council services, which the City of Johannesburg has mandated Pikitup to provide exclusively, comprise of the collection and disposal of domestic waste, street cleaning, lane flushing, area cleaning, the management of litter bins, the collection of illegally dumped waste, the collection and disposal of animal carcasses found in a public place and the operation of garden sites. Pikitup is also responsible for the operation and management of 4 open and 2 closed landfill sites, in accordance with permit conditions.

Pikitup operates from 11 depots across the city and manages 42 garden sites, one compost plant and 4 operational landfill sites. In addition Pikitup is responsible for 2 closed landfill sites in the city. In addition, we dispose some of the waste at privately owned landfill sites, namely Mooiplaats and Chloorkop which are situated in the north and east of Johannesburg respectively.

The commercial services, which Pikitup Johannesburg (SOC) Ltd provides in competition with other private waste management companies, comprise of bulk collection services, the collection and disposal of hazardous waste, composting, recycling activities, providing services for special events and the operation of landfill sites.

Our customer base consists of 754,821 domestic customers. In addition to the domestic customers, Pikitup services 9,658 Business Round Collected Refuse (RCR) customers, 1,270 Bulk service customers, 906 dailies, 522 institutions and several compost customers.



As the implementation agent of the City, Pikitup also plays a role in the implementation of the Integrated Waste Management Plan and addressing various other environmental challenges faced by the City.

SECTION 2: STRATEGIC OBJECTIVES

As a Municipal Owned Entity, we align ourselves to the Mayoral Priorities of the City of Johannesburg. There are Priority Implementation Plans (PIPs) developed for each of the priorities. These priorities are also included in the IDP for the City of Johannesburg. The contributions made to the various Mayoral Priorities are encompassed in the Business Plan of the organisation and various key performance areas are developed for each. The ten Mayoral Priorities are depicted in the table below:

Table 1-1: Mayoral Priorities

COJ PRIORITIES IN 2013/14	OVERVIEW	PIKITUP CONTRIBUTION
Financial Sustainability and Resilience	<p>The intention is the prioritisation of the City's financial position to ensure that finances are at all times sustained so that the City has the resilience to recover easily and immediately from unexpected, unfavourable occurrences that may have a severe impact on the City operations.</p>	<ol style="list-style-type: none"> 1. Pikitup has developed a Financial Recovery plan with the aim to break-even within 3 years. The plan addresses increased revenue through improved customer management and billing, additional commercial services and clients, as well as cost reduction measures such as fleet optimisation and reduction in overtime costs. 2. Activities to ensure data integrity, accurate billing and revenue collection. 3. Pikitup strengthening relationship with Revenue Department and managing collection of revenue.
Sustainable Human Settlements	<p>The key objective is to address spatial inequality and create the material conditions for economic growth with an emphasis on strengthening the inclusive nature of entrepreneurial, middle working class and marginalised economic activity. This is defined by:</p> <ul style="list-style-type: none"> • Accessibility; • Integrated Living Spaces; • Economic Opportunities; • Range of housing options; • Social and open space amenities, and • Social cohesion 	<ol style="list-style-type: none"> 1. A range of services are provided in areas to ensure a clean, living environment to residents and all users of the city's infrastructure. Various levels of services are provided in formal residential areas, hostels as well as informal settlements. 2. Illegal dumping impacts on the liveability and open spaces in an area. A programme has been developed to clean illegal dumping spots. 3. Education and awareness campaigns to ensure all citizens are aware of the impact of illegal dumping and littering on the environment and is informed about the responsible disposal of all waste. 4. Waste management standards and norms will be developed to be included in the COJ published Green Book to be used as guidelines in all new development.
Active Engaged Citizenry	<p>The strategic intent of the programme is to ensure that citizens of Johannesburg take an active role in their communities, are engaged as members of a community and participate as involved members of society.</p>	<ol style="list-style-type: none"> 1. Through Separation at Source programme communities are encouraged to participate in waste management. 2. Concentrated effort to be placed on awareness creation and education to increase participation rates. 3. Other projects such as Eco Rangers and Food for Waste are also aimed at citizen involvement.

COJ PRIORITIES IN 2013/14	OVERVIEW	PIKITUP CONTRIBUTION
		<ol style="list-style-type: none"> 4. Using garden sites for waste minimisation (provide facilities for green waste, e-waste, oil and tyres) in order to make waste minimisation accessible to all residents. 5. Pikitup to develop and implement an application to be used for residents to report incidents of illegal dumping.
SMME and entrepreneur Development and Support	<p>The key objective is to address poverty and, in particular income inequality through identifying key success areas and factors for entrepreneurial support and SMME development, identifying both governance and facilitating interventions which will optimise the development of the entrepreneurial and middle class.</p>	<ol style="list-style-type: none"> 1. Developmental Service Delivery approach to use expertise and skills in the community to assist in meeting service delivery challenges – community based contractors to take responsibility for waste management. 2. Jozi@Work model is aimed at using the cooperatives to collect waste and recyclables from residents as well as street cleaning and illegal dumping. 3. Separation at Source project is developed to establish and facilitate co-operatives to participate in recycling activities. This is part of the changing paradigm to create value from waste. 4. Proposals are also included with regard to decentralised composting where co-operatives will be critical to divert green waste and use it for the purposes of producing compost that can be used commercially as well as food gardens at schools and in communities.
Food Security	<p>The key objective of this programme is to address poverty and income inequality. The City recognises the need for immediate poverty alleviation measures (focussing on the poor and vulnerable) and poverty eradication in the long term to ensure self-reliant communities.</p>	<ol style="list-style-type: none"> 1. Waste Exchange Programme (Food for Waste) provides food parcels to community in exchange for the cleaning of illegal dumping spots; but will be sustainable as these spots are then converted into food gardens that can service the community as well as commercial sale of products.
Smart City	<p>Building a Smart City will result in:</p> <ul style="list-style-type: none"> • Economic development and creation of jobs; • Promoting resource efficiency and mitigating climate change; • Providing a greater place to live and work; • Running the CoJ more effectively; • Supporting communities; and • Usage of digital technologies for better connectivity, user 	<ol style="list-style-type: none"> 1. Implementation of various technologies that will assist with data collection, result in improved services, improved billing and improved performance monitoring such as infrared, RFIDs, GPS etc. 2. Improved communication between head office and depots through broadband 3. Microsoft SharePoint implementation to collate and manage business information required in decision making and to ensure deficiencies are timeously detected and addressed.

COJ PRIORITIES IN 2013/14	OVERVIEW	PIKITUP CONTRIBUTION
	experience, and improved service delivery.	
Resource Sustainability	Economic growth is strongly interrelated with the demand for water, electricity, liquid fuel and mining. Managed limited natural resources as well as the consequences of using these natural resources and de-linking economic growth from natural resource extraction is therefore important.	<ol style="list-style-type: none"> 1. Minimisation Strategy to divert waste from landfills. (Reduce, reuse, recycle.) 2. Separation @ Source to use waste as resource. 3. Green waste and composting. 4. Landfill sites are used for Landfill Gas Extraction projects and potential Waste to Energy project. (EISD) 5. Proper management of landfill sites also reduce the risk of environmental impact related to disposal of waste.
Investment Attraction, Retention and Expansion	Promote investment in the area to ensure economic growth, innovation and technological advances. Make the City attractive as a destination and facilitate local industries to become globally competitive.	<ol style="list-style-type: none"> 1. New technologies provide investment opportunities, such as Waste to Energy, Landfill Gas Extraction and Biotech plants. 2. A clean environment also attracts tourists and investors.
Green Economy	New opportunities exist in the sector to build an economy based on green initiatives. There are opportunities for manufacturing, innovation, jobs etc. The economic structure should change and respond to the needs of the economy to more resource resilient practices and products in order for demand to meet supply.	<ol style="list-style-type: none"> 1. Development of Green Waste Strategy; 2. Green waste and composting using communities and co-operatives; 3. Separation @ Source – developing a recycling economy in the City of Johannesburg; 4. Buy back centres and sorting facilities to be established; and 5. Various opportunities to be created for the re-use of materials.
Safe City	The objective is the creation of a safe, secure and resilient City that protects and serves, builds and empowers communities.	<ol style="list-style-type: none"> 1. Enforcement of waste by-laws with JMPD and green scorpions; and 2. Infrastructure Development

Pikitup has identified four goals to be achieved as an institution. Within these goals the objectives and the programmes of the City can be addressed. These are four identified focus areas and various projects and initiatives to address these have been identified in the business plan. These are:

Goal 1: Shift towards Integrated Waste Management and Waste Minimisation

These activities relate to ensuring that the necessary projects are implemented to ensure waste is diverted from landfills and that re-use and recycle activities are encouraged. In addition the necessary infrastructure to support these initiatives has to be addressed. The projects included are separation at source roll out and extension to additional areas, building buy back centres and garden refuse sites, developing a business case for dealing with green waste and composting as well as addressing the operations and viability of the incinerator. The programme also recognises the role of waste reclaimers in the process and relevant interventions are included to formalise and structure this community.

Goal 2: Promoting and Ensuring the Effective Delivery of Waste Services

Whilst investigating and implementing projects to enhance waste minimisation, it is necessary to ensure that current services are provided in an efficient manner and that service levels are improved. A clean city builds investor confidence and improves the health and quality of life of its citizens. Various initiatives in the 2013/14 financial year are aimed at improved cleanliness levels in the inner city, outer city, hostels and informal settlements.

Specific attention is also paid to measures to address illegal dumping in the city. In order for the operation to improve and become more efficient, particular attention will be given to the management of the fleet as it contributes to poor service delivery as well as high costs.

Education and awareness creation in the community is critical to address matters of illegal dumping, as well as more effective law enforcement. It is acknowledged that Pikitup cannot achieve these goals by itself and therefore requires partnerships and participation from various stakeholders.

Goal 3: Promoting and Implementing Developmental Service Delivery to ensure Economic and Social Development

At the centre of the concept is co-production: citizens are active participants with the state in shaping the future of their own outcomes. The concept values empowerment as a central force in democratic societies and has been used in similar forms in many countries. Another central feature is that citizens become part of the service delivery process of the state and are therefore not just passive recipients of state planning and resource allocation.

The characteristics of the developmental state and how the developmental service delivery approach is in line with the characteristic that the strategic capability and the involvement of the people in the process of development. Co-production has the potential to transform public services so that they are better positioned to address these problems and to meet urgent challenges such as public spending cuts, an ageing society, the increasing numbers of those with long-term health conditions and rising public expectations for personalised high quality services.

Pikitup will make a contribution by ensuring that a recycling economy is established in the City of Johannesburg where communities and entrepreneurs will be able to manage and benefit from recycling activities and waste may be used as a resource to produce various products. At the centre

of this intervention is the establishment and facilitation of various cooperatives to participate in recycling activities, cleaning of informal areas as well as addressing illegal dumping in various communities.

Goal 4: Building an Efficient and Effective Waste Management Company

Various enabling services and processes are required to drive a highly efficient and effective organisation. In order to achieve this goal various supporting processes, systems and structures should be in place. These relate to:

- Review and implementation of appropriate policies;
- Effective Management of risks;
- Financial management;
- Achieve a clean audit;
- Building a skilled workforce aligned to the needs of the organisation;
- Performance Management;
- Communication and Stakeholder management initiatives to increase education and awareness;
- Improved productivity measures; and
- Customer Centric Approach

Pikitup is committed to continually improving its performance and the company is confident that it will exceed the expectation of all stakeholders thus attaining the vision of being “to be the leading integrated waste management company in Africa and be considered amongst the best in the World.”

Table 1-2: Strategic Objectives of Pikitup 2013/14

GOAL	OBJECTIVE	EXPLANATION
Goal 1: Shift towards Integrated Waste Management and Waste Minimisation	Objective 1.1: To ensure that waste to landfills is minimised	Various projects are to be implemented to minimise waste to landfill. The ultimate aim is to reduce greenhouse gas emissions as well as increase airspace.
	Objective 1.2: To ensure appropriate infrastructure is developed to dispose of waste in a sustainable manner	The new model of operations require different infrastructure needs such as buy back centres, composting facilities and others. The necessary infrastructure needs to be developed. In addition, there may be new technologies to be implemented such as Waste-to-Energy and Landfill Gas Extraction. Additional technologies may be identified related to the various waste streams.
Goal 2: Promoting and Ensuring the Effective Delivery of Waste Services	Objective 2.1: To ensure effective and efficient waste services	These services include domestic waste removal, street cleaning, informal settlements as well as some public owned facilities. The objective is to ensure that these services are rendered in an efficient manner and that the highest cleanliness levels are achieved.
Goal 3: Promoting and Implementing Developmental	Objective 3.1: To use waste as a resource for poverty alleviation and create job creation opportunities	CoJ has high levels of unemployment, poverty and inequality. Waste minimisation provides opportunities to use waste as a resource and these should assist communities to address

GOAL	OBJECTIVE	EXPLANATION
Service Delivery to ensure Economic and Social Development		poverty. Consideration is given to the implementation of coproduction to address these challenges.
Goal 4: Build an Effective and Efficient Waste Management Company	Objective 4.1: To optimise financial management and sustainability	The entity currently has a deficit. In order to be a leading company the financial position of the company needs to be addressed.
	Objective 4.2: To improve customer satisfaction and change behaviour	The behaviour of residents impacts on the success of the initiatives related to waste minimisation. In addition the services rendered impact on residents and therefore a specific focus is placed on the management of interfaces with the community.
	Objective 4.3: To provide safe and secure environment to all employees	Safety is a key priority of the company to ensure that staff are safe and that the working environment is created to reduce incidents and deaths.

SECTION 3: FOREWORD BY THE MEMBER OF THE MAYORAL COMMITTEE

As a Member of Mayoral Committee responsible for the Environment, Infrastructure and Services, I have noted that today's increasingly resource-constrained world requires us to collectively safeguard the environment and manage potential environmental impacts in order to become a sustainable society. I therefore would like to applaud Pikitup Johannesburg SOC Ltd in ensuring that within this financial year, the delivery of waste management services to the communities and businesses within the City of Johannesburg is done so in the interest of protecting the environment and leaving a sustainable legacy for future generations.

I want to commend Pikitup for honouring the Mayoral Priorities and striving to improve performance in the 2013/14 financial year. There has been some significant changes in the management team as well as the Board and I trust that the new leadership will be able to deliver on the city's expectations. The Company is changing its operational model to involve the communities in the cleaning and maintenance of the City. Not only will this approach create jobs and opportunities for various enterprises, but we believe that it will also result in an improvement in the cleanliness of the area as communities will take responsibility for these areas. Working in partnership with our communities, we are confident that we will achieve the ideals of a clean City.

I truly welcome Pikitup's efforts in cracking down on illegal dumping in the City, as I understand that a large proportion of the company's operating expenditure for this financial year cannot be recovered due to this scourge. I must state that, although Pikitup does not have the regulatory powers to issue fines to people caught illegally dumping waste, I am glad that Pikitup in partnership with all stakeholders, is attempting to find ways of minimizing the opportunities that give rise to illegal dumping in the City by making illegal dumping difficult and less attractive.

I would like to encourage Pikitup to double its efforts to make access to illegal dumpsites difficult to dumpers, improve the quality of interaction with the Johannesburg citizens by educating and making them aware of the impact that illegal dumping has on their living environment and livelihood altogether.

The business of managing waste used to be straightforward, a generation ago; Pikitup simply collected, transported and disposed waste. Today, Pikitup is reinventing its business model and reconsidering the nature of waste management itself as the company has gone through a period of being an unsustainable business, both financially and in terms of operational inefficiencies.

I would therefore like to encourage Pikitup; especially the Chairperson of the Board, Managing Director and the entire executive team to stay focused on the goal at hand and keep the staff motivated at all times during this process and in these trying economic times.

During my tenure as Member of the Mayoral Committee for Environment, Infrastructure and Services, for the next two years and beyond 2040, I would like you, our Waste Sector stakeholder and decision-maker across all sectors (including business and civil society) to reflect on The Joburg 2040 GDS Outcome 2 which reads as follows *“Provide a resilient, liveable, sustainable urban environment – underpinned by infrastructure supportive of a low-carbon economy. The City plans to lead in the establishment of sustainable and eco-efficient infrastructure solutions (e.g. housing, eco-mobility, energy, water, waste, sanitation and information and communications technology), to create a landscape that is liveable, environmentally resilient, sustainable, and supportive of low-carbon economy initiatives”*.

You will agree with me that in terms of waste management in the City, Outcome 2 of The Joburg 2040 GDS compels us for the next five years to ensure that all formal and informal areas continue to be provided with adequate, reliable and uninterrupted waste collection services, implement programmes that will ensure a clean city which is free of illegal dumping, develop and implement comprehensive demand side management practices and climate change mitigation and adaptation plan for the City of the Future, and ensure that Pikitup is kept financially stable and operationally sustainable.

I look forward to leading the very excellent team of very experienced Pikitup staff which is committed to good customer service and efficient service delivery. I am excited, honoured and would like to encourage you to intensify your search for cleaner waste-based energy producing technologies, strengthen the city’s commitment to recycling by intensifying your separation at source program, investigate feasibility of both organics and material recovery facilities, reduce greenhouse gas emissions by increasing the efficiency of your fleet and invest in greener technologies for managing our waste.

Join me in looking forward to a Pikitup that has made the transition from a company where waste is traditionally collected, transported and disposed; to one that has moved its strategy in the upstream of the waste management hierarchy, where prioritizing waste avoidance and minimisation, practicing segregation, implementing safe waste transportation, cleaner waste treatment, and disposal as a last resort in an integrated manner, is the norm for managing all forms of waste handled by the company.

I would like to thank the Board members for their commitment in executing the oversight role. I thank you for the diligent manner in which you discharged your responsibilities. It would be remiss of me not to pay tribute to the well over 5000 employees of Pikitup who come to work diligently every day and labour to keep this great city of ours clean.

Councillor T Mfikoe

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

SECTION 4: CHAIRPERSON'S FOREWORD

While the company strives to keep Johannesburg a clean city, budgetary constraints have necessitated that we restructure our business by focussing on the core business. The year 2013/14 came with its challenges largely attributable to the City streamlining and rationalising revenue management processes which affected our revenue and billing processes.

The fleet and the costs related to running an effective service have also been a challenge for the company for some time. I am confident that the management team are working diligently to address these challenges and will achieve an efficient and effective service delivery model.

The company is changing its operational model to include communities in the services that are provided and it is believed that this shift will also contribute further to ensuring financial sustainability for the Company. I am pleased to note that Pikitup is reporting a surplus for the 2013/14 financial year, after many years of deficits being reported.

This is a clear indication that the measures that have been put in place are successful and I trust that the management team will continue to implement efficiencies and cost saving measures in order to ensure financial sustainability for the organisation.

During the year various controls and systems have been implemented to address audit findings and we are confident that we are making progress to achieving a clean audit. Various investigations were conducted through the year and led to the suspension of the Managing Director. Although such action is regrettable, it is aimed at ensuring that, amongst other things, Pikitup fully complies with prevailing legislation and regulations, so that a clean audit may be achieved.

The support from the city leadership and the shareholder unit continues to provide guidance and direction relating to all aspects of the business and matters of governance. The City Manager's office has provided the distinctive and direct leadership, when it is really needed by the company.

I appreciate and thank the MMC, Councillor Mfikoe for her support during the year, and I look forward to working with her in the coming year. In the past year Pikitup has increased the waste that is collected for recycling in order to decrease the waste going to landfills, and we intend to increase this even further and ensure that all residents participate in the programme.

One of the many aims of Pikitup is to facilitate separation at source through a model that is sustainable and creates decent job opportunities in the waste sector. This project is a key deliverable and contribution to the Mayoral Priorities as outlined by the shareholder.

To my colleagues, the fellow Board members, appreciation is extended for your commitment in executing the oversight role you play as well as your support and guidance in these trying economic times. I thank you for the diligent manner in which you have discharged your responsibilities.

I thank the Acting Managing Directors during this time and the executive team for the good work in implementing the Board decisions effectively and efficiently.

As a Board we place reliance on management to implement decisions made and ensure that the Company performs at the level that it does. It should also be noted that the Board strengthened its relationship with management in order to ensure that there is a common understanding of the challenges as well as a common goal in place. Both Board and management work relentlessly to achieve these goals. Pikitup's mission remains "To provide sustainable and innovative waste management solutions that exceed stakeholder expectations" and the vision of being the leading integrated waste management company in Africa hasn't changed.

Dr Nomonde Mabuya

Chairperson: Pikitup Board

SECTION 5: ACTING MANAGING DIRECTOR'S REPORT

Pikitup comes to the end of a most eventful year. Pikitup remains committed to our vision "to be the leading integrated waste management company in Africa". While the challenges to the organisation in the first half of the year have been arduous and our major consideration was financial stability, we have not lost sight of our obligation to provide a quality service to our customers. We remain committed to improving the services we provide to our customers.

During the period under review Pikitup saw a number of achievements such as the improvement in Inner City cleaning, stabilisation of the operations environment as well as the development and approval of various strategies including the Plan to Curb Illegal Dumping and Littering and the Waste Minimisation Plan. We believe that these will assist to address the key challenges faced by the organisation and are therefore implementing various interventions already and will continue to do so with renewed focus.

We are very pleased with the financial results in the 2013/14 financial year as it is a clear indication that our cost saving and efficiency measures are having the desired impact, and although a lot more still needs to be done to address the financial turnaround of the organisation, we are confident that we are on the right track.

There are still many areas in the business where we believe that we can improve but the team is energetic and are working to improve these areas. The organisation went through a stabilisation phase and is currently in a process of remodelling. This resulted in Pikitup proposing a new operating model that will ensure participation by the community and result in job creation and enterprise development, thereby increasing the waste sector contribution to the green economy. The Company

is also considering a financial recovery plan that will address the accumulated deficit that has been there for many years.

Comprehensive measures to deal with disabling injuries on duty have been put in place and will be managed and monitored as well as training of staff such as the implementation of the Driver Training Academy. Pikitup also intends to invest more in the education and awareness programmes that will ensure the community contributes and participates in waste minimisation strategies.

In line with the City's Growth and Development Strategy (GDS 2040), our long term Integrated Waste Management Services Plan (WMSP) will guide the focus of waste minimization from the households. Pikitup focus will change to ensure services are rendered effectively, provide the necessary infrastructure, support to the co-operatives and ensure more opportunities for participation in all the waste streams.

Our staff members remain a key contributor to our endeavours to put service delivery top on our agenda. In this quest, we will continue to engage with organised labour in a constructive manner, to ensure that we continue to uphold the ideals of unfettered service delivery to all the citizens of this World Class African City. We look forward to collaborating with various stakeholders as well as the community at large, to ensure that our vision is realised.

Mr Suren Maharaj

Acting Managing Director

SECTION 6: CHIEF FINANCIAL OFFICER'S REPORT

Pikitup traded at a surplus of R 59.292 million for the year ended 30 June 2014 compared to a deficit of R 44.884 million in the prior financial year. The accumulated deficit decreased from R 369.941 million in 2013 to R 310.649 million in the 2014 year.

This turnaround (year on year) of R 104.176 million was mainly attributable to the following achievements:

- Significant increase in revenue (R 382.371m or 27.2%) during the financial year as a result of a change in policy from the City of Johannesburg. In prior financial years the City had only allocated Pikitup a portion of the sanitation charge to domestic customers as a 'Service Fee'; this changed for the 2014 financial year, where the entire amount processed each month was allocated to Pikitup.
- A concerted initiative to decrease expenditure in line with an internal recovery plan has resulted in savings earlier than planned. Comparable expenditure (excluding the bad debt provision which increased significantly in line with the change in City of Johannesburg policy as discussed above) increased at a rate below CPI. Highlights include a decrease (year on year) in overtime costs and a decrease (year on year) in fleet and third party contractor costs.

In order to address the insolvency position of the company over the short to medium term it is essential that the Company ensures costs are contained at acceptable levels and additional revenue is generated commensurate with improved debt collection rates. A draft internal financial recovery

plan is currently under discussion which will assist in recovering the company's accumulated deficit over a period of time.

	2013 Actual	2014 Actual	2015 Budget
	R'000	R'000	R'000
Revenue	1,411,546	1,790,408	1,855,509
Expenditure	(1,456,430)	(1,731,116)	(1,855,509)
Surplus/(Deficit)	(44,884)	59,292	0

SECTION 7: AUDIT COMMITTEE REPORT

The Audit Committee's terms of reference

The Audit Committee has adopted formal terms of reference that have been approved by the Board of Directors. The committee has conducted its affairs in compliance with its terms of reference, and has discharged its responsibilities contained therein.

Audit Committee members, meeting attendance and assessment

The Audit Committee is independent, and consists of four independent, non-executive directors. It meets at least five times per year, as per its terms of reference. The Chairperson of the Board, Chief Executive Officer, Chief Financial Officer, Chief Audit Executive, Chief Risk Officer, external auditors, and other assurance providers (legal, compliance, health and safety) attend meetings by invitation only. The effectiveness of the Audit Committee and its individual members are assessed annually.

Roles and responsibilities

In line with the requirements of King III Code of Corporate Governance, the Audit Committee has:

- Reviewed the procedures for identifying business risks and managing their impact on the entity including the risk management functions
- Reviewed the entity's policies and procedures for preventing, detecting and investigating fraud
- Reviewed the effectiveness of the entity's policies, systems and procedures
- Reviewed the effectiveness and adequacy of the internal audit function and adequacy of its annual work plan
- Considered whether the independence, objectives, organisation, staffing plans, financial budgets, audit plans and standing of the internal audit function provide adequate support to enable the Audit Committee to meet its objectives
- Reviewed the results of the work performed by the internal audit function in relation to financial reporting and controls, corporate governance, risk management process, internal controls and any significant investigation and management responses
- Reviewed the co-ordination of audit efforts between the internal audit function and the external auditors and dealt with any issues of material or significant dispute or concern

- Reviewed the entity's compliance with significant legal and regulatory provisions
- Reviewed such significant transactions as the Audit Committee deemed appropriate
- Reviewed such significant reported cases of employee conflicts of interest, misconduct or fraud, or any other unethical activity by employees or the entity
- Reviewed the controls over significant financial and operational risks
- Reviewed and acted on any other relevant matters referred to it by the board
- Reviewed the validity, accuracy, reliability and completeness of financial information provided by management and other users of such information
- Reviewed the accounting and auditing concerns identified by internal and external auditors
- Reviewed the annual integrated report and financial statements taken as a whole to ensure they present a balanced and understandable assessment of the position, performance and prospects of the entity
- Reviewed the sustainability prospect of the entity
- Reviewed the external auditors' findings and reports submitted to management
- Reviewed the independence and objectivity of internal audit function and external auditors

In terms of the King III requirements, the Audit Committee must either apply with the following principles or explain non-application thereof:

- Overseeing integrated reporting
- Ensuring that a combined assurance model is applied in order to provide a co-ordinated approach to all assurance activities
- Satisfying itself of the expertise, resources and experience of the company's finance function
- Being responsible for overseeing the internal audit function and ensure its effectiveness
- Being an integral component of the risk management process
- Being responsible for recommending the appointment of the external auditor and overseeing the external audit process
- Reporting to the Board of Directors and shareholder on how it has discharged its duties

The Audit Committee has complied with the King III principles and has made an assessment of the effectiveness of the control environment through the use of assurance providers such internal audit, external auditors, and other independent assurance providers.

Where weaknesses were identified in internal controls, corrective actions were taken to eliminate or reduce the risks. The Audit Committee is of the opinion, based on the information and explanations given by management and the Internal Audit Department and discussions with the independent external auditors on the results of their audits that the internal controls of the entity have operated effectively throughout the year under review. Where internal controls did not operate effectively, compensating controls have ensured that the entity's assets have been safeguarded, proper accounting records maintained and resources utilised economically, efficiently and effectively, and compliance to laws and regulations.

Following our review of the financial statements for the year ended 30 June 2014, we are of the opinion that they comply with the relevant provisions of the Municipal Finance Management Act, Act No. 56 of 2003, The Local Government: Municipal Systems Act, 2000, Companies Act, 71 of 2008, and International Financial Reporting Standards, and that they present fairly the results of the operations, cash flow and financial position of the company.

The Audit Committee concurs that the adoption of the going-concern premise in the preparation of the financial statements is appropriate, subject to the ongoing support from shareholder. We therefore recommend that the financial statements and the annual integrated report as submitted be approved.

On behalf of the Audit Committee:



Mr Lionel Brenner
Chairman of the Audit Committee

SECTION 9: STATEMENT OF RESPONSIBILITY

The directors are responsible for the preparation, integrity and fair presentation of the financial statement of the Entity. The financial statements presented on page 81 has been prepared in accordance with Generally Recognised Accounting Practice (GRAP) and include amounts based on judgement and estimates made by the management.

The directors are responsible for the preparation of the other information in the annual report and are responsible for both its accuracy and its consistency with the financial statements. The going concern basis has been adopted in preparing the financial statements. The directors have no reason to believe that the entity will not be going concerns in the foreseeable future based on the forecast and available cash resources. Refer to the Directors Report on page 90 with regard to the appropriateness of the going concern assumption for the preparation of the financial statements. The shareholder has provided ongoing support with regard to the accumulated deficit.

The Auditor-General, who was given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the Board of Directors and committees of the Board, has audited the financial statement. The directors believe that all representations made to the Auditor-General during their audit are valid and appropriate. The Auditor-General's report is presented on page 141. The financial statements were approved by the Board of Directors on 12 December 2014 and signed on its behalf by the Chairperson of the Board and the acting Accounting Officer.

KEY ACHIEVEMENTS

- Stable and strengthened Board leadership
- Active Fraud Prevention Initiatives
- Social and Ethics Committee established in terms of King III.



SECTION 1: CORPORATE GOVERNANCE STATEMENT

To ensure that accountability and governance arrangements are in place, Section 121(2)(c) of the Municipal Finance Management Act (MFMA) supports the requirements of Section 18(1)(d) of the Municipal Systems Act (MSA): information on matters of governance should be communicated to stakeholders / communities. This should, according to section 65(1)(a) of the MFMA and section 46 of the MSA be undertaken through the compilation and publication of the Annual Report.

The purpose of the Integrated Annual Report is to promote accountability to stakeholders / communities for decisions taken by Pikitup and matters relating to administrative structures, throughout the financial year. The foregoing is in keeping with the requirements for integrated reporting set out in King III Code on Corporate Governance (King III) and the International Integrated Reporting Council's Integrated Reporting Framework (endorsed by the King Committee and the IoDSA in March 2014).

Ethical Leadership

The Board provides effective leadership based on a principled foundation and the entity subscribes to high ethical standards. Responsible leadership, characterised by the values of responsibility, accountability, fairness and transparency, has been a defining characteristic of the entity since the Pikitup's establishment in 2000.

The fundamental objective has always been to do business ethically while building a sustainable Pikitup that recognises the short- and long-term impact of its activities on the economy, society and the environment. In its deliberations, decisions and actions, the Board is sensitive to the legitimate interests and expectations of the Pikitup's stakeholders. In discharging its responsibility, the Board of Pikitup continues to provide direction in the implementation of the strategic objectives in order to continuously improve service delivery.

Corporate Governance

Pikitup applies the governance principles contained in King III and continues to further entrench and strengthen recommended practices in our governance structures, systems, processes and procedures. The Board of Directors and Executives recognise and are committed to the principles of openness, integrity and accountability advocated by the King III.

Through this process, shareholders and other stakeholders may derive assurance that the entity is being ethically managed according to prudently determined risk parameters in compliance with generally accepted corporate practices. Monitoring the entity's compliance with King III, forms part of the mandate of the Audit Committee. The entity has complied with King III in all material respects during the year under review.

Corporate Governance Protocol

The Board of Directors has incorporated the City of Johannesburg's Corporate Governance Protocol in its Board Charter, which *inter alia* regulates its relationship with the City of Johannesburg as its sole member and parent municipality in the interest of good corporate governance and good ethics. The Protocol is premised on the principles enunciated in the King III. Pikitup steadfastly consolidated its position in respect of adherence to the King III.

The entity practices are, in most material instances, in line with the principles set out in the King III. Ongoing steps are however taken to align practices with the Report's recommendations and the Board continually reviews our progress to ensure that we continue to improve our corporate governance.

Risk Management

At the direction of the Board, Pikitup with the assistance with external professionals and in conjunction with the City of Johannesburg's Group Risk Department concluded a comprehensive review of its enterprise risk management framework and practices. The process has resulted in the enhancement of Pikitup's Risk Management Policy and Framework as well as the development of a new Risk Appetite and Tolerance Policy. Pikitup is currently in the process of remodelling its departmental risk structures based on the proposed acceptance levels and financial parameters contained in the Risk Appetite and Tolerance Policy. Throughout this process it is essential to work together with the COJ Group Risk Department to ensure alignment in terms of group risk reporting.

In addition to the foregoing, Pikitup has also commenced a process to obtain automated risk management software. Again, this is a process that will progress in consultation with the CoJ to maintain the cogency of group reporting. Given its particular business exposures, Pikitup has also refined its Business Continuity Planning and have adopted several underlying plans to serve as guidelines in the event of particular events.

Information Technology Governance

Pikitup has adopted an Information Communications and Technology (ICT) governance framework in accordance with the guidelines contained in King 3. King 3 recognises that ICT has become an integral part of doing business today, as it is fundamental to the support, sustainability and growth of institutions. ICT cuts across all aspects, components and processes in business and is therefore not only an operational enabler for an institution, but an important strategic asset which can be leveraged to create opportunities and to facilitate service delivery. Pikitup's ICT governance framework aims to combine the consensus of experts into a best practice document to be used as a step-by-step approach to develop and implement ICT governance (or aspects thereof).

The benefits of the ICT governance framework include: shorter implementation periods; diminished costs; a structured development process as well as an end-product that is less flawed and has addressed all critical aspects. Going forward Pikitup intends to build on the COBIT framework and Pikitup's ICT Governance Framework will look into the application of COBIT (as a comprehensive ICT governance framework) to develop, implement and maintain an ICT governance system which would cause Pikitup to comply with the ICT governance requirements of King III. It will also expand on the use of ITIL to support COBIT4.

In January 2013, the department of Public Service and Administration published the implementation guideline for corporate governance of Information and Communication Technology Policy Framework. For the year 2014, Pikitup focused on phase 1 of the implementation which requires the creation of an enabling environment. To this end, a draft ICT Governance Policy, Charter and Plan (ICT Governance Framework) has been developed. The draft will be finalised in the new financial year. However, the day to day management of ICT is under the leadership of the Chief Technology Officer who is responsible for Governance of ICT within Pikitup. Executive management through the Executive Committee continues to be accountable/responsible for the corporate governance of ICT. Pikitup is poised to implement the second phase during the next financial year which will focus on

the enablement of business by ICT and the actual implementation of Governance and management of ICT. It is noted that the framework includes best practices such as COBIT and King III. It is expected that with the implementation of the Governance Framework, the key challenge of alignment experienced during the financial year will be addressed. Much of the project that ICT embarks on will be aligned to the strategic requirements of Pikitup.

Corporate Citizenship

The Board and management recognise that the entity is formed under a political structure. As such, it has a social and moral standing in society with all the attendant responsibilities. The Board is therefore responsible for ensuring that the entity protects, enhances and invests in the well-being of the economy, society and natural environment, and pursues its activities within the limits of social, political and environmental responsibilities outlined in international conventions on human rights.

Compliance with laws, rules, codes and standards

The Board is responsible for ensuring that the entity complies with applicable laws and considers adhering to non-binding rules, codes and standards. There are various pieces of legislation that Pikitup has to comply with. Some of the legislation is general and relates to the general management and operation of a public entity, labour relations and others. There are, however, legislation that is specific to waste management that has to be complied with as well. Set out below is a list of the principal legislation applicable to Pikitup.

- Atmospheric Pollution Prevention Act, 45 of 1965
- Basic Conditions of Employment Act, No. 75 of 1997
- Broad-Based Black Economic Empowerment Act, No. 53 of 2003
- Constitution of the Republic of South Africa Act No. 108 of 1996
- COJ Waste Management By-Laws
- Companies Act 71 of 2008
- Consumer Protection Act, No. 68 of 2008
- DWAF 1998: Minimum requirements for waste disposal by landfill, (2nd Ed)
- Electronic Communications and Transactions Act, No. 25 of 2000
- Employment Equity Act, No. 55 of 1998
- Income Tax Act, No. 58 of 1962
- Information Act, No. 70 of 2002
- King III Code on Corporate Governance
- Labour Relations Act, No. 66 of 1995
- Municipal Finance Management Act, No. 56 of 2003
- Municipal Structures Act, No. 117 of 1998
- Municipal Systems Act, No. 32 of 2000
- National Environmental Management: Air Quality Act No 39 of 2004
- National Environmental Management Waste Act No 59 of 2008
- National Road Traffic Act, No. 93 of 1996
- National Water Act, No 36 of 1998
- Occupational Health and Safety Act No. 85 of 1993
- Pension Funds Act, No., 24 of 1956
- Preferential Procurement Policy Framework Act, No. 5 of 2000
- Promotion of Access to Information Act, No. 2 of 2000

- Promotion of Administrative Justice Act, No. 3 of 2000
- Protected Disclosures Act, No. 26 of 2000
- Protocol on Governance in Public Sector
- Public Audit Act, No. 25 of 2004
- Road Traffic Act, No. 29 of 1989
- Road Accident Fund Act, No. 56 of 1996
- Skills Development Act, No. 97 of 1998
- Skills Development Levy Act, No. 9 of 1999
- Tax on Retirement Funds Act, No. 38 of 1996
- The Compensation for Occupational Injuries and Diseases Act, No. 130 of 1993
- National Environmental Management Act No. 107 of 1998
- Unemployment Insurance Act, No. 63 of 2001
- Unemployment Insurance Contributions Act, No. 4 of 2002
- Value Added Tax Act, No. 89 of 1991

Stakeholder Management

Stakeholder Management is critical to the success of Pikitup in delivering quality service to the residents of Johannesburg. The services that Pikitup offers require it to interface with stakeholders/clients, whether home owners, sector organisations, education institutions, business and industry at large, on daily basis. Other CoJ departments and entities are key in the implementation of the respective programmes and are consulted on an ongoing basis such as the Regional Offices, JMPD, Environmental Health, City Parks and Zoo as well as the Fresh Produce Market.

Pikitup has various forums where stakeholders have an opportunity to raise concerns such as the Environmental Forums considering landfill compliance matters. In addition various interactions were held with the recycling industry, business as well as Reclaimer Forums.

Pikitup also consults with labour unions on a regular basis through the Local Labour Forum on matters that impact on Pikitup staff. A good relationship has been developed between Pikitup and the respective Unions. To achieve a comprehensible and sustained stakeholder communication, Pikitup must work hand in hand with all its key stakeholders.

Benefits for enhanced Stakeholder Management for Pikitup

- Improving your organization's reputation or image
- Increased efficiency in and effectiveness of service delivery
- Developing long-term relationships
- Enhanced community confidence in projects undertaken
- Improved risk management practices – allowing risks to be identified and considered earlier, thereby reducing future costs
- Better understanding stakeholders' views, concerns and expectations
- Enhanced capacity to innovate

SECTION 2: BOARD OF DIRECTORS

The entity has a unitary Board, which at year-end was comprised of two executive directors and nine non-executive directors, all of whom are independent of Pikitup (i.e. no non-executive director has any business relationship with or shareholding in Pikitup). The Board was chaired by Dr Nomonde Mabuya, a non-executive director.

The Board of Directors has adopted a Board Charter, which encapsulates the City of Johannesburg Governance Protocol and includes matters of ethics, procedure and the conduct of Committee members. Registers are kept and updated on the disclosure and declaration of interests of directors and senior management and no conflicts have been recorded.

The Board and Senior Management ensure that there is full material compliance to all relevant legislation. The Company Secretary has certified in terms of section 268(d) of the Companies Act that all statutory returns have been submitted to the Registrar of Companies.

The Board met at least quarterly and retains full control over Pikitup together with the (acting) Accounting Officer as provided for in the regulatory framework particular to municipal owned entities. The Board is accountable to the City of Johannesburg Metropolitan Municipality, the sole shareholder and its stakeholders, the citizens of Johannesburg. A Service Delivery Agreement concluded in accordance with the provisions of the MSA governs the entity's relationship with the City of Johannesburg.

The Board provides monthly, quarterly and annual reports on Pikitup's performance and service delivery to the City of Johannesburg as prescribed in the Service Delivery Agreement, the MFMA and the MSA. In order to execute its duties, the Board established various committees with specific functions and responsibilities. The Board approved all the Terms of Reference and Charters of all committees.

Non-executive directors contribute an independent view to matters under consideration and add to the depth of experience of the Board. The roles of Chairperson and Managing Director / Accounting Officer are separate, with responsibilities divided between them. The Chairperson has no executive functions.

Directors have unlimited access to the Company Secretary, who acts as an advisor to the Board and its committees on matters including compliance with Pikitup policies, applicable statute and regulations and best corporate practices. The Board or any of its members may, in appropriate circumstances and at the expense of the Pikitup, obtain the advice of independent professionals.

During the course of every year, the Board conducts one or more self-assessments. This was again conducted during the year under review and the information passed on to the COJ Governance Department for evaluation. Pikitup has also developed evaluation questionnaires for the Audit Committee and going forward will develop self-assessment evaluations for its other board committees as a metric in board performance management.

Chairperson: Dr. Nomonde Mabuya (49)



Nomonde is a medical doctor and completed her MBBCh at Wits University in 1990 in addition to which she obtained her MBA at Thames Valley University in 1999. She holds a Diploma in Occupational Health, a Certificate in Impairment rating and Workplace Disability Management, a BSc. Hons in Aerospace Medicine (UP, 2004), and a Certificate in Travel Medicine (Wits, 2004). She is registered as a certified Independent Medical Examiner with the American Board of independent Medical Examiners and as a Designated Aviation Medical examiner with the SA Civil Aviation Authority.

She is a registered Occupational Medicine Practitioner with the HPCSA, offering consulting services to various South African corporations on the following workplace services:

- Hazard identification and Risk Assessments;
- Developing risk based medical surveillance programs;
- Development and review of policies and procedures on workplace Safety, Health, Environmental and Quality management programs;
- Offers travel health and expatriate program;
- Incapacity and workplace disability management programs; and
- Workplace absenteeism monitoring and employee Counselling services

Nomonde is chairperson of Pikitup's Board and a member of the Human Resources Committee.

Managing Director: Ms. Amanda Nair (50)



Amanda's current tenure as Managing Director of Pikitup was preceded by a short term as the General Manager (GM) for consulting engineering firm GIBB's Mobility Services Sector. Prior to that, Amanda was at the helm of Blue IQ Holdings, the development arm of the Gauteng Province responsible for implementation of mega strategic economic infrastructure projects, as its Chief Executive Officer. She has also been, among other positions, the Executive Director of the City of Johannesburg's Development Planning, Transport and Environment Department.

Amanda's career has taken her squarely into the international arenas, both in business and government. She has travelled extensively, as a representative on a range of international platforms. She played a leading role in the preparatory process leading up the 2002 United Nations World Summit on Sustainable Development, hosted in Johannesburg. She was the Project Manager for the 2010 FIFA World Cup South Africa Local Organising Committee as a Project Manager tasked to ensure that South Africa's nine host cities were in a full state of readiness to host the FIFA World Cup. Earlier in her career, she was the Executive Director: Development Planning, Transportation and Environment in the City of Johannesburg from 2001 to 2005.

Amanda was the youngest, first black, female manager appointed in the City of Durban in 1993 – where she was a Senior Manager and key to the success of many projects such as the Point Waterfront and Wilson's Wharf.

She completed her BA in 1984, majoring in Psychology & Industrial Sociology and in 1986, a Masters in Town and Regional Planning at the University of Natal. She also completed a Management Development Programme in 1993. She was one of 15 officials who attended a Leadership Development Programme in 1996. She was nominated to attend the Executive Leadership Programme run by KwaZulu Natal Local Government Association in association with USAID.

Amanda brings a wealth of experience and a deep understanding of policy and strategy development to Pikitup. She has led countless business planning, budgeting, financial management and policy processes and demonstrates remarkable competence therein. Amanda's vigilance around keeping abreast of corporate and governance issues demonstrates that her leadership vision for a Pikitup transcends whether it is in the public or private sector.

Mr Suren Maharaj



Suren joined Pikitup in 2013 as Chief Financial Officer. He was appointed to the board as Financial Director on 25 February 2014. Suren is a highly accomplished, results-driven professional with more than 16 years of progressive experience in finance and operations management within start-ups and global multi-billion dollar organizations in both private and public sectors. He is a seasoned chartered accountant and has streamlined business operations that drive growth and increase efficiency and bottom-line profit. He is also a Green Belt Digital Six Sigma graduate with demonstrated ability in developing and implementing financial controls and processes in addition to productivity improvements, and change management. Suren possesses solid leadership, communication and interpersonal skill to establish rapport with all levels of staff and management.

Dr Ntombi Mutshekwane (42)



Ntombi is a medical doctor, MBCHB (Medunsa) and during the past year completed her Master's Degree in Business Leadership at UNISA's School of Business Leadership (to be conferred). Apart from her membership of Pikitup's Board, she is also the chairperson of the Gauteng Mental Health Review Board, chairperson of the JHB Metro District Health and research fellow in the School of Public Health at the University of Witwatersrand. Ntombi is an entrepreneur medical practitioner who founded Mutshekwane Inc. Holdings, a business that has grown to comprise a number of subsidiaries.

She has extensive experience in providing emergency health care services in public and private hospitals in and around South Africa. For the past 5 years, she has been managing an outsourced 24- hour Emergency / Casualty Unit. Ntombi is chairperson of Pikitup's Social & Ethics Committee and a member of the Operations Committee.

Dr Washington Nyabeze (49)



Washington holds a PhD in engineering from the University of the Witwatersrand and is a registered Professional Engineer and a member of the Water Institute of Southern Africa, the South African Committee on Large Dams and the South African Black Technical and Allied Careers Organization. He has over 20 years of practical experience in energy, water resources, and infrastructure development, gained in assignments for various clients including the Department of Water Affairs and the Department of Minerals and Energy in South Africa, the Department of Water in Swaziland and the SADC Water Division as study leader/team leader and/or specialist engineer.

He has undertaken hydropower and water resources engineering work on international river basins in Southern Africa. He contributed to the National Groundwater Strategy and the National Water Resources Strategy II. He has published research papers in refereed journals, several guidelines and technical bulletins. Washington served as a guest editor for the Journal of Physics and Chemistry of the Earth Parts A, B and C published by Elsevier. He reviews articles for international journals and examines for different universities in Southern Africa. He was a Board member of the Johannesburg Roads Agency from 2006 to 2012 and from 2011 to 2013 he was a member of the National Water Advisory Committee. He is currently involved on research project on a Drought Early Warning and Forecasting System for Africa funded by the European Union. Washington is chairperson of Pikitup's Operations Committee and a member of the Risk Assurance & Compliance Committee.

Mr David Mondlane (40)



David is a construction engineer by training and is currently the Commercial Director of Inkanyeli Projects. Prior to joining Inkanyeli, he was employed as engineer by Group 5 Construction. During his career, he has been involved as project manager in construction and development contracts exceeding R6bn. He is a dynamic individual with over 17 years' experience in civil construction and brings a wealth of relevant business acumen to bear at Board level. David is chairperson of the Procurement Oversight Committee and a member of Human Resources & Remuneration and Operations Committees.

Mr Hugh Sutherland (78)



Hugh is a transport engineer by profession and currently employed as a business analyst by PS & Associates, and has over 120,000 hours experience in the heavy commercial vehicle and opencast mining industries. As such, he has a wealth of road transport knowledge. He is a retired member of the CSCMP (formally The Council of Logistics Management, USA), a Member of the Institute of Road Transport Engineers (MIRTE) and, a member of the Society of Operations Engineers (MSOE). He continues to lecture at the University of Pretoria until his retirement in February 2014, Hugh was a member of the Operations Committee.

Mr Lionel Brenner (52)



Lionel is a Chartered Accountant by profession and obtained his BComm at Wits in 1985 and Bcompt Honours from Unisa in 1987. He is the founding member and director of Dalist (Pty) Limited, a financial consultancy that provides corporate advisory, business management and enterprise development services to a range of JSE listed and other businesses. Prior to establishing Dalist, Lionel was Chief Financial Officer to a number of JSE listed companies. Lionel is the chairperson of Pikitup's Audit Committee and a member of the Risk Assurance & Compliance Committee.

Dr Yondela Ndema (38)



Yondela is an admitted Advocate and holds a PhD in law. She has a particular passion and specialty in commercial transactions, with 15 years' legal, compliance and risk experience. She is currently the Group Legal and Compliance Executive at JD Group, responsible for group legal and compliance. Previously she was the senior legal advisor at Investment Solutions Limited. Prior to this, she was legal advisor at Investec and ABSA responsible for advising, negotiating and drafting fund and other investment agreements. Until her resignation in October 2014, Yondela was chairperson of Pikitup's Human Resources Committee and a member of the Audit Committee and the Social & Ethics Committee.

Mr Maropeng Bahula

Maropeng holds BSc (Wits) and MBL (Unisa) degrees. He is currently an associate in consultancy firm Competitive Dynamics International. Prior to becoming a professional business services consultant, he was Value Chain Director at JohnsonDiversey, a multinational company, where his responsibilities extended to central and southern Africa. Prior to that, he was a technical and business manager for AEL Mining Services and an Environmental Practitioner at ESKOM. Before joining Pikitup, he was the chairperson of Johannesburg City Parks and a director on the Board of the Johannesburg Metropolitan Trading Company. Maropeng is chairperson of Pikitup's Procurement Oversight Committee and a member of the Risk Committee and of the Social and Ethics Committee.

Adv. Dan Rampai

Dan was appointed as non-executive director to the Pikitup Board in February 2014. Advocate Dan Rampai is currently employed at Wholesale and Retail Sector Education and Training Authority (W&RSETA) as the Executive Manager in the CEO's office. He is the founder of DR Ethics Conversations (Pty) Ltd, a company established to offer consulting services to client companies in every industry. He is also serving on the board of Pact SA and on the Council of Tshwane North TVET College.

He is a corporate governance, ethics and negotiations specialist and an aspiring publisher in these areas. He has published a book on ethics titled "Beyond The Moral Maze." Advocate Rampai has

obtained BJuris, LLB, MBA (Negotiations), and MPhil (Ethics) degrees. He is the advocate of the High Court of South Africa. He had presented a paper on “The State of Ethics within the South African Local Government” at a Conference on Local Government in Thailand. Dan is a member of the Procurement Oversight, Operations and Social and Ethics Committees.

Mr Lesetsa Matshekga

Lesetsa has had a varied career in investment banking that spans over 12 years predominantly in Stockbroking, Corporate Finance, Project Finance and Private Equity. He holds a Master of Business Administration (MBA) degree from Gordon Institute of Business Science, a BCom Hons degree in Finance from University of Cape Town, a BCom Hons degree and a BCom degree in Economics from University of Limpopo. He previously served as a non-executive director on the Boards of Wizzit Group (Pty) Ltd and Gateway Airports Authority Ltd, where he was also Chairman of the Audit & Risk Committee. He is a member of the Investment Analyst Society of Southern Africa and the Institute of Directors in Southern Africa.

Meeting Attendance

The charters of the Board and its respective Committees sets out the meeting requirements. The Board and each Committee are required to meet at least once per quarter. An annual calendar is prepared in advance of the financial year and meeting (apart from special meetings) are also arranged in advance. Attendance at meetings and other engagements held during the year were as follows:

Table 2-1: Meeting Attendance

DESCRIPTION	AGM	BOD	AC	RAC	HRR	SEC	OPS	POC	AD HOC	DATE APPOINTED
NUMBER	1	15	8	6	5	4	8	5	9	
Bahula, M	1	11		3		2		2		11/03/2012
Brenner, L	1	15	8	6					4	14/04/2011
Buys, R ²	1		6							1/01/2009
Hattingh, W ²	1		4							1/10/2010
Mabuya, M	1	15		1	4			2	3	14/04/2011
Maharaj, S	1	15	8	6	5	4	8	5	9	25/02/2014
Matshekga, L ¹	1	4		1	1	1				25/02/2014
Mondlane, D	1	14			2		8	5		24/4/2012
Mufana, G ^{1, 2}	1		3							25/02/2014
Mutshekwane, N	1	12			2	2	8	5		24/4/2012
Nair, A	1	11	5	5	4	3	6	3		01/10/2012
Ndema, Y ⁴	1	13	6		5	2		1		14/04/2011
Nyabeze, W	1	14		5			8		1	14/04/2011
Rampai, D ¹	1	5				1	2	1	1	25/02/2014
Sutherland, H ³	1	10					6			14/04/2011

¹ Appointed 25 February 2014

² Independent Audit Committee Member

³ Retired 25 February 2014

⁴ Resigned 10 October 2014

SECTION 3: BOARD COMMITTEES

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

- Audit Committee
- Social & Ethics Committee
- Human Resources and Remuneration Committee
- Risk Assurance & Compliance Committee
- Procurement Oversight Committee
- Operations Committee

Audit Committee (AC)

The Audit Committee comprises of the following non-executive directors and independent audit committee members: Lionel Brenner (chairperson), Yondela Ndema, Rudolf Buys, Waldo Hattingh and George Mufana. The Committee met 8 times during the year under review. The role of the Audit Committee is to assist the Board by performing an objective and independent review of the functioning of the organisation's finance and accounting and internal control mechanisms. The Audit Committee exercises its functions through close liaison and communication with management and the internal and external auditors. The Committee has a documented charter and work plan which are updated as necessary.

As recommended in King III, an Audit Committee assessment was conducted, the results of which confirmed that the Audit Committee had discharged its mandate in full. The Board confirms that the Committee discharged its mandate during the period under review.

Social and Ethics Committee (SEC)

The Social and Ethics Committee consists of the following non-executive directors: Ntombi Mutshekwanne (chairperson), Dan Rampai and Lesetsa Matshekga. The Committee met 4 times during the year under review. The Social and Ethics Committee monitors Pikitup's activities having regard to relevant legislation, codes of best practice, matters relating to social and economic development and the Pikitup's standing in terms of the 10 principles set out in the United Nations Global Compact, the OECD recommendations regarding corruption, the Employment Equity Act and the Broad-Based Black Economic Empowerment Act.

In addition, the Committee oversees Pikitup's conduct as a good corporate citizen, including its promotion of equality, prevention of unfair discrimination, reduction of corruption, contribution to development of the communities in which its activities are predominantly conducted or within which its services are delivered; the environment, health and public safety, including the impact of the Pikitup's activities and services. The Committee has a documented charter and work plan which are updated as necessary. The Board confirms that the Committee discharged its mandate during the period under review.

Human Resources and Remuneration Committee (HRR)

The Human Resources and Remuneration Committee consist of the following non-executive directors: Yondela Ndema (chairperson), Nomonde Mabuya, Lesetsa Matshekga and David Mondlane. The Committee met 5 times during the year under review. The Committee advises the Board on remuneration policies, remuneration packages and other terms of employment for all senior executives and employees.

Its specific terms of reference also include recommendations to the Board on matters relating *inter alia*, general policy remuneration, bonuses, executive remuneration, service contracts and medical and retirement benefits. The Committee has a documented charter and work plan which are updated as necessary. The Board confirms that the Committee discharged its mandate during the period under review.

Risk Assurance & Compliance Committee (RAC)

The Risk Assurance & Compliance Committee consists of the following non-executive directors: Maropeng Bahula (chairperson), Washington Nyabeze and Lionel Brenner. The Committee met 6 times during the year under review to oversee the quality, integrity and reliability of the Pikitup's risk management function. In terms of its mandate, it reviews and assesses the integrity and the quality of risk control systems and ensures that risk policies and strategies are effectively managed. The Committee has a documented charter and work plan which are updated as necessary. The Board confirms that the Committee discharged its mandate during the period under review.

Procurement Oversight Committee (POC)

The Procurement Oversight Committee consists of the following non-executive directors: David Mondlane (chairperson), Maropeng Bahula, Ntombi Mutshekwane and Dan Rampai. The Committee met 5 times during the year under review. The Committee was established to maintain oversight over the implementation of the supply chain management policy and procedure as set out in regulation 6 of the MFMA: SCM Regulations Supply Chain Management Regulations.

The Committee reviews the reports of the Accounting Officer on the implementation of Pikitup's supply chain management policy and procedure. The Committee makes recommendations to management and the Board resulting from the activities carried out by the Committee according to its terms of reference. The Committee has a documented charter and work plan which are updated as necessary. The Board confirms that the Committee discharged its mandate during the period under review.

Operations Committee (OPSCO)

The Procurement Oversight Committee consists of the following non-executive directors: Washington Nyabeze (chairperson), David Mondlane, Ntombi Mutshekwane and Dan Rampai. The Committee met 8 times during the year under review. The objectives of the Committee are to oversee strategy formulation and implementation at operational level; to ensure that operational and environmental management within the Pikitup is aligned with business strategy and to support and guide the Board and Executives in key operational, environmental and technical initiatives. The Committee has a documented charter and work plan which are updated as necessary. The Board confirms that the Committee discharged its mandate during the period under review.

SECTION 4: NON-EXECUTIVE DIRECTORS AND IAC MEMBERS' REMUNERATION

Pikitup remunerates the non-executive directors and independent audit committee members in accordance with the policy and in the amounts determined from time to time by the City of Johannesburg Metropolitan Municipality, acting in its capacity as the sole shareholder of Pikitup. The foregoing position was reaffirmed by special resolution at the 25 February 2014 annual general meeting. In instances where non-executive directors are required to attend to the business of Pikitup outside of meetings, they are paid a meeting fee for such attendances. The non-executive directors and independent audit committee members are paid per meeting and are entitled to an annual retainer. The retainer is payable after year-end and provided that the director or independent audit committee member has attended the annual general meeting and 60% or more of the scheduled meetings. Executive directors and prescribed officers are employees of Pikitup and do not receive any additional remuneration by reason of their office. The table below reflects the gross or cost to company amounts paid by Pikitup in relation to non-executive directors' and independent audit committee members' fees.

Table 2-2: Member's Remuneration

NAME	MEETING FEES	RETAINER 2013/14	TOTAL
Mabuya, N ¹	290 950	52 900	343 850
Ndema, Y	208 303	26 450	234 753
Mutshekwane, N	203 671	26 450	230 121
Nyabeze, W	208 962	26 450	235 412
Brenner, L	338 567	26 450	365 017
Mondlane, D	197 059	26 450	223 509
Bahula, M	129 170	26 450	155 620
Matshekga, L ²	42 322	9 058	51 380
Rampai, D ²	47 612	9 058	56 670
Sutherland, H ^{3, 5}	130 933	17 319	148 252
Marwala, T ^{4, 6}	59 513		59 513
Hattingh, W ⁶	49 596		49 596
Buys, R	72 741	26 450	99 191
Mufana, G ²	33 065	9 058	42 123
TOTALS	2 012 464	282 543	2 295 007

¹ As Board Chairperson, N Mabuya receives a higher retainer.

² D Rampai, L Matshekga and G Mufana were appointed during the year and receive a prorated retainer.

³ H Sutherland retired during the year and receives a prorated retainer.

⁴ Resigned

⁵ Retired

⁶ T Marwala and W Hattingh did not qualify for retainers for 2013/14 financial year.

Senior Management Remuneration

The table below provides the information related to remuneration of all managers reporting directly to the Managing Director.

Table 2-3: Senior Management Remuneration (2013/14)

Name and Surname	Members of Key Management	Basic Salary	Medical Aid Contributi	Pension Fund Contributi	Travel Allowance	Housing allowance	Acting allo	Total CTC (Incl. acting)	Total CTC (exc. Acting)
Amanda Nair	Managing Director	R 2,017,173	R -	R 103,377	R -	R -	R -	R 2,120,550	R 2,120,550
Suren Maharaj	Chief Financial Officer	R 1,404,996	R -	R 72,004	R -	R -	R 19,232	R 1,496,232	R 1,477,000
Ika Magasa*	Chief Operating Officer	R 593,794	R 12,300	R 32,906	R 36,000	R -	R 31,871	R 706,871	R 675,000
Ntombiyomusa Jack	Executive Director : Waste Minimization & Programmes	R 1,404,996	R -	R 72,004	R -	R -	R -	R 1,477,000	R 1,477,000
Ashley Seymour	Executive Director: Commercial and Customer Services	R 1,253,839	R 38,801	R 78,861	R -	R -	R -	R 1,371,500	R 1,371,500
Lester Peter	Executive Director Legal and Compliance	R 1,161,591	R -	R 61,718	R -	R -	R -	R 1,266,000	R 1,266,000
Jonathan Thekiso	Executive Director: Corporate Services	R 1,412,483	R 42,692	R 74,575	R -	R -	R 29,832	R 1,559,582	R 1,529,750
Litshani Matsila**	Chief Audit Executive	R 348,400	R -	R -	R -	R -	R -	R 348,400	R 348,400
Ridwaan Barden***	Chief Technology Officer	R 951,250	R -	R 48,750	R -	R -	R -	R 1,000,000	R 1,000,000
Francois Dekker	Company Secretary	R 1,204,294	R -	R 61,706	R -	R -	R -	R 1,266,000	R 1,266,000
Aminah Mtoba****	Chief Operating Officer	R 199,705	R 4,590	R 14,978	R 65,040	R -	R -	R 284,313	R 284,313
Thando Mtembu*	General Manager: Project Management	R 368,336	R 9,684	R 31,980	R -	R -	R -	R 410,000	R 410,000
Luncedo Njezula*	General Manager: Strategic Support	R 336,766	R -	R 28,490	R -	R -	R -	R 365,256	R 365,256
Desiree Ntshingila*****	General Manager: Communication & Stakeholder Management	R 664,973	R 12,570	R 34,723	R -	R -	R -	R 712,266	R 712,266
Hendrika Naude	General Manager: Business Planning & monitoring	R 803,203	R -	R 62,501	R 144,000	R 272,376	R -	R 1,282,080	R 1,282,080
Peter Wilgenbus	Acting General Manager Enterprise Risk Management	R 759,886	R -	R 48,168	R 180,000	R -	R 8,000	R 996,053	R 988,053
	Total	R 14,885,686	R 163,328	R 826,739	R 425,040	R 272,376	R 88,935	R 16,662,104	R 16,573,169

* Commenced in January 2014

** Commenced in March 2014

*** Resigned in April 2014

**** Resigned in September 2013

*****Resigned in February 2014

NB// All Executives are on TCC

SECTION 5: COMPANY SECRETARIAL FUNCTION

Primary function of the Company Secretary is to act as the link between the Board and management and to facilitate good relationships with the shareholder. The Company Secretary is responsible for the general administration, more specifically to ensure compliance to good corporate governance practices and to provide guidance to the directors on corporate governance principles and applicable legislation.

SECTION 6: RISK MANAGEMENT AND INTERNAL CONTROLS

Pikitup developed and introduced a formal enterprise wide risk management structure to ensure Pikitup subscribes to the fundamental and sound principles of risk management as outlined in the King report on Corporate Governance.

This enterprise-wide risk management approach ensures the company focuses on those key risks facing the company in driving those goals and objectives to ensure service delivery to the City of Johannesburg.

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

Operating risk is the potential for loss to occur through a breakdown in control information, business processes and compliance systems. Key policies and procedures in place to manage operating risk involve segregation of duties, transaction authorization, supervision, monitoring and financial and managerial reporting.

In order to meet its responsibility with respect to providing reliable financial information, the entity maintains financial and operational systems of internal controls. These controls are designed to provide reasonable assurance that transaction are concluded in accordance with management authority, that the assets are adequately protected against material loss or unauthorized acquisition, use or disposal and that transactions are properly authorized and recorded.

The system includes a documented organization structure and visions of responsibility, established policies and procedures, including a Code of Ethics to foster a strong ethical climate, which are communicated to the parent municipality. The entity also includes the careful selection, training and development of people

In April 2013, the Pikitup Board of Directors approved a Risk Management Strategy that committed the organisation to managing risk according to good corporate governance principles.

To assist Pikitup in carrying out this work, Pikitup embarked on a collaborative process that resulted in a number of risk management documents:

- Pikitup Enterprise Risk Management Policy;
- Pikitup Enterprise Risk Management Framework;
- Pikitup Risk Appetite and Tolerance (RAT) Guideline; and
- Pikitup Enterprise Risk Assessment Procedure.

Amongst other elements the strategy committed Pikitup to carrying out an assessment of the risk bearing capabilities of the organisation and to define, more clearly and accurately, the risk appetites and tolerance of the organisation. This included ensuring that Pikitup set out its risk tolerance levels at a company level and at the level of departments or departments. In the last quarter, the Board of Directors approved the Risk & Control Self-Assessment Framework, which supports the implementation of the ERM Policy, Framework and Procedures and should therefore be read together with the ERM documents.

The Board of Directors also considered and approved the Conflict of Interest Management Policy, A Strike Management Policy and the Emergency Management and Business Continuity Plan.

Risks Registers

The objective of the corporate risks register is to present the corporate key risks facing Pikitup from the expectations in terms of the City's Growth and Development Strategy (GDS), the Integrated Development Plan (IDP) goals and Pikitup's five-year strategic objectives.

In a risk assessment workshop on 20 September 2013, with the Board of Directors and Executive Management, a set of top 10 corporate or strategic risks were identified, assessed and ranked. As indicated in the Enterprise Risk Management framework, regular risks assessment workshops with the Board of Directors, Executive Management and Operational Management are conducted at least annually to identify and assess corporate and operational risks within Pikitup. The status of the corporate and operational risks registers; the controls in place to mitigate the risk and the actions taken to manage the risk are reported to the Executive and Board of Directors on a quarterly basis.

On-going risks assessment workshops were held during the year. These workshops included a risk awareness training session, and management was requested to establish a risk mitigating evidence file and identify risk champions. The monitoring on implementation of the controls for addressing the identified operational risks was conducted on a monthly basis and will continue receiving focused attention.

Management reviewed the risks register on at least a quarterly basis and these will form a key agenda item on the respective departmental meetings, as well as an extension for Internal Audit to plan and develop their risk-based audit approach for 2014 and beyond.

These risks pertaining to Pikitup are reasonably well identified and assessed. The focus on basic internal control systems to manage and minimise the effects of the risks to acceptable levels improved drastically during the course of the year. This has had a positive effect on the reduction of the residual levels as evidenced.

The top 10 risks for Pikitup in the 2013/14 financial year:

1. Strikes by staff / Protest Action
2. Unfunded Mandates
3. Financial Sustainability of the organisation
4. Financial Losses due to fruitless and wasteful expenditure, fraud and unauthorised expenditure
5. Health and Safety issues
6. Rapid depletion of landfill airspace
7. Failure to meet shareholder expectations in relation to strategic agenda
8. Non-compliance to regulatory requirements – landfill site management
9. Lack of sufficient and appropriate leadership and skills
10. Lack of performance culture and performance management

These risks were managed and controlled with mitigating actions implemented and have reduced in terms of residual risk. During the 2013/14 financial year emerging risks were identified. These are:

- Implementation of Jozi@Work
- Management of revenue by Pikitup.

SECTION 7: INTERNAL AUDIT FUNCTION

Internal audit function has a specific mandate from the Audit Committee to independently appraise the adequacy and effectiveness of the entity's risk-management process, internal controls, and governance processes - reporting its findings to the Divisional Management, Executive Committee, , External Auditors, the Audit Committee and Board of Directors. The Chief Audit Executive reports administratively to the Managing Director and to the Audit Committee on a functional basis. The mandate of the internal audit function is documented in the approved internal audit charter.

The internal-audit coverage plan is based on results of both the entity's wide risk assessment performed by the entity's Executive Committee, and the approved business plan. The coverage plan is updated annually, based on the risk-assessment, internal and external emerging strategic issues and results of audits performed in the previous financial year. This ensures that the audit coverage focuses on identified internal and external emerging risk.

In addition, the internal audit function is responsible for investigating all incidences of fraud, corruption and other acts of unethical behaviour. These incidences are reported internally and externally via the Group anonymous tip-off hotline. The internal audit function reports on a quarterly basis to the Audit Committee, and the Executive Committee, on the activities undertaken with regards to fraud investigation, prevention and detection activities. Internal audit also reports on identified trends regarding fraudulent acts and other acts of unethical behaviour and their impact on the overall entity's risk profile.

During the year under review, the Pikitup entrenched its risk management reviews and reporting and compliance assessments were conducted in terms of the Companies Act and the MFMA. The annual Board assessments and evaluations were conducted and an annual report for the previous year was effectively completed in accordance with the terms of section 121 of the MFMA.

The Internal Control environment within Pikitup was found to be inadequate and ineffective for the period under review based on numerous internal audit projects that were undertaken to provide assurance to the Audit Committee and ultimately the Board on the internal control environment.

In an endeavour to improve the Internal Control environment the Managing Director has embarked upon a continuous monitoring process, through monthly workshops, where executives and their management teams are requested to account on the progress of implementation of corrective action to internal and external audit findings thus enhancing the Internal Control environment.

SECTION 8: CORPORATE ETHICS AND ORGANISATIONAL INTEGRITY

The company has a new Code of Conduct (“the Code”) which has been fully endorsed by the Board and applies to all directors and employees. The new Code is aligned to the general Code of Conduct for Municipal Staff Members, contained in Schedule 2 of the Local Government: Municipal Systems Act (No. 32 of 2000). This Code will be reviewed and updated regularly to ensure that it reflects the highest standards of behaviour and professionalism at the Company. The Company also adopted an Ethics Management Program (EMP) in May 2014, which is aimed at raising and fostering ethical awareness at the Company, by providing ethical guidelines and education which would assist in the identification, monitoring and resolution of ethical matters. It is envisaged that the EMP will ensure that the Company properly manages all ethical matters, maintains and protect its integrity and good reputation.

In brief, the Code emboldens and affirms the company’s commitment to promote and maintain at all times the regulated standard of conduct expected from all municipal employees. The Code sets-out in great detail the expected standard of conduct and regulates matters such as conflict of interest, employment equity, legal compliance, client care and confidentiality, bribery and corruption. A toll-free anonymous telephone facility exists for reporting of non-adherence to the Code or ethics related matters. A copy of the Code is available to all interested parties upon request. Failure by employees to act in terms of the Code is taken very seriously and results in disciplinary action. The directors believe that the new management team would ensure that ethical standards are being met and fully supported by the EMP which is currently being drafted.

The Social and Ethics Committee is responsible to oversee the implementation of the Code of Ethics and to guide the organisation with regards to these matters.

A strong set of values lie at the core of any vision as these determine and shape how the organisation and its people see themselves and how they behave, thereby contributing to the execution of the mission.

The organisational values that guide and direct all Pikitup’s interactions with external and internal stakeholders are:

- *Exceptional Service Ethic* - Putting the customer first thereby achieving the highest customer satisfaction index
- *Environmental Consciousness* - Being environmental activists and a sought-after group of people
- *Respect for Human Dignity* - Trust, integrity and respect for each other’s culture, religion and beliefs
- *Good Corporate Citizenship* - Loyalty towards Pikitup, colleagues, community and the country at large
- *Unity of Purpose* - Teamwork, perseverance, embracing change, determination, exceptional commitment and relationship building
- *Result driven* - Understanding Pikitup’s strategy and its objectives and relating it to areas where efforts should be focussed

- *Innovative* - Providing innovative waste solutions by providing systems and technologies that require the innovative thinking of specialists in the field of waste management. All Pikitup employees should think innovatively to achieve quality which needs to be achieved at work
- *Continuous Improvement* - Maintaining a competitive edge over our competitors by continuously improving our business processes in waste management solutions and ourselves

SECTION 9: SUSTAINABILITY REPORT

Integrated sustainable waste management (ISW M) is a concept that has evolved after years of solid waste management experience. The ISWM concept rests on all key stakeholders being involved in the integrated planning of all waste system elements (i.e., from the point of generation to ultimate disposal, and including all steps of waste reduction, recycling, reuse and resource recovery in between these points) and addressing all system aspects (e.g. institutional, financial, regulatory, social and environmental aspects). There are global Sustainability Reporting Guidelines that have not been followed in compiling this report. The principles have been followed but in the next year the intention is to draft a full sustainability report in compliance with the guidelines. The nature of Pikitup business is to manage and dispose of waste in a responsible manner. The mandate also includes the minimisation of waste to landfills, in order to ensure resource sustainability.

During planning, comparative evaluation of various options is essential to develop the optimum mix of options that are most sustainable (i.e., optimizes environmental, social, and health effects while providing economic delivery of waste management services). Integrated solid waste management planning includes an evaluation of the overall system to determine the economic breakpoint for direct transport versus transfer, and assessing the number and strategic locations of key treatment and disposal facilities. All these aspects are considered as part of the daily operations of Pikitup.

A landfill is a part of every solid waste management system, providing disposal space for the residuals of treatment facilities, as well as space for all non-treatable wastes. Landfills are always needed to provide back-up disposal capacity in the event of up-stream facility closures or unduly large amounts of waste. Landfill life is extended by implementing recycling and resource recovery options, and thus initial capacity is never compromised by consideration of other disposal facilities. Pikitup has implemented the Separation at Source project in certain areas to encourage recycling by residents. The programme was operational in 4 areas of the City during the 2013/14 financial year but considerable effort should be made to increase participation and to increase accessibility to all areas.

Developing a solid waste system that maximizes the benefits of each component by minimizing costs and maximizing environmental protection and public acceptance, while being sufficiently flexible to adapt to changing circumstances, is the main objective of Pikitup Business Plan.

Pikitup initiatives are focussed to propose ways to encourage a local “waste management ethic”, e.g. sensitising people to put waste out at prescribed times, source segregate recyclables, stop littering, and support waste reduction efforts.

Pikitup's integrated sustainable solid waste management strategy is based on the "hierarchy of waste management" (i.e. Reduce-Reuse-Recycle- Compost-Dispose). The hierarchy of waste management simply advocates that the best approach to waste management is to first and foremost try to reduce waste generation and separate potential recyclables at source to improve the quality of materials for reuse, including organics for composting or anaerobic digestion.



What cannot be reduced should be reused if possible. What cannot be reduced or reused should be recycled, particularly secondary materials such as metal and paper. Waste that cannot be recycled should be recovered. The waste hierarchy leads to reduced quantities requiring transfer and disposal; extends landfill lifetimes; reduces extraction of non-renewable raw materials; provides local generation of material feedstock for industry; reduces deforestation; reduces Greenhouse Gas generation; provides valuable recovered resources (e.g. methane gas and compost); provides employment and income; and directly involves all waste generators in improving the environment through waste minimization and source segregation.

Although various programmes have been implemented by Pikitup in the 2013/14 financial year, more effort will be put into achieving the target to reduce waste to landfill by 20% by 2016.

The company is currently reviewing and developing its sustainability strategy in order to align it to the new organisational objectives. During the year under review, the company's focus has been on the redevelopment of its triple bottom line reporting.

Financial Sustainability

The company is working tirelessly to rectify its technical insolvency. Costs-saving initiatives have been implemented. The company's financial performance is covered in detail in the audited annual financial statements. The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern.

Environmental and Safety Management



The Company's Safety, Health and Environment Department's mandate is to ensure that the operations of the company are conducted in an environmentally friendly manner. The entity's landfills are licensed through the National Environmental Management: Waste Act of 2008 which sets out the conditions which the Company must comply with in order to ensure that the environment is protected against any degradation or pollution.

Environmental inspections are conducted on a monthly basis at all Company facilities, in order to determine and certify the level of compliance with the various statutory licenses and best environmental practices. In addition to these measures undertaken by the Company, legal compliance audits are conducted quarterly by the parent municipality or sole shareholder of the

Company (City of Johannesburg Metropolitan Municipality) and annually by independent auditors and the licensing authorities.

The Company has embarked on the implementation of ISO 14001 and is striving to achieve its ISO 14001 certification. The Company is also working hard to remedy and minimise the negative environmental impact caused by its operations to the environment. In this regard, the Company has implemented a number of projects aimed at diversion of waste from landfill sites.

The implementation of programmes such as the Separation at Source Project which recovers recyclable material from the point of generation in collaboration with communities, is one of these initiatives established by the Company to divert waste from landfills. The Company is also involved in another initiative, Jozi@Work which also is aimed at diverting waste away from landfill sites through partnerships between the City and the communities.

Social Development

The company is involved in various community projects such as environmental education and providing learnerships and employment opportunities to unemployed youth. The company also provides assistance to the Cooperatives in the waste management sector and participates in various schools' environmental projects. Each year the company hosts environmental awards, which are aimed at rewarding and recognising the achievement of schools, non-profit organisations and companies involved in waste and environmental management.

SECTION 10: CORPORATE SOCIAL RESPONSIBILITY REPORT

The Corporate Social Responsibility strategy of the company has over the years been two-pronged and focussed on direct and indirect positive impact on communities within the Greater City of Johannesburg. (CoJ) The organisational changes, particularly the change management and new strategic objectives of the company had necessitated that the company reviews and formalise its Corporate Social Responsibility approach and strategy.

The company believes that there are more influential and effective ways of positively touching the lives of the communities within the CoJ. Social responsibility programs that are aligned to the company's objectives such as the Food for Waste Exchange program are fully supported by the company.

During the year under review, the company had in conjunction with the City of Johannesburg Metropolitan Municipality employed through the Expanded Public Works Program about 202 youth to assist it in its bin verification project. It is the intention of the company to roll-out more social investment programs and these will be outlined in the new Corporate Social Responsibility Strategy that is being developed. However, through the implementation of various initiatives such as Separation at Source, Food for Waste, Bin Cleaning and others, Pikitup contributes to the following strategic interventions:

- Health care initiatives;
- Education;
- Skills training and job creation;
- Small business development; and
- Environmental education and management.

SECTION 11: ANTI-CORRUPTION AND FRAUD

Pikitup adopted a comprehensive approach to the management of fraud risk and this policy confirms that Pikitup supports and fosters a culture of Zero Tolerance to fraud in all its forms.

Fraud represents a significant potential risk to the entity's assets, service delivery efficiency and reputation. As such, Pikitup will not tolerate fraudulent or corrupt activities, whether internal or external to the entity, and will vigorously pursue and prosecute any parties, by all legal means available, which engage in such practices or attempt to do so.

Fraud prevention is a process that is adopted, in putting mechanisms in place, to manage the entity's vulnerability to fraud. Such mechanisms are designed to prevent, deter and detect fraud.

The Board of Director's approved a completely updated and revised fraud prevention policy and response plan on 14th of May 2014. The Pikitup communications department developed a fraud prevention policy statement and poster, which once translated into 3 languages; these were distributed to all employees and posted at depots, garden sites, and landfill sites and head office.

A fraud hotline number, **080 000 2587** was established with reports of alleged frauds vigorously followed up and investigated. There are two investigations that are ongoing:

- An investigation instituted by National Treasury in the prior year into alleged irregular procurement practices is still in progress;
- Management has instituted an investigation into mismanagement and collusion on landfill sites.

SECTION 12: ICT GOVERNANCE

Information, Communications and Technology (ICT) is a pivotal area in the transformation of any organisations' operations. As such, the Pikitup seeks to ensure alignment of its ICT assets, business model, operations and strategy with current and future needs. This is in light of the anticipated changes to be implemented in the waste management market space. For the year under review, the main goal of Pikitup ICT department was to improve the overall services to the organisation. To this end the following project we implemented:

- Migration to converged network technology which is Voice over IP based;
- Implementation of Biometric systems at the depots with view to manage time and attendance at work;
- Stabilise the mail communication by outsourcing to an external service provider;
- Quarterly report automation through SharePoint technology;
- Simplified the transmission of transactional data from four landfill sites to head office; and
- Researched new technologies such as RFID for implementation within Pikitup.

SECTION 13: SUPPLY CHAIN MANAGEMENT AND BLACK ECONOMIC EMPOWERMENT

The entity has adopted Supply Chain Management systems in compliance with the provisions of the MFMA and the National Treasury: Municipal Supply Chain Management Regulations, 2005. An SCM unit was established in September 2009 and which monitors the implementation of the entity's SCM

policies in line with the regulations which seeks to modernise financial governance and improve accountability and transparency in the entity's processes.

A new structure was developed to fully capacitate the SCM unit and the recruitment processes are presently underway. Pikitup's Board approved the new SCM policy in February 2013 which has since been implemented. SCM procedures are currently being developed to augment the SCM policy. The entity's SCM policies provide for the exclusion of awards to persons in the service of the state subject to the exemptions and regulations issued by National Treasury from time to time.

The entity has implemented the committee system for bids with separate Bid Specification, Bid Evaluation and Bid Adjudication committees having been set out.

The Board has ensured that the procurement policy embraced the objectives of broad-based Black Economic Empowerment and the Managing Director, as the Accounting Officer of the Company, was tasked as the custodian for effective implementation. The entity has drafted a BEE strategy and is in the process of finalising and aligning it to the new DTI codes of good practice. The Capital projects implemented during this period served as valuable foundation for ensuring community participation in our BEE programmes. This pace will be enhanced and the Company will continue to be sensitive to the financial constraints facing emerging black businesses.

The entity has made awards of approximately R97.7 million in value with almost 65% of the value of the tender awards going to SMMEs and BEE companies.

No unsolicited bids were made by the company. No awards were made to state employees. The MFMA prescribes that no persons in the service of the state should be awarded a tender. One of the main challenges is not having a central payroll database for which to cross reference any employees who could be working for other state departments in the local, provincial or national sphere of government.

Pikitup has implemented the municipal bidding form for all bidders to declare their interests and in particular if they are employees of the state. Further directors and shareholders of bidding entities are cross referenced to Pikitup's payroll as well as that of the City of Joburg. In addition to this Pikitup has embarked on a clean-up of its supplier database.

CHAPTER THREE: SERVICE DELIVERY PERFORMANCE

KEY ACHIEVEMENTS

- 754 821 households received weekly domestic refuse collection service
- 133 informal settlements serviced multiple times per week
- 26 informal settlements serviced on weekly basis
- 22 hostels serviced at Level 3 cleanliness
- Improved landfill site compliance to permit conditions
- 1.2 million tonnes of waste collected and disposed by Pikitup
- 1.511 million tonnes of waste disposed at landfills in City of Johannesburg



SECTION 1: KEY ACHIEVEMENTS

1. Planning to implement Jozi@ Work has commenced to ensure the involvement of communities in integrated waste management. The programme will only be implemented in the 2014/15 financial year but is aimed to create jobs and entrepreneur opportunities in the waste management sector.
2. The Plan for Curbing Illegal Dumping & Littering was approved by Board. The Plan serves as a basis for rolling out preventative as well as corrective measures for dealing with some of the causes of illegal dumping in the City, and has embedded into it a developmental service delivery approach to ensure active participation from local communities.
3. The Board approved the Waste Minimisation Plan. The Plan details the targets and the related interventions that are required to achieve the targets as set out by the GDS 2040 as well as the Polokwane declaration. The Plan addresses the various waste streams and proposes interventions accordingly. The plan now forms the basis of the planning activities and capital budget planning for future years.
4. 17 487 tons of green waste were diverted against an annual target of 15 000 tons for the year. This was achieved in spite of the decommissioning of the Panorama Compost Plant that is currently underway.
5. Separation at Source has been implemented in 8 depot areas and the focus is to ensure increased participation by residents from 17% to 50%, through education and awareness activities. This increase in participation will result in increased tonnages of waste diverted from landfills.
6. 668 jobs and 24 cooperatives were created through the Separation at Source programme. This is a considerable contribution to job creation and poverty alleviation and it is expected to increase as the programme will be incorporated in the roll out of Jozi@Work on a city wide basis.
7. Various improvements have been made in the operations and this resulted in cost savings as well and improved service delivery. Operations have been restructured into three areas which are managed by General Managers which will ensure better efficiencies and management of Operations. Commencement of area based supervision has been introduced at Central Camp with the intention to rollout to the entire Operation. This will improve control of resources and performance.
8. It can be noted that operational landfill compliance has improved from 68.5% in 2013 to 80.2% in 2014, depicting a compliance improvement of 11.7%. Closed landfills however are still not adequately implementing the end-use plans as approved and achieved 34.2% compliance, 10% improvement from 2013 to 2014.
9. New vehicles were purchased during the year. A reduction in fleet costs is now being realized as lease costs are now being paid instead of the higher ad hoc costs.
10. Focus in the quarter under review was on the training of the Zandspruit Cooperative on Separation at Source as well as the implementation of the World Environmental Month in June including continued education and awareness efforts in schools.

11. The annual average year to date query resolution rate is reported at 67% compared to 53% in the previous year. The improved resolution rate is mainly attributable to the increase in the resolution of bin levy related queries. Pikitup Bin Roll out project also contributes to the improved query resolution rates as it is on-going throughout the City. CRM connectivity at the depots also contributed to the improved query resolution rate.
12. The actual capital expenditure is 34% and the overall assigned budget is 70% as at 30 June 2014. This is lower than the target and various processes were implemented to ensure that specifications are completed timeously for the 2014/15 capital projects. It is believed that this will assist to fast track the procurement processes and ensure timeous implementation of the capital budget in 2014/15.
13. Pikitup traded at a surplus of 59.292 million for the year ended 30 June 2014 compared to a deficit of R44.884 million in the prior financial year. The accumulated deficit decreased from R369,941 million in 2013 to R310.649 million in the 2014 year

SECTION 2: CORE BUSINESS

The core business of Pikitup is to ensure domestic waste is collected and disposed in an efficient and effective manner. This includes waste management in informal settlements and hostels as well as the clearing of illegal dumping. Service levels are agreed with the shareholder in terms of a Service Level Agreement. In order to ensure compliance to permits and to ensure a healthy and safe environment, Pikitup is also responsible for the management and operation of 4 landfill sites.

In terms of the changing nature of the business and the strategic alignment to the GDS 2014 and Polokwane Declaration, Pikitup has implemented various projects to ensure waste to landfill is minimised and the Separation at Source programme was identified as a flagship programme in the GDS. Pikitup also provides a commercial service in order to improve its financial position.

Key Performance Area: Integrated Waste Management

Separation at Source

The table below reflects the tonnages of recyclable waste collected in the period under review.

Table 3-1: Tonnages of Recyclable Waste Collected

	Househol	14-Apr	14-May	14-Jun	Q4 total
Waterval	67,318	441	390	396	1227
Zondi	105,116	271	183	174	628
Diepsloot	46,535	44	39	37	120
Orange Farn	45,920	55	52	57	164
Central Cam	54,783	35	37	34	106
Marlboro	80,129	140	114	132	386
Southdale	69,438	42	56	43	141
Zandspruit	17000	1	9	2	12
Garden sites		105	48	93	246
Rose Oil Foundation		2			2
TOTAL	486,239	1136	928	968	3032

Year to date recyclables collected

The table below reflects the amount of recyclables collected where Separation at Source is being rolled out.

Table 3-2: Recyclable Waste Collected Year-to-Date (tons)

	Households	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14	Jun-14	Annual total
Waterval	67,318	202	241	257	330	203	249	296	463	379	441	390	396	3,847
Zondi	105,116	197	226	250	274	274	254	247	277	225	271	183	174	2,852
Diepsloot	46,535	30	33	42	45	47	58	59	31	44	44	39	37	509
Orange Farm	54,783	42	48	53	64	65	36	48	56	40	55	52	57	616
Central Camp	54,783				19	36	42	52	24	42	35	37	34	321
Marlboro	80,129					18	56	137	154	130	140	114	132	881
Lonehill		21	30	38	29									118
Parkmore		18	25	32	20									95
Sunninghill		13	20	27	18									78
Woodmead/Ballyclare			2											2
Southdale	69,438								11	38	42	56	43	190
Zandspruit	17000									0.13	1	9	2	12
Garden sites		218	231	265	248	252	262	37	66	59	105	48	93	1,884
Landfills		472		589										1,061
Dobsonville & Alex buy back centres		175	187	205	189	176	186							1,118
Pikitung Internal Recycling		0.97	0.534	0.745	0.435	0.673	0.673							4
Special events			0.674											1
Rose Oil Foundation											2			2
TOTAL	495,102	1,389	1,044	1,759	1,236	1,072	1,144	876	1,082	957	1,136	928	968	13,591

Table 3-3: Separation at Source Participation Rates

PARTICIPATION RATE PER MONTH (%)													
	Households	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	14-May	14-Jun
Waterval Depot Area	67,318	12%	14%	25%	33%	20%	25%	29%	46%	38%	55%	48%	49%
Zondi	105,116	16%	13%	31%	34%	34%	31%	31%	34%	28%	21%	15%	14%
Diepsloot	46,535	5%	2%	5%	6%	6%	7%	7%	4%	5%	8%	7%	7%
Orange Farm	45,920	8%	3%	7%	8%	8%	4%	6%	7%	5%	10%	9%	10%
Central Camp	54,783				3%	5%	6%	8%	4%	6%	5%	6%	5%
Marlboro	80,129						6%	14%	16%	14%	15%	12%	14%
Southdale	69,438								1%	5%	5%	7%	5%
Zandspruit	17,000									0%	0%	4%	1%
	486,239						12%	15%	19%	16%	19%	16%	17%



New Caged Recycling Trucks



Bottles ready to be collected in Zandspruit



Illegal dumping spot turned into a recycling facility



Rolling of recycling bags



Sorting at Zondi Buyback Centre



PET bails

In the period under review 25 caged trucks with crew cabins were delivered and deployed to the depots participating in the Separation at Source Programme. Existing co-operatives are using these trucks to collect recyclable waste separated at source throughout the City. These trucks can also be used as mobile buyback centres which is an integral part of the Separation at Source Plan.

Reclaimers and Waste Pickers

Existing cooperatives are continuously collaborating with reclaimers especially in Orange Farm and Diepsloot where reclaimers are collecting from households with the bags provided through the programme. In areas like Zondi and Waterval, the reclaimers are selling to the S@S Buy Back centres.

The Randburg Garden site has been handed over to the reclaimers to operate and sort from there. Consent of use for the Melrose Garden Site extension to a sorting facility for reclaimers has been received from JPC. EIA for this is planned to start in the next quarter and construction is expected by the end of the next financial year.



Waste Pickers in Chiawelo

Waste Separation in Schools

Tenders for static recycling bins to be distributed to schools will be called for in the new financial year. These bins are expected to support schools with their waste separation efforts. In the new financial year, the programme will partner with the Office of the Speaker and a private company, Cangro, to encourage recycling in schools identified by the Office of the Speaker.

Recycling at Garden Sites

Recycling at Garden sites is continuing with 22 entrepreneurs currently operating at Garden Sites. The Garden Sites currently employ a total of 56 individuals. The relationship with Operations with regard to reporting from the Garden Sites need to be strengthened.

The Orange Farm Garden site is currently being upgraded into a sorting/buy back facility.

Waste Exchange / Food Resilience

- Implementation commenced in the last week of April 2014. Five sites were identified with the following number of beneficiaries drawn from the Social Development ESP Register in the pilot phase namely, Precast(8), Lawley Station(38), Patsing(2), Narens Farm(2) and Thembelihle(92). A total of 142 participants took part in the project. The identified sites were drawn from a total of 36 illegal dumping spots, and five were identified as suitable for food garden conversion.
- Some attrition has been experienced as beneficiaries left the project due to other work opportunities being available to them and also due to the expectation of a fulltime job at the company not being part of their participation. However those that left the programme were replaced by other qualifying beneficiaries.
- Implementation started in the fourth quarter (April 24, 2014) with the issuing of protective clothing, a short induction and allocation of sites for clearing and constituting group structures for monitoring and feedback. Beneficiaries were also inducted on the long term benefits of the project to keep them focussed on the end state rather than the food parcels and site clearance of illegal dumping spots.
- All 5 sites have been prepared for conversion (land has been ploughed, fertiliser placed in the soil) but due to the delays in getting seeds from Community Works Programme and City Parks, the sites have not been converted into food gardens.



Beneficiaries from food for waste programme at Lawley



Food gardening at Volta



Illegal dumping spots at Lawley Station and Volta turned into food gardens

Several challenges were experienced with the implementation of the project namely the lack of mechanised equipment such as tractors to meet the timeframes set as these were committed elsewhere thus leading to further delays in site conversion. The unit is now procuring these services through the internal system to ensure timeous support to the beneficiaries in terms of conversion. This will also cut down the time it takes to convert a site as it will be converted immediately after the first or second cleaning round.

The conversion of sites has also had to be reconsidered. Most of the original sites were infested with illegal electrical connections and the soils were of poor quality due to ash content in it. Alternative sites with better prospects were identified with the assistance of beneficiaries and councillors in the affected areas.

In the new financial year, mass food gardens will have to be reconsidered as opposed to individual homestead food gardens as Jozi@Work takes the centre stage and work parcels will include illegal dumping spot eradication.

Key Performance Area: Provide Effective and Efficient Waste Management Services

Operations services for the year under revision covers; RCR, Street Cleaning, Illegal Dumping, Informal Settlements, Hostel Cleaning, Garden Sites, Bulk, Dailies, Customer Data Clean up, Inner City, Fleet and Landfills.

Waste is collected through various activities such as RCR, street cleaning and others. A total of 1.2 million tonnes of waste was collected and disposed of by Pikitup. The breakdown of the tonnages per activity is depicted in the table below:

Table 3-4: Total tonnages Collected by Pikitup (2013/14)

Waste Disposed Per Activity	Collected in 2012/13 (tonnes)	2013/14 (tonnes)					Total YTD	Percentage of Total
		Qtr1	Qtr2	Qtr3	Qtr4			
RCR	675,996	140,138	172,596	158,969	174,316	646,019	54.04	
Street Cleaning	94,823	15,600	20,467	25,920	25,148	87,135	7.29	
Illegal Dumping	261,723	53,382	55,651	55,978	64,698	229,709	19.21	
Hostels	929	201	202	182	240	825	0.07	

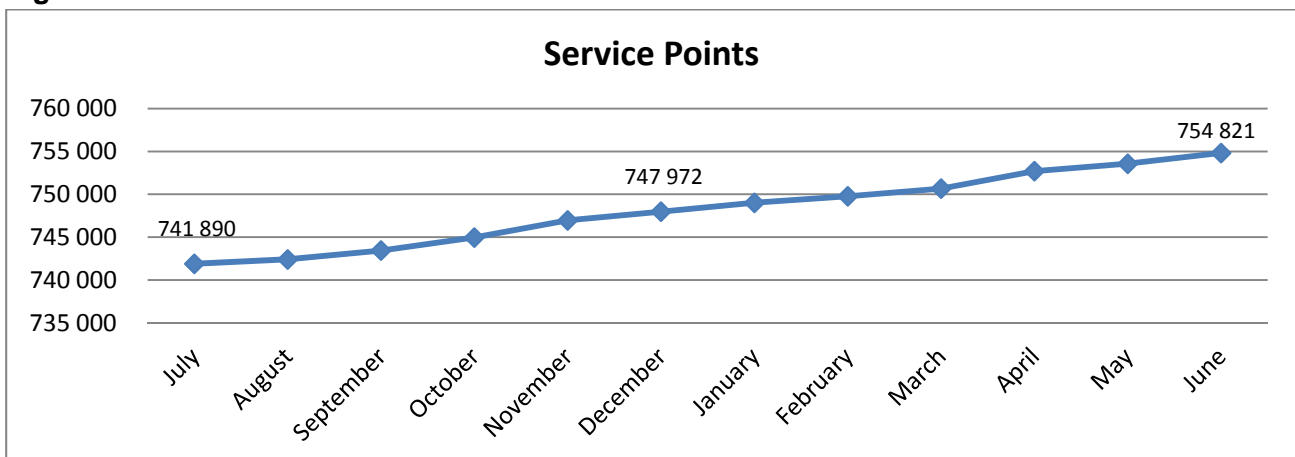
Waste Disposed Per Activity	Collected in 2012/13 (tonnes)	2013/14 (tonnes)					Percentage of Total
		Qtr1	Qtr2	Qtr3	Qtr4	Total YTD	
Informal Settlements	37,233	5,139	6,319	9,199	8,972	29,629	2.48
Bulk Services	51,408	7,327	13,223	17,154	14,455	52,159	4.36
Dailies	17,976	3,444	4,508	4,883	5,108	17,943	1.50
Garden Sites	137,843	25,614	33,899	37,833	34,764	132,110	11.05
TOTALS	1,277,931	250,845	306,865	310,118	327,701	1,195,529	100.00

Solid Waste Management Services (PIKITUP)

The table below provides details of budget allocated to provide services to the households in the City of Johannesburg. The budget indicated below only relates to waste collection services and does not include other initiatives such as Separation at Source.

Description	Year 3(2016/17)	Year 2 (2015/16)	Year 1 (2014/15)	Year 0 (2013/14)	
	Budget (R)	Budget(R)	Budget(R)	Budget(R)	Actual(R)
Formal Settlement	529 607 599	500 574 290	474 478 000	459 548 000	491 190 000
Informal Settlement	110 176 625	104 136 697	98 521 000	68 921 000	71 043 000
Total Household	639 784 224	604 710 987	572 999 000	528 469 000	562 233 000

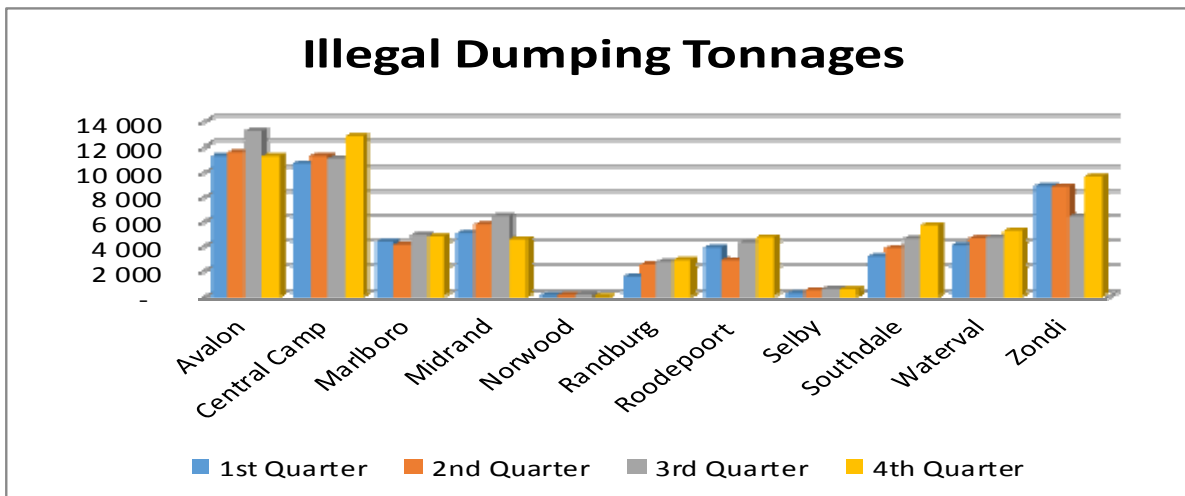
Figure 3-5: Service Points



There was an increase of 2% over the financial period 13/14. This is due to growth in the City and additional areas included in the service area. It also includes informal settlements that have been formalised during the year.

Illegal Dumping

Figure 3-6: Illegal Dumping Tonnages (2013/14)



The pattern of illegal dumping has remained consistent throughout the reporting period with most of the illegal dumping taking place within the Southern region. The need to reduce illegal dumping waste has become a major focal point in Operations and Pikitup has begun the process of procuring “builder’s rubble crusher” plants, as builder’s rubble constitutes most of the illegally dumped waste, especially in the Southern Region. It is therefore expected that in the future, the volumes of builders waste would reduce. Various other initiatives to work with communities to take responsibility to clean and maintain these areas will also be introduced in the new financial year.

The trend, however, would indicate that there has been an increase in the amount of illegal dumping throughout the 13/14 period. A total of 229 709 tons of illegal dumping waste was collected within the same period.

Inner City

Cleanliness in the Inner City remains a challenge and it is acknowledge that the assistance of all departments and entities, as well as private institutions and the general public would be required to achieve the cleanliness levels proposed. Various initiatives are proposed that will assist in improving the cleanliness level (e.g. Jozi@Work, increasing the density of bins, installing underground bins and getting the communities involved). However, there remain insurmountable challenges in achieving a level 1 cleanliness in certain of the areas given the resources available to Pikitup and the level 1 cleanliness target had to be revisited taking these realities into consideration. The City should also take steps to de-congest the area by for example implementing walk-only streets and enforcing by-laws. A request was made for the Board to discuss the matter with the shareholder.

Table 3-7: Cleanliness level per area

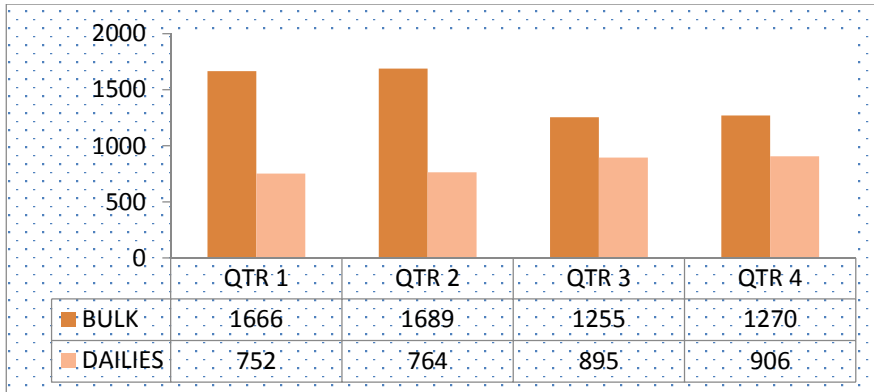
Quadrant 1	Level	Quadrant 2	Level	Quadrant 3	Level	Quadrant 4	Level
Betrams	3	Hillbrow	2	CBD	3	Braamfontein	1
Doornfontein	2	Berea	2	Joubert Park	2	Newtown	1
Troyeville	2	Parktown	1	Jeppeshtown	2	Fordsburg	1
Malvern	3	Yeoville	2	City Suburb	1	Marshalltown	1
Jeppeshtown	2			Marshalltown	1	Selby	1

Bulk and Dailies Services

The Bulk Commercial unit is responsible for the collection and disposal of Bulk (skips) and Dailies (putrescible) Waste from commercial customers who are billed according to circulated tariffs. The bulk commercial service is provided by Pikitup in competition with other private waste management companies within the City of Joburg.

The figure below illustrates the total number of customers per each quarter in the financial year for services offered.

Figure 3-8: Bulk and Dailies Number of Customers



The grid shows the number of customers as if they are on the decrease. This irregularity is due to incorrect customer data base which contained a lot of duplications hence inflation of the figures which were reported.

During the year, a total of 59 Bulk and 44 Dailies new contracts were signed and more sign-ups are expected in the coming financial year. The total numbers of cancellations were 44 and these cancellations were all done by Bulk clients since dailies customers are not allowed to cancel except in cases of business closure.

A substantial growth for Bulk Commercial unit is expected in the new financial year due to improved service offering as a result of the arrival of new FEL fleet which has been added to the fleet during the third week of June 2014. The new trucks will enable us to increase our lifts per month thus directly impacting positively on revenue.

Table 3-9: Bulk Commercial Customers per Depot

DEPOT	BULK CUSTOMERS	DAILIES CUSTOMERS	TOTAL
Central Camp	227	93	320
Marlboro	378	127	505
Randburg	127	34	161
Roodepoort	166	65	231
Southdale	235	136	371
Waterval	137	161	298
Norwood	-	131	131
Selby	-	159	159
New Services	15	11	26
Cancellations	4	0	4
TOTAL	1270	906	2176

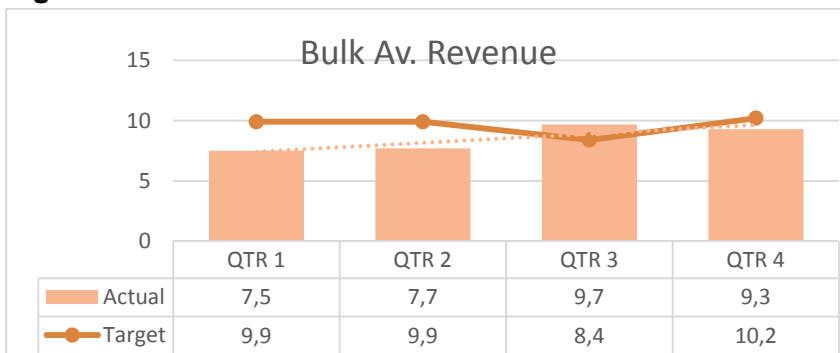
Bulk Commercial Services

The below table shows actual revenue generated versus budget year to date.

Service	2013 / 2014 Budget	Actual (2013/2014)	Shortfall / Over
Bulk	37.0 m	31.7 m	- 5.3 m
Dailies	17.6 m	13.9 m	- 3.6 m

There was an overall shortfall in the actual achievements of the unit, primarily due to a reduction of customers within the year. The shortfall was further exacerbated by the low availability of the ageing specialised fleet, however newer fleet units have been obtained within the last quarter of the year. Bulk revenue had a shortfall of 15% and the Dailies shortfall was 22%.

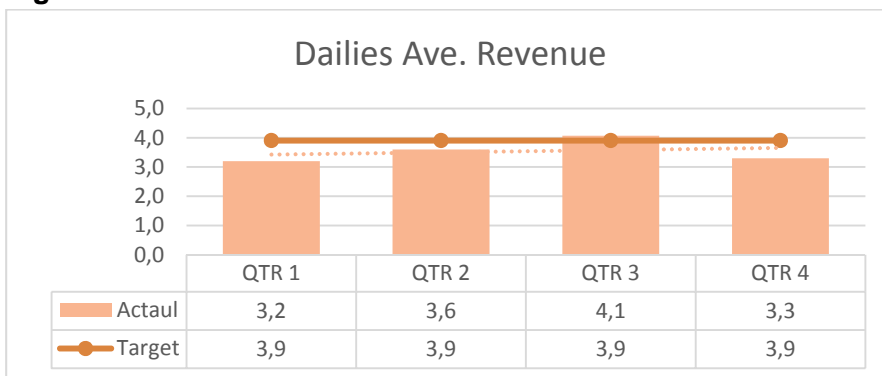
Figure 3-10: Bulk Services Revenue



Although there was a reduction of 5% on the revenue for the quarter, there was a 20% increase in the financial revenue from June 2013 to July 2014.

Dailies Service

Figure 3-11: Dailies Revenue

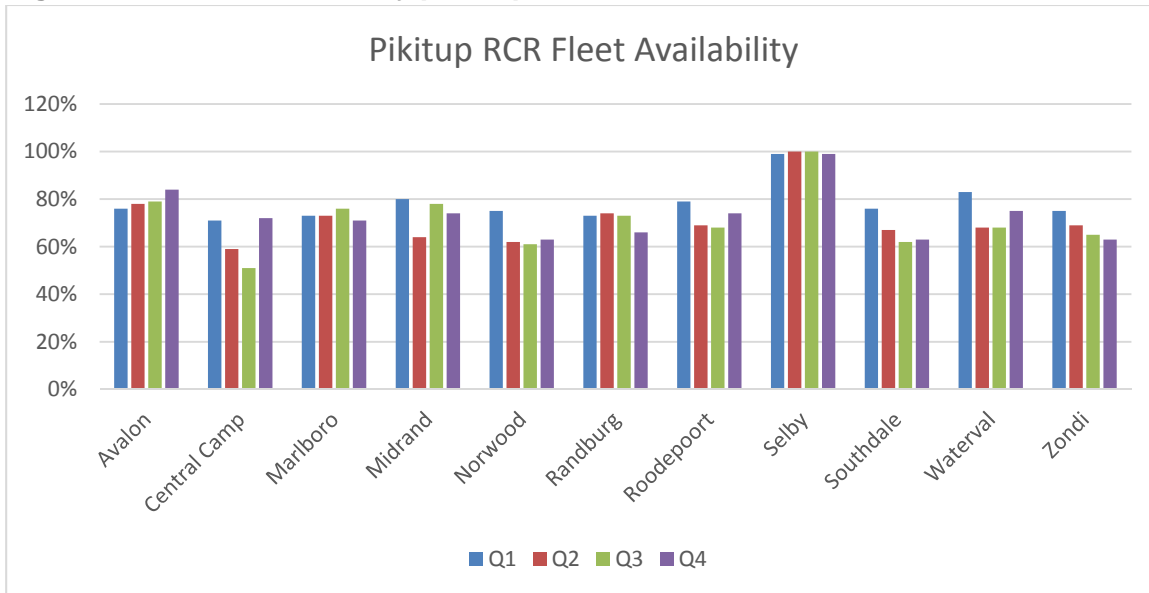


On the Dailies collections, a 20% reduction in revenue for the quarter was achieved. There was also no substantial growth in revenue throughout the year although the trend line does reflect positively.

Fleet Management

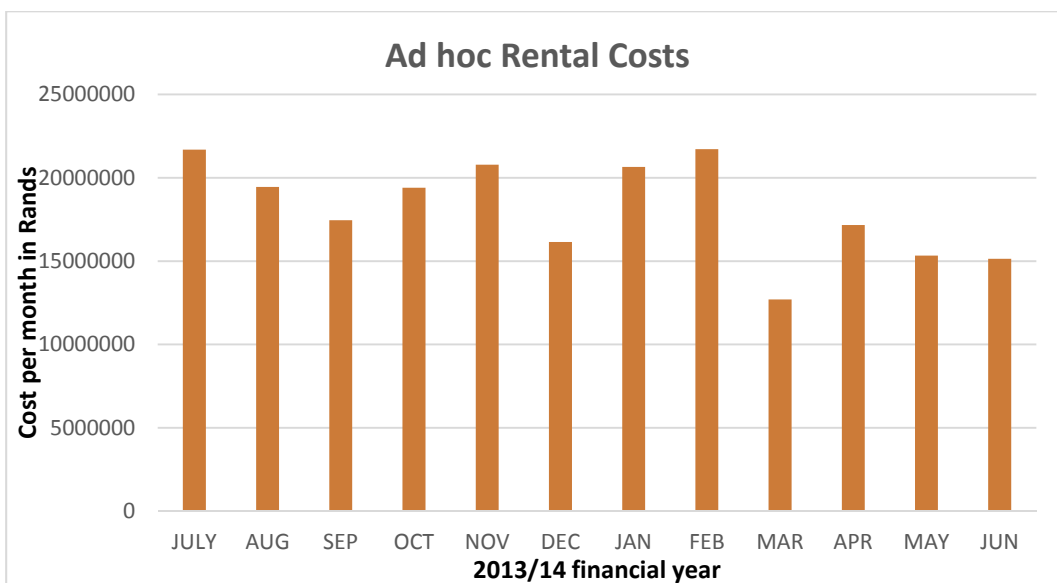
The overall fleet availability achieved for the period was 93%. Ad hoc rentals are still essential in order to boost the availability on the RCR Fleet in order to ensure uninterrupted service to ratepayers.

Figure 3-12: Fleet Availability per Depot



The figure represents only the Pikitup Owned Fleet availability per depot. The average availability has improved to 93%. The aging fleet requires maintenance at regular intervals and impact on fleet availability. A number of vehicles have been identified where the repairs required to make them usable is extremely high and therefore not cost effective, and they are currently out of commission awaiting their disposal by SCM.

Figure 3-13: Monthly Costs on Ad hoc



There has been a consistent effort to curb and minimize the ad hoc costs. All ad hoc hires are scrutinized to determine whether they are really necessary. Special projects during the course of the

year requiring hired vehicles result in cost spikes. (Sports days, roadshows, promotion of Separation at Source)

A new system has been introduced whereby ad hoc overtime has to be pre-approved and valid reasons have to be given. The idea is to prioritise usage of the Pikitup fleet before using the more expensive third party contractors.

Cost management continues to be a challenge and the ageing fleet is of grave concern. Five vehicles that are beyond economical repair have been earmarked for disposal and the SCM process to dispose of these units is underway, additional units will be disposed of in due course.

Landfill Airspace Availability

Disposal Division of Pikitup is responsible for the effective management of landfill operations. There are four active landfills located throughout the City and two closed sites located in the north. These landfills are managed and controlled in accordance with Permits/Licenses in terms of Section 20 of Environment Conservation Act, 1989 (Act 73 of 1989).

Landfill Site Name	Available Airspace (m³)	Lifespan (Years)	Estimate Closure Date
Robinson Deep	4972680	7	May-21
Goudkoppies	4581290	15	Jan-30
Marie Louise	1744613	6	Jan-21
Ennerdale	1112271	13	Jul-27

It must be noted that the estimated lifespan for the active discussed landfill sites, taking cognizance of the actual growth rates is as follows:

Robinson Deep – has 7 years remaining life, with the anticipated end of life forecasted to be the 1st of May 2021. The estimated life takes into consideration the height extension of 24m approved in 2009 by the Environmental Authority: the Gauteng Department of Agriculture, Conservation and Environment (GDACE). This also takes into account any other feasible lateral expansion that could be accommodated within the permitted perimeter of the site.

Goudkoppies – has 15 years remaining life, with the anticipated end of life forecasted to be the 1st of January 2030. This estimate incorporates all the cell developments within the current permitted perimeter. However it should be noted that the site has a potential for height extension in the future, to maximize the feasible airspace available to its full potential.

Ennerdale – has 13 years remaining life, with the anticipated end of life forecasted to be the 1st of July 2027. The site has potential for re-engineering to maximize airspace feasible at the site. Same applies with this site, it has a potential for lateral and further height extension to increase the available lifespan. Processes to expand the site are already underway, whereby an additional portion of land adjacent to the site is being investigated for a potential expansion, including site reconfiguration to maximize the airspace within the permitted portion. This undertaking would also require a permit/license amendment application.

Marie Louise – has 6 years remaining life, with the anticipated end of life forecasted to be the 1st of January 2021. This site has been fully developed, and is constrained by mining activities that were conducted in the vicinity of the site in the past as well as a water course traversing the north end of the site for it to be further developed. Therefore the feasibility to further develop the site has been exhausted. However it should be noted that the site has a potential for height extension in the future, to maximize the feasible airspace available to its full potential.

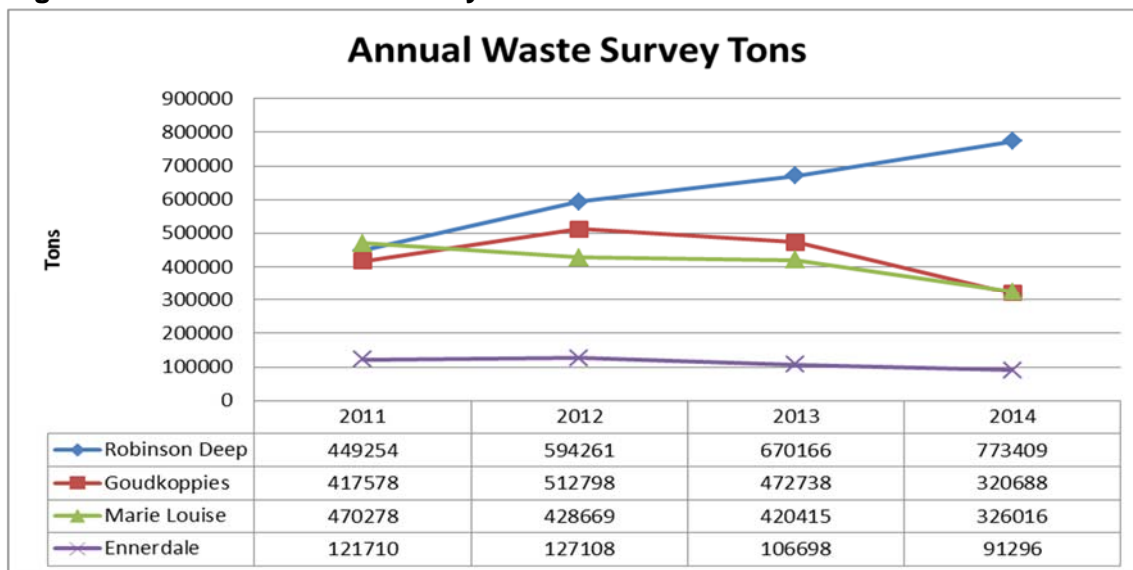
Landfill Volumes

The figure below illustrates the topographically surveyed waste volumes at each operational landfill sites, which depicts the same trends of waste reduction at Goudkoppies, Marie Louise and Ennerdale landfills, however a volume increase of waste disposed of at the Robinson Deep landfill site. Waste volume increase at Robinson Deep is influenced by the following factors:

- The facility operates 24/7;
- Nightshift operations that were conducted at Goudkoppies during 2012 were moved to Robinson Deep in 2013;
- There was a tremendous increase of cover material/rubble that was disposed of at the Robison Deep facility in 2014.

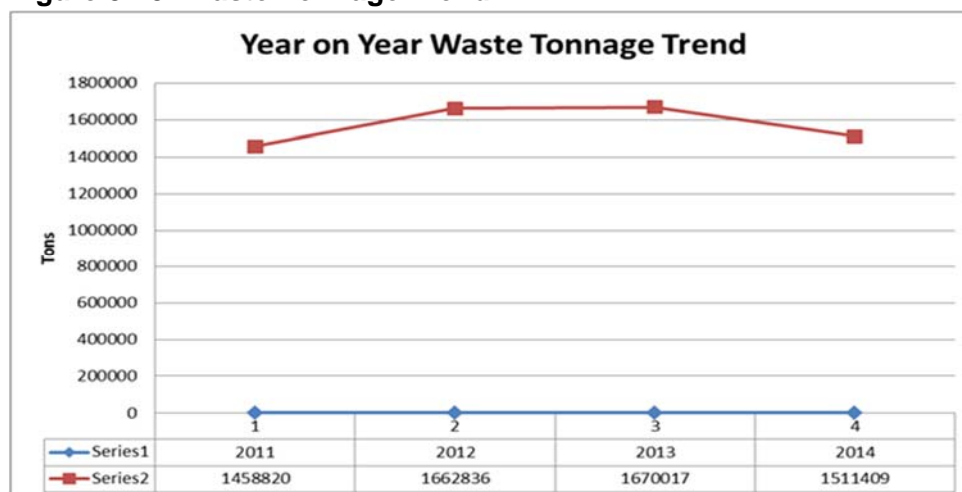
Landfill Waste Tonnages

Figure 3-14: Annual Waste Survey Tons



The Goudkoppies; Ennerdale and Marie Louise landfills are yielding a downward trend pertaining to waste (*volume/tonnage*) disposed, and Robinson Deep Landfill is showing a perpetual growing waste disposal trend. The overall year on year tonnage trend depicts that waste disposed at the combined landfills grew from 1.46million tons/annum to 1.67million tons/annum between the periods of 2011 to 2013 and is showing a slight dip in 2014, where currently 1.51 million tons/annum of waste disposed of at the landfills, is reported. The tonnages reflect waste disposed by Pikitup collected through its operations as well as the waste disposed by private companies and individuals.

Figure 3-15: Waste Tonnage Trend



Landfill Audits

An independent landfill compliance audit was conducted during May-June 2014 and the table below provides a summary of compliance achieved at both operational and closed landfills managed by Pikitup. It can be noted that operational landfill compliance has improved from 68.5% in 2013 to 80.2% in 2014, depicting a compliance improvement of 11.7%. Closed landfills however are still not adequately implementing the end-use plans approved and achieved 34.2% compliance, 10% improvement from 2013 to 2014.

Pikitup Landfill Compliance

Total Compliance	Operating Landfills				Closed Landfills	
	Ennerdale	Marie Louise	Robinson Deep	Goudkoppies	Linbro Park	Kya Sands
C	63.7%	64.9%	77.3%	64.1%	26.6%	14.7%
PC4	12.4%	7.2%	6.7%	3.8%	11.2%	4.4%
PC3	8.8%	8.1%	4.0%	3.8%	4.9%	5.9%
PC2	8.8%	4.5%	1.3%	14.5%	5.6%	7.4%
PC1	0.0%	4.5%	4.0%	7.6%	11.9%	2.9%
NC	6.2%	10.8%	6.7%	13.7%	39.9%	64.7%
% Compliance	82.5%	78.2%	86.4%	73.6%	43.1%	25.3%
	80.2%				34.2%	
Legend:	C - Compliant; PC - Partial Compliant; NC - Non-Compliant					

SECTION 3: FINANCIAL PERFORMANCE

Revenue

Pikitup's revenue for the financial year increased by R 381.371 million or 27.2 %. The main contributing factor for the increase in revenue was a change in policy from the City of Johannesburg. In prior financial years the City had only allocated Pikitup a portion of the sanitation charge to domestic customers as a 'Service Fee'; this changed for the 2014 financial year, where the entire amount processed each month was allocated to Pikitup. Even with the attendant provision for bad debts taken into account, this has significantly improved the Pikitup results.

Results of Operations

Operational costs (including interest) increased by 18.9% or R 274.687 million from the previous year (R 1.456 billion) to R 1.731 billion.

The major reason for the increase in expenditure was the R 195.190 million (or 506.7%) increase in the bad debt provision as a result of Pikitup being allocated the domestic sanitation charge rather than an arbitrary 'service fee' from the City of Johannesburg.

Containment of expenditure due to stringent internal controls designed to promote both effectiveness and efficiency as part of a multi-year internal recovery plan instituted by the Pikitup executive has become a focal point and is starting to show positive results.

If the effect of the increase in bad debts brought about by the change in policy with respect to the domestic income is excluded, expenditure increased by only R 54.097 million (or 3.9%, well below inflation). The major contributors to this cost containment were:

- Employee costs which are the most significant of the Pikitup cost categories increased by R 37.681 million (or 5.2%), well below the SALGA mandated increase due to rigorous procedures instituted on the oversight of overtime expenditure as well as ensuring that only critical vacancies were filled.
- Fleet and third party contractors, the second largest of the Pikitup cost categories, decreased by R 27.879 million (or 6.0%). This is a result of the planned replacement of a portion of the aging Pikitup fleet, which results in lower maintenance costs as well as, much more significantly, reduced downtime. The cost significance of the reduced downtime is so that, as to ensure service delivery, Pikitup hires ad-hoc fleet when the CoJ owned vehicles are unavailable.

Thus the increase in costs in Pikitup's largest two cost items were contained at R 9.802m (or 0.82%), well below inflationary expectations. However eroding the savings achieved were:

- Unforeseen costs relating to the strike action in July 2013.
- A provision of R 18.890m for ad hoc fleet had to be raised in order to mitigate a potential claim from the previous service provider.

Cash Flow

The company reported a favourable cash balance amounting to R 10.3 million as at end of June 2014. The said balance is disclosed in note 4 of the financial statements due to the sweeping arrangement with the City of Johannesburg.

Statement of Financial Position

The audited results of the company reflected a surplus for the year amounting to R59.292 million. Directly as a result of the operational performance, the accumulated deficit decreased from R 369.941 million in 2013 to R 310.649 million on a year-on year comparison. The company's liquidity ratio of 1,0 remained unchanged from the prior year. The company is still able to meet its day to day operational obligations. Property plant and equipment increased by a net of R 91.2 million and this

was due to the limited acquisition of equipment compared to budget (only 34% of budget spent) during the year under review.

Going Concern

It needs to be highlighted, however, that Pikitup is technically insolvent as net assets as per the Statement of Financial Performance are negative (assets, fairly valued, are exceeded by liabilities, fairly valued) and thus relies on its continued existence on the guarantees from the Shareholder as highlighted in the directors' report in the annual financial statements.

SECTION 4: CAPITAL PROJECTS

The total budget committed (including actual expenditure) at 30 June 2014 is 70% of which 34% (R 61.408 million) being actual expenditure and 36% (R65.576 million) being outstanding commitments. The actual capital expenditure for USDG funding is R 34.144 million from the budget of R 46.865 million, which is 72.8% and for the COJ loan is R 27.264 million from the budget of R 134.540 million which is 20.3%.

Projects were mostly delayed because of non-responsive of tenderers that had to be re-advertised. Furthermore, delays in EIAs and the disputes in the appointment of CLOs from the communities delayed the physical construction of some projects.

The Board has implemented dedicated oversight to ensure that performance in this area improves in the next financial year and have also implemented consequence management for non-performance.

Table 3-16: Capital Expenditure 2013/14

Projects	Actual expenditure R'000	Budget R'000	Variance R'000	% completion
Bins (Skip) - Refuse collection	1,489	3,000	1,511	50%
Seperation at Source	-	13,200	13,200	0%
Kerbside Collection	8,013	28,450	20,437	28%
Landfill - Ennerdale	5,844	4,915	-929	119%
Landfill - Goudkoppies	-	1,000	1,000	0%
Landfill - Kya Sands	13,812	15,200	1,388	91%
Landfill - Marie Louise	2,774	3,500	726	79%
Landfill - Robinson deep	9,424	11,065	1,641	85%
Street Furniture in Marginalised Areas	1,469	1,500	31	98%
Branding - signage	333	3,000	2,667	11%
Transfer station	-	3,000	3,000	0%
Bins Underground and 240l	4,149	6,000	1,851	69%
Depot Orange Farm	1,727	3,500	1,773	49%
Facility for compliance renewal building alterations including HR academy and assessment center	6,105	40,835	34,730	15%
Bulldozers, Compactors and Graders	-	5,000	5,000	0%
IT Hardware and Software New Computer Hardware	5,125	8,655	3,530	59%
EIA for all Pikitup's waste facilities (including Depots, landfills, Garden sites)	450	3,000	2,550	15%
Incinerator Health CareRenewal Building Alterations SPRINGFIELD F City Wide	-	14,085	14,085	0%
Garden Sites, Buy Back Centers and Sorting Facilities	695	12,500	11,805	6%
	61,408	181,405	119,997	34%

During the year the capital programme was reprioritised in accordance with the delivery of the strategic agenda of the organisation and to ensure delivery of projects. The budgets allocated to certain projects were moved to other areas hence there was no expenditure on some projects. The reprioritisation of projects was approved by the respective committees and Board.

SECTION 5: PERFORMANCE AGAINST PIKITUP SCORECARD

Set out below, is an analysis of the entities performance against its KPIs for the financial year 2013/14 as set out in the City's IDP scorecard.

As will be seen, significant progress against the set targets has been made. This indicates important success by the entity and our partner organisations in improving conditions in and the economic performance of, in particular, the inner city, and the initial focus of the entity's work. The data shows that in almost all instances the entity has met or bettered its targets.

This can be attributed to solid corporate governance, sound management and management systems, clearly focused objectives, and efficient and effective staff. It also demonstrates the effectiveness of the entity's business model in delivering efficient services and ensuring a clean environment for all the residents of the City of Johannesburg.

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

2013/14 COMPANY PERFORMANCE AGAINST SDBIP TARGETS

The following table depicts the Key Performance Indicators (KPI's) for the 2013/14 financial period as approved in terms of Pikitup Business Plan. It is required to compare performance against the SDA between the entity and the City. However, as the targets may change on annual basis the indicators and targets reflected in the City's IDP and SDBIP scorecard are used. The organisational indicators are derived from the strategic agenda as set out in the IDP and is then cascaded. Each of the executives within Pikitup is managed in terms of a performance agreement and the indicators and targets from the organisational SDBIP are cascaded to individual members of the executive management team.

PROJECT/S	INDICATOR	ACTUAL 2012/13	2013/14 ANNUAL PERFORMANCE		TARGET 2014/15	TARGET 2015/16	TARGET 2016/17
			REVISED ANNUAL TARGET 2013/14	ACTUAL ANNUAL PERFORMANCE 2013/14			
Waste diverted from landfills Reduce, reuse, recycle and reclaim	Tonnes of dry waste diverted through S@S project	4965 ton per annum	20 000 ton for year	13 591	50 000	100 000	150 000
	Tonnes of green waste diverted through composting	20 873 ton per annum	15 000 ¹ ton for year	17 487 ton	120 000	150 000	170 000
Separation at source extended to all residential areas	Participation rate ² in targeted areas where Separation at Source project is implemented	17%	20% ³ participation	17% participation	50%	70%	80%
Construction of buy-back centres, drop-off centres and garden sites (sorting facilities)	Number of new sorting buy back centres established and garden sites upgraded to include recycling facilities (4 additional in Protea North, Mapetla,	44 total facilities in City of Johannesburg	4 additional in Protea North, Mapetla, Chiawelo and Orange Farm	Two sorting buyback centres are under construction in Orange Farm and Diepsloot	4 new buy back facilities established and 4 garden sites upgraded	10 new buy back facilities	10 new buy back facilities

¹ Reduced green waste tonnage due to Panorama Composting facility reaching capacity. Ballyclare garden site diverts green waste to private composting facility that is included in the tonnages reported.

² Participation refers to the portion of the community that actively recycles waste at source as a percentage of total households in the project area, although the project will be rolled out to all areas and all residents have to opportunity to participate, not all do.

³ Calculated based on the tonnage of recyclables collected as percentage of total domestic waste, at an assumed average of 12kg/household/month yield for recyclables.

PROJECT/S	INDICATOR	ACTUAL 2012/13	2013/14 ANNUAL PERFORMANCE		TARGET 2014/15	TARGET 2015/16	TARGET 2016/17
			REVISED ANNUAL TARGET 2013/14	ACTUAL ANNUAL PERFORMANCE 2013/14			
	Chiawelo and Orange Farm)						
Upgrade landfill sites to comply and to extend landfill airspace	% landfill ⁴ compliance to GDARD regulations and permit conditions as issued by DWAF, as it relates to: Robinson Deep Ennerdale Goudkoppies Marie Louise	68%	80%	80.2%	80%	90%	100%
Covering of Landfills	% daily covering of landfills	61%	90%	96%	90%	100%	100%
Regular domestic waste collection	% RCR rounds completed on time (15h30- 17h00) ⁵	95%	98%	98%			
Improve city cleanliness levels and targeted areas city wide - (block cleaning and waste minimisation - education and awareness, street furniture)	Cleanliness level of inner city as determined by GDARD Gauteng Waste Collection Standards ⁶ Cleanliness level in outer city based on street cleaning as determined by GDARD Gauteng Collection Standards ⁷	Level 4 (based on COJ standards)	Level 1 as determined by GDARD Gauteng Collection Standards	Level 2	Level 1	Level 1	Level 1
		2 and 3	Level 3 as determined by GDARD Gauteng Collection Standards	Level 3	Level 2	Level 1	Level 1

⁴ Landfill compliance is determined by an independent audit conducted in the second quarter of each year. Only compliance to open and Pitkitup operated sites are considered.

⁵ Number of planned rounds completed within time frame. This indicator assumes a single shift system.

⁶ Cleanliness levels as described in GDARD Gauteng Waste Collection Standards are detailed in Section 6.2 of this business plan.

⁷ Cleanliness levels as described in GDARD Gauteng Waste Collection Standards are detailed in Section 6.2 of this business plan.

PROJECT/S	INDICATOR	ACTUAL 2012/13	2013/14 ANNUAL PERFORMANCE		TARGET 2014/15	TARGET 2015/16	TARGET 2016/17
			REVISED ANNUAL TARGET 2013/14	ACTUAL ANNUAL PERFORMANCE 2013/14			
Cleaning of informal areas	Number of informal settlements ⁸ receiving waste collection service from Pikitup	119	133 informal settlements cleaned per week	119 cleaned multiple times per week and 14 cleaned once a week. Total of 133 informal settlements cleaned.	All informal settlements	All informal settlements	All informal settlements
Cleaning of Hostels	Cleanliness levels of hostels as determined by GDARD Gauteng Collection Standards ⁹	Level 2 (in terms of COJ classification)	Level 3 as determined by GDARD Gauteng Collection Standards	Level 3	Level 2	Level 2	Level 1
Fleet management	% Average availability of fleet to perform RCR ¹⁰ (actual vehicles available vs planned vehicles)	New	95%	93%	95%	95%	95%
Food for Waste	No of individuals participating in food for waste project as identified from City ESP register and implemented in Orange Farm area	0	142 ¹¹ individuals participating (cumulative target)	142	108 additional	100 additional	100 additional
	Number of food gardens established ¹² and	New	5 Thembeithle	Clearing and site preparation	5 new food gardens	5 new food gardens	5 new food gardens

⁸ List of informal settlements cleaned based on management reports on daily activities from the depots.

⁹ Cleanliness levels as described in GDARD Gauteng Waste Collection Standards are detailed in Section 6.2 of this business plan.

¹⁰ Availability includes Pikitup owned fleet as well as ad hoc rental stock available.

¹¹ 142 individuals that can be verified with expected impact on 6 900 households. Individuals are identified from ESP register and is formally registered and trained to participate in project.

¹² Photometric evidence to be provided

PROJECT/S	INDICATOR	ACTUAL 2012/13	2013/14 ANNUAL PERFORMANCE		TARGET 2014/15	TARGET 2015/16	TARGET 2016/17
			REVISED ANNUAL TARGET 2013/14	ACTUAL ANNUAL PERFORMANCE 2013/14			
	managed by communities on rehabilitated illegal dumping sites Thembeilhle Lawley Station Volta Narens Farm Patsing		Lawley Station Volta Narens Farm Patsing	undertaken. Planting to be done in July 2014			
Bin Cleaning	Number of women, youth and vulnerable groups participating in bin cleaning project in Soweto ¹³	202	300 total participants	304			
Separation at Source	No of jobs created through cooperatives established ¹⁴ in recycling industry	160	250 jobs created by cooperatives in Separation at Source project	569 jobs	200	300	400
	No of Cooperatives ¹⁵ established to collect and sell recyclables	5	15 cooperatives established	15	24	12	9
Formalisation of waste reclaimers and waste pickers	Number of waste reclaimers ¹⁶ formalized in pilot areas of Vrededorp and Melrose	New	135 Reclaimers	None ¹⁷	300	300	300

¹³ Register with names of individuals who received training to be used as evidence.

¹⁴ Cooperatives to verify and supply employee information

¹⁵ Register of cooperatives to be submitted as evidence

¹⁶ Register with details of reclaimers formalized to be submitted as evidence

¹⁷ Due to challenges experienced in the specific areas indicators, no reclaimers could be formalized. However reclaimers in other areas were formalized.

PROJECT/S	INDICATOR	ACTUAL 2012/13	2013/14 ANNUAL PERFORMANCE		TARGET 2014/15	TARGET 2015/16	TARGET 2016/17
			REVISED ANNUAL TARGET 2013/14	ACTUAL ANNUAL PERFORMANCE 2013/14			
Cleaning informal settlements in Avalon depot area	Number of community ¹⁸ workers employed on part time basis to clean informal settlements in Avalon depot area	New	162	137	400	550	800
Revenue step change	Increased revenue from Pikitup's commercial customers (Revenue received vs billed)	79% collection rate	R 134m collected from budgeted revenue of R144.214m ¹⁹ (93% collection)	R 132m collected from budgeted revenue of R144m (91% collection)	R144.2 m collected from budgeted revenue of R155.102 m (93% collection)	R155.4 m collected from budgeted revenue of R163.539 m (95% collection)	R167 m collected from budgeted revenue of R172.250 m (97% collection)
Increase Revenue Collection	Reduction in % outstanding debtors older than 120 days for commercial customers ²⁰	New 78.6% of debtor's book >120 days	70% of debtor's book >120 days	77% of debtors book >120 days	50% of debtor's book >120 days	40% of debtor's book >120 days	30% of debtor's book >120 days
Capital Budget Expenditure	Capital Budget spent	75.89% of approved R54.2m capital budget spent (R41 131m spent)	R178 m spent of total budget of R181m 98%	R61 m spent of total budget of R181m 34%	R200,949,000 (98% spending)	R144,026,000 (100% spending)	R123,000,000 (100% spending)

¹⁸ Register of community workers to be submitted as evidence

¹⁹ Based on existing budget for 2013/14. Billed revenue may vary based on growth in customer base and therefore actual billed and collected to be reported in quarterly reports. 93% revenue received from billed amount to be achieved.

²⁰ Evidence to be provided in debtors age analysis report from SAP system.

PROJECT/S	INDICATOR	ACTUAL 2012/13	2013/14 ANNUAL PERFORMANCE		TARGET 2014/15	TARGET 2015/16	TARGET 2016/17
			REVISED ANNUAL TARGET 2013/14	ACTUAL ANNUAL PERFORMANCE 2013/14			
Procurement spent on BEE and Women owned companies as a % of total procurement	% BEE spend ²¹	75% BEE	75% BEE	65% BEE	75% BEE	75% BEE	75% BEE
	% women owned companies ²²	25% Women	25% Women	30% Women	25% Women	25% Women	25% Women
Ensure sound financial state of company related to all aspects	Audit opinion obtained from Auditor General	Unqualified Audit with matters of emphasis	Clean Audit Opinion ²³		Clean Audit Opinion ²⁴	Clean Audit Opinion ²⁵	Clean Audit Opinion ²⁶
Customer Satisfaction	% Queries Resolved within 7 days ²⁷	43% queries resolved in 7 days	80% queries resolved in 7 days	67% Queries resolved in 7 days	80% Queries resolved in 7 days	100% Queries resolved in 7 days	100% Queries resolved in 7 days
Education and awareness campaigns	Number of education and awareness campaigns implemented (recycle, reduce, re-use)	4	8	5	8	8	
Compliance with Health and Safety Standards	Quarterly health and safety	New	4 inspections completed per annum	4 inspections completed per annum	4 inspections completed per annum	4 inspections completed per annum	4 inspections completed per annum

²¹ Spending levels depend on actual awards made after public procurement process and thus budget may vary. Quarterly reports to Procurement Oversight Committee to confirm actual awards and BEE levels.

²² See footnote 24

²³ An audit report with unqualified opinion and also no negative findings reported on the following heading: emphases of matter paragraph, other matters paragraph, performance information (predetermine objectives) paragraph and compliance with laws and regulations.

²⁴ An audit report with unqualified opinion and also no negative findings reported on the following heading: emphases of matter paragraph, other matters paragraph, performance information (predetermine objectives) paragraph and compliance with laws and regulations.

²⁵ An audit report with unqualified opinion and also no negative findings reported on the following heading: emphases of matter paragraph, other matters paragraph, performance information (predetermine objectives) paragraph and compliance with laws and regulations.

²⁶ An audit report with unqualified opinion and also no negative findings reported on the following heading: emphases of matter paragraph, other matters paragraph, performance information (predetermine objectives) paragraph and compliance with laws and regulations.

²⁷ Information is provided by COJ Revenue and Customer Relations Management Department as obtained from SAP CRM system

PROJECT/S	INDICATOR	ACTUAL 2012/13	2013/14 ANNUAL PERFORMANCE		TARGET 2014/15	TARGET 2015/16	TARGET 2016/17
			REVISED ANNUAL TARGET 2013/14	ACTUAL ANNUAL PERFORMANCE 2013/14			
	inspections ²⁸ completed for all Pikitup facilities (head office, depots and landfills)						
Reduced number of accidents	Reduction in Disabling Injury Frequency Rate ²⁹	New	< 1	0.04	< 1	< 1	< 1

²⁸ Health and Safety inspections to be conducted and remedial action plans to be submitted on quarterly basis.

²⁹ DIFR calculated as (number of disabling injuries x 200 000) / total man hours worked per year

SECTION 6: ASSESSMENT OF ARREARS ON MUNICIPAL TAXES AND SERVICE CHARGES

Assessment of Municipal Taxes and Service Charges owed to the entity ('000)

Detail	0-30 days	31-60 days	61-90 days	91-120 days	181 & over	Total
	R'000	R'000	R'000	R'000	R'000	R'000
Debtor's Age Analysis by income source	154,718	42,182	56,120	47,739	881,666	1,182,425

The total debtor's amount of R 1 182 million of which 100 % relate to the debtors managed by entity. The accumulated provision for bad debts amounts to R 957 million or 80.96 % of the accumulated debtors.

Amounts owed by entity for service charges

Relevant information was not available.

SECTION 7: STATEMENT ON AMOUNTS OWED BY GOVERNMENT DEPARTMENTS AND PUBLIC ENTITIES

No amounts owed by government departments and public entities.

SECTION 8: RECOMMENDATION AND PLANS FOR NEXT FINANCIAL YEAR

1. Pikitup aims to implement the Jozi@Work programme and thus increase jobs created by 1046. The first phase of the programme will be implemented in the Zondi depot area. This programme is intended to create sustainable jobs in the waste industry and thus address unemployment and poverty
2. Pikitup aims to roll out Separation at Source to 950 000 households and achieve a 50% participation rate in order to ensure diversion of waste from landfill and thus increase landfill airspace availability
3. The establishment of 8 additional sorting facilities / buy back centres to facilitate recycling initiatives
4. Legislative compliance and environmental standards to be improved through the increase landfill site compliance to permit conditions to 90%
5. Expansion of the Food for Waste Programme
6. Increased levels of cleanliness throughout the city
7. Measures introduced to decrease illegal dumping
8. Aggressive and Innovative approaches to marketing and education to change behaviour of residents

9. Improved productivity and efficiency in services to be an effective service delivery agent
10. Improved measures related to safety and health of workers
11. Improved customer services with 80% of queries resolved within 7 days
12. Review of the Operating Model of the Company to accommodate Jozi@Work
13. Development of a revised Financial Recovery Plan towards financial sustainability.

KEY ACHIEVEMENTS

- Exceeded EE targets
- Capacitation at Senior Management Level finalised
- Human Resources policies drafted and approved
- Driver Training Academy established



SECTION 1: HUMAN RESOURCE MANAGEMENT

Pikitup's overall objective as set out in its employment policy is to ensure that the company's employment practices and remuneration policies motivate and retain talented employees and create an attractive environment for all employees. The employment policy is periodically reviewed to ensure that it remains relevant and practical for the changing needs of current and potential employees. Our vision is not only to be the employer of choice, but to be a thought leader in our field. Our vision is to be at the top end of compliance by including such requirements into our working practices.

The Human Resources Department acknowledges the importance of human capital and the role it plays within Pikitup.

Human Resources Department ensured that Pikitup's value is maximised through genuine alignment to the line management's functional needs. The overarching objective of the Human Resources Department is to encourage emotional engagement in order to build a high-performance cohesive team within Pikitup. In 2013/14, the following key delivery service areas were prioritized:

- Creating a learning organisation through competency development;
- Capacitate the Organization (line functions) as per the approved Organisational Structure;
- Attracting and retaining critical skills;
- Enhance HR compliance to the relevant Legislation, Regulations and internal HR Policies
- Enhancing, respecting and appreciating diversity;
- Implement organisational development initiatives to enhance employee morale.

The design and population of new macro- and microstructures

Pikitup has put in place a new operating model and macro structure the aim of which is to: Improve capacity to deliver on the City of Johannesburg's service delivery mandate in the short term and also to transform the organisation to meet the strategic mandate of the City, in the long term:

- Effective governance and accountability;
- Enable integrated strategic planning and implementation;
- Improve operational capacity, efficiency and sustainability;
- Improve organisational culture;
- Effective partnerships and stakeholder participation.

The Macrostructure was approved in November 2012. PIKITUP embarked on the consultation process with all affected employees prior to populating it effective 14 January 2013. The population of the microstructure is subject to budget availability and the critical positions are prioritised.

Principles considered in the organisational design of the Micro Structure

A number of diagnostic exercises within Pikitup have revealed a set of fundamental problems plaguing the organisation and therefore hampering delivery. Amongst others were:

- Lack of co-ordination within the Executive
- Lack of accountability
- Poor information flow

- Slow decision making
- Disconnect between strategic vision and implementation.

The challenges had to be tackled through a number of interventions. This included the design of a comprehensive microstructure. The key design elements applied in setting out Pikitup's new microstructure were as follows:

- Enable strategy
- Leverage people
- Contain costs
- Operate within constraints
- Protect critical specialists
- Optimize hierarchy

In designing the structure, the process ensured that there is clarity around decision making and responsibilities, the strengthening of accountability, improving service delivery, and improving innovation and flexibility.

Critical positions in the micro structure were identified in consultation with Executives and Chief Officers. The process to populate the microstructure commenced in the current financial year and the positions are currently being filled incrementally, subject to the availability of budgets.

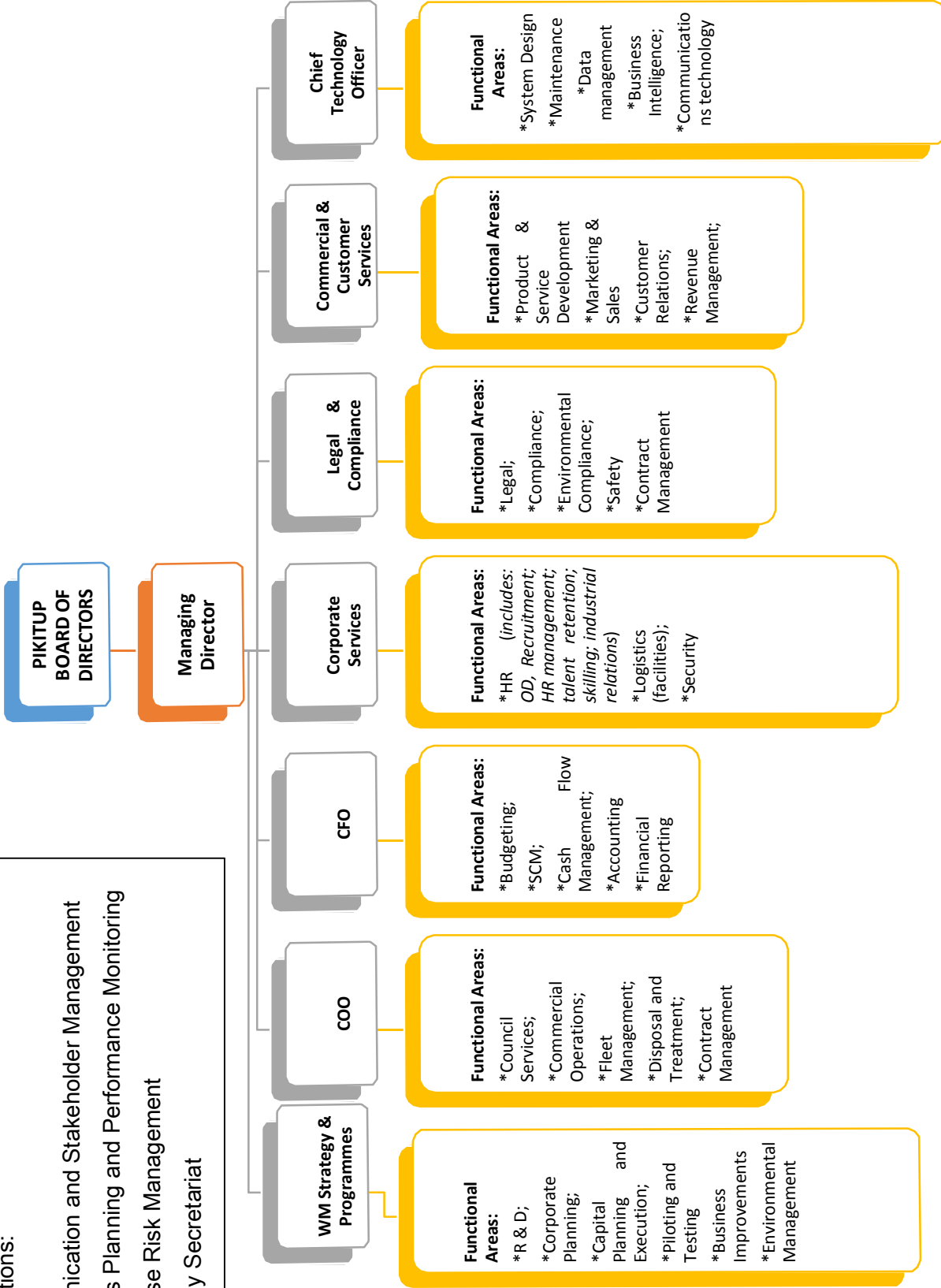
Table 4-1: Current EE Workforce Profile

Occupational Levels	Male				Female				Foreign Nationals		Total
	A	C	I	W	A	C	I	W	Male	Female	
Top management	3	1	1	1	1	0	1	0			8
Senior management	13	3	1	3	3		1	4			28
Professionally qualified and experienced specialists and mid-management	31	4	1	12	31	3	0	1			83
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	91	10	0	9	77	3	3	3			196
Semi-skilled and discretionary decision making	396	12	0	1	135	0	0	1			545
Unskilled and defined decision making	2090	16	1	0	1895	15	0	1			4018
TOTAL PERMANENT											
Temporary employees	308	1	1	2	451	1	1	1			766
GRAND TOTAL	2932	47	5	28	2593	22	6	11			5644

Overleaf is the high level structure of Pikitup:

MEs Core Functions:

- Communication and Stakeholder Management
- Business Planning and Performance Monitoring
- Enterprise Risk Management
- Company Secretariat



SECTION 2: EMPLOYMENT EQUITY

Pikitup has employment policies which are developed to ensure that there are equal employment opportunities to all employees, and that all barriers to discrimination are eliminated. The organisation firmly subscribes to the four key areas of employment equity identified by the Employment Equity Act:

- Elimination of discrimination in decision-making
- Promotion of employee diversity
- Reduction of barriers to advancement of the disadvantaged
- Introduction of measures and procedures for transformation

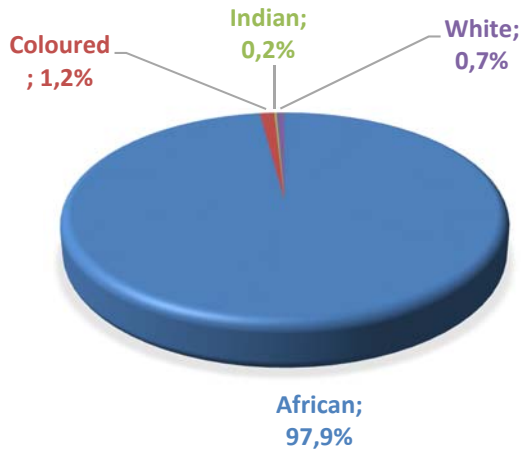
During this financial year, Pikitup ensured that compliance to the provision of the Act, and facilitated interventions to address formulation of proper governance structure, and training of the employees nominated to participate in the committees to ensure effectiveness. .

The table below provides a summary of total number of employees by gender and race, in each of the following occupational bands as at 30 June 2014

OCCUPATIONAL LEVELS	MALE				FEMALE				TOTAL
	A	C	I	W	A	C	I	W	
Top management	3	1	1	1	1	0	1	0	8
Senior management	13	3	1	3	3		1	4	28
Professionally qualified and experienced specialists and mid-management	31	4	1	12	31	3	0	1	83
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	91	10	0	9	77	3	3	3	196
Semi-skilled and discretionary decision making	396	12	0	1	135	0	0	1	545
Unskilled and defined decision making	2090	16	1	0	1895	15	0	1	4018
TOTAL PERMANENT	2624	46	4	26	2142	21	5	10	4878
Temporary employees	308	1	1	2	451	1	1	1	766
GRAND TOTAL	2932	47	5	28	2593	22	6	11	5644

Pikitup has achieved an overall Employment Equity ratio of 99.3% Black employees (Africans, Coloureds and Indians), to 0.7% White, and the gender ratio of 47% females, to 53% males.

EMPLOYMENT EQUITY STATISTICS



SECTION 3: SKILLS DEVELOPMENT AND TRAINING

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

Skills Development programmes are aimed at addressing all employees training needs, this is in line with the National Skills Development Strategy and to ensure that Pikitup has a professional, competent and diverse workforce to meet the requirements of their current position to render an excellent service to the Johannesburg's community;

Pikitup recognises that the provision of Adult Education & Training (AET) promotes national objectives as well as the development and work performance of its employees. The organization has seen growth in the AET programmes and there have been a number of successful training interventions in the AET initiatives this financial year. A graduation ceremony was held in February 2014 for the AET Programme where candidates received certificates indicating successful achievements in various AET subjects

Furthermore, there has been an emphasis on the individual development plans in the financial year under review, and the organization has successfully implemented training as requested in the plans.

SECTION 4: PERFORMANCE MANAGEMENT

The HR Division embarked on a drive of ensuring that the reviewed and enhanced performance management system is properly implemented within the organisation. This initiative entailed a facilitated approach where senior management were trained and coached on how the system should work, which included the completion of the newly developed performance contracting template. The process was further cascaded to lower levels and this has been performed with great success.

The performance management system was successfully completed and well executed at these levels during this financial year.

It is the intention of the HR division to embark on the next phase where the performance management system is cascaded to the entire organisation. This process will require robust change management interventions as it will be for the very first time that lower levels at Pikitup are subjected to the performance management. This initiative will be executed in a phased approach.

SECTION 5: EMPLOYEE WELLNESS

Pikitup has adopted a comprehensive, integrated Employee Wellness Programme (EWP) model which comprises of Employee Assistance Programmes (EAP), Occupational Health Services (OHS) and HIV and AIDS in the workplace. The main objective of EWP is to create a responsive, healthy and productive workforce within Pikitup.

These integrated programmes recognize the importance of linking individual health and wellness to productivity and improved service delivery outcomes. The Employee Wellness Unit of Pikitup facilitates a number of diverse programmes related to health and wellness matters. The division is structured according to the Integrated Wellness Program framework.

In the financial year under review, the Employee Wellness Unit has successfully conducted Wellness Days and Medical surveillance, including the day to day occupational health services. From the programmes facilitated, there has been a number of identified significant health and wellness issues which have been flagged as critical within the business.

Pikitup has a high prevalence of HIV and Aids. HIV Counselling and Testing is done annually during Wellness Days to understand the HIV prevalence within Pikitup. Employees who test positive are referred to their treating doctors for disease management. Immune boosters are also provided for these employees. Employees are also referred to Pikitup EAP for counselling and support. Health promotion or education is provided to all Pikitup employees to improve their knowledge of the problem.

In ensuring that the above mentioned issues are addressed effectively, Employee Wellness reviewed its HIV and AIDS Policy to align it to National Strategic Plan on HIV, STI and TB (2012 – 2016). Pikitup has declared HIV and AIDS as a workplace issue which threatens productivity, delivery of services and the wellbeing of Pikitup employees and their families. It recognizes that HIV/AIDS, TB and other related illnesses affect the workplace with prolonged staff illness and incapacity, absenteeism and has an impact on employee benefits.

STI, TB and HIV infections are so closely connected that the term “co-epidemic” or “dual epidemic” are often used to describe their relationship. Each disease speeds up the progress of the other, and the three diseases represent a deadly combination, since they are more destructive together than one of these diseases alone. Tackling HIV should therefore include tackling TB and STIs, while preventing TB and STIs should include prevention and management of HIV

SECTION 6: STAFF COSTS

The overarching objective in the period has been characterized by amongst others, realignment of the HR functions and preparation for the implementation of the HR Service Delivery Model. In the reporting period, the following key delivery service areas were prioritized:

- Capacitating line functions as per the approved Organogram
- Attracting critical skills
- Enhancing HR compliance to the relevant Legislation, Regulations and HR Policies;

Payroll Administration

A number of controls have been put in place; these include monthly verification of active employees by line managers, reconciliation of payroll and accounting for overtime and acting allowances. The controls introduced have drastically reduced spend on the salary bill. Prior to implementation of the controls, overtime had been one of the cost drivers. The table below is an analysis of earnings.

Year	Salaries	Overtime	% of Salaries
2013/14	R 759 582 000.00	R 53 973 000.00	7%
2012/13	R 714 555 000.00	R 60 901 000.00	9%

Human Capital Movement in the Year under Review

Suitably qualified personnel that responds to business needs continues to be a success factor in realising Pikitup's mandate. Competition for the same skills poses a challenge to Pikitup. During the period under review, Pikitup appointed 44 employees as reflected below.

Table 4-2: Human Capital Movement

OCCUPATIONAL LEVEL		AFRICAN		COLOURED		INDIAN		WHITES		TOTAL
		M	F	M	F	M	F	M	F	
Top Management	F	2	0	0	0	0	0	0	0	2
Senior Management	E	10	1	2	0	0	1	2	1	17
Professionally qualified and experienced specialists and mid-management	D	2	7	0	0	1	0	1	0	11
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	C	6	7	0	0	0	1	0	0	14
Semi-skilled and discretionary decision making	B	0	0	0	0	0	0	0	0	0
Unskilled and defined decision making	A	0	0	0	0	0	0	0	0	0
TOTAL		20	15	2	0	1	2	3	1	44

Over 1500 job opportunities were created; this was in the form of EPWP and other casual workers for bin verification, inner-city cleaning and waste education awareness.

Attrition

Pikitup's overall staff turnover was an average of 2.19% for the period under review. The terminations are attributed to retirements, deaths, contract expiry, medical boarding, dismissal and resignations.

PERIOD	NUMBER OF TERMINATIONS	ATTRITION	STAFF COMPLEMENT AS AT END OF THE QUARTER
Quarter 1	113	2.20%	5162
Quarter 2	211	3.99%	5277
Quarter 3	62	1.26%	4915
Quarter 4	73	1.29%	5644
Total	459		
Average		2.19%	

Employee Benefits

Pikitup is a participating employer in various retirement benefit schemes through which it provides post-employment benefits to all its employees through Defined Contribution and Defined Benefit Funds. These funds are fully funded with no outstanding liabilities. The following funds provide pension benefits for the employees:

Defined Contribution Funds:

- e-Joburg Retirement Fund
- Municipal Employees Gratuity Fund
- Municipal Gratuity Fund
- National Fund for Municipal Workers
- Meshawu National Local Authorities Retirement Fund
- Municipal Councillors Pension Fund
- South African Municipal Workers Union National Provident Fund

Defined Benefit Funds:

- Johannesburg Municipal Pension Fund
- City of Johannesburg Pension Fund
- Municipal Employees Pension Fund
- Soweto City Council Pension Fund
- Joint Municipal Pension Fund
- South African Local Authorities Pension Funds
- South African Municipal Workers' Union National Provident Fund

CHAPTER FIVE: FINANCIAL PERFORMANCE

KEY ACHIEVEMENTS

- Unqualified Audit
- Reduction in number of findings raised by the Auditor General
- Achievement of a surplus through improved Revenue generation and cost containment
- Improved internal control environment





Pikitup Johannesburg SOC Limited
Trading as Pikitup
Financial statements
for the year ended June 30, 2014

Pikitup Johannesburg SOC Limited

(Registration number 2000/029899/07)

Trading as Pikitup

Financial Statements for the year ended June 30, 2014

General Information

COUNTRY OF INCORPORATION AND DOMICILE	South Africa
NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES	Provides comprehensive waste management services on behalf of The City of Johannesburg Metropolitan Municipality to the residents and businesses within the City of Johannesburg Metropolitan Municipality geographic area.
BOARD OF DIRECTORS	Dr Mabuya N (Chairperson) Mr Bahula M Mr Brenner L Mr Maharaj S Prof Marwala T(Retired) Mr Mondlane D Dr Mutshekwane N Ms Nair A Dr Ndema Y Dr Nyabeze WRR Mr Sutherland HAB (Retired) Mr Matshekga LJ Mr Rampai RD
REGISTERED OFFICE	Pikitup Building Corner Bertha & Juta Streets Braamfontein Johannesburg 2001
BUSINESS ADDRESS	Pikitup Building Corner Bertha & Juta Streets Braamfontein Johannesburg 2001
POSTAL ADDRESS	Private Bag X74 Braamfontein Johannesburg 2001
CONTROLLING ENTITY	The City of Johannesburg Metropolitan Municipality incorporated in South Africa
AUDITORS	The Auditor General of South Africa
SECRETARY	Francois Dekker
COMPANY REGISTRATION NUMBER	2000/029899/07
BANKERS	Standard Bank of South Africa Limited
ATTORNEYS	Alan Kisson Attorneys Tshiqi Zebediela Inc Attorneys Cliff Dekker Hoffmeyer Malebye Motaung Mtembu Inc

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General Information

Maribana Makgoke Inc
Nozuko Nxuseni Inc
Tasneem Moosa Inc
Mcedisi Ndlovu & Sedumedi Attorneys
Padi Inc
MF Jassat Dlamini Inc
Moodie Robertson
Ismail & Dahya Attorneys
TGR Attorneys
Norton Rose South Africa
VVM Attorneys
C. Kgope Attorneys
MHP Attorneys
Mokonyane Inc
Mogwasa Attorney
Phungo Inc
Seyaka Beja
Van Greunen & Associates

Pikitup Johannesburg SOC Limited

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Financial Statements for the year ended June 30, 2014

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MOE's	Municipal Owned Entities
MSA	Municipal Systems Act
MFMA	Municipal Finance Management Act
CJMM	City of Johannesburg Metropolitan Municipality
USDG	Urban Settlements Development Grant

Pikitup Johannesburg SOC Limited

(Registration number 2000/029899/07)

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Financial Statements for the year ended June 30, 2014

Director's Responsibilities and Approval

The directors are required by the Municipal Finance Management Act (Act 56 of 2003) and Companies Act of South Africa (Act of 2008), to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the directors to ensure that the financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The Auditor General is engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

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

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

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

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

The entity is wholly dependent on the CJMM for continued funding of operations. The financial statements are prepared on the basis that the entity is a going concern and that the CJMM has neither the intention nor the need to liquidate or curtail materially the scale of the entity.

Dr Mabuya NB
Chairperson

Mr Maharaj S
Acting Accounting Officer

Pikitup Johannesburg SOC Limited

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Financial Statements for the year ended June 30, 2014

Audit Committee Report

Report of the Audit Committee for the year ended 30 June 2014

The Audit Committee's terms of reference

The Audit Committee presents its report for the year ended 30 June 2014 as recommended by the King III report. The Audit Committee has adopted formal terms of reference that have been approved by the Board of Directors. The committee has conducted and discharged its affairs and its responsibilities in compliance with its terms of reference, King III, Section 94(7)(f) of the Companies Act of 2008 and MFMA.

The members of the Audit Committee are Dr Y Ndema, Mr Brenner L, Mr Buys R, Mr Hattingh W and Mr Mufana G. The Audit Committee held 8 meetings during the financial year to review matters necessary to fulfill its role.

The effectiveness of the Audit Committee and its individual members were assessed at the end of the financial year. The result was satisfactory. In addition, the Audit Committee conducted the effectiveness assessment of Internal Audit and Finance function. The result of the assessment were also satisfactory.

Audit Committee members, meeting attendance an assesment

Name of member	Number of meetings attended
Mr Brenner L CA (SA) RA(Chairman)	8
Mr Buys R	6
Mr Hattingh W	4
Mr Mufana G (appointed 25 February 2014)	3
Dr Ndema Y	6

The Chairperson of the Board, Chief Executive Officer, Chief Financial Officer, Chief Audit Executive, Chief Risk Officer, external auditors, and other assurance providers (legal, compliance, health and safety, etc.) attend meetings by invitation only.

The effectiveness of the Audit Committee and its individual members were assessed at the end of the financial year. The result was satisfactory. In addition, the Audit Committee conducted the effectiveness assessment of Internal Audit and Finance function. The result of the assessment were also satisfactory.

Roles and responsibilities of the Audit Committee

In line with the requirements of King III Code of Corporate Governance, the Audit Committee has :

Reviewed the procedures for identifying business risks and managing the impact on the entity including the risk management functions.

Reviewed the entity's policies and procedures for preventing, detecting and investigating fraud.

Reviewed the effectiveness of the entity's policies, systems and procedures

Reviewed the effectiveness and the adequacy of the Internal Audit function and adequacy of its annual work plan

Considered whether the independence, objectives, organisation, staffing plans, financial budgets, audit plans and the standing of Internal Audit function provide adequate support to enable the Audit Committee to meet its objectives

Reviewed the results of the work performed by the Internal Audit function in relation to financial reporting and controls, corporate governance, risk management process, internal controls and any significant investigation and management responses

Review annual written opinion issued by Internal Audit function on risk management and internal finance control

Review the co-ordination of audit efforts between Internal Audit function and External Auditors and dealt with any issues of material or significant dispute or concern

Reviewed the entity's compliance with significant legal and regulatory provisions

Pikitup Johannesburg SOC Limited

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Financial Statements for the year ended June 30, 2014

Audit Committee Report

Reviewed such significant transactions as the Audit Committee deemed appropriate

Reviewed such significant reported cases of employee conflicts of interest, misconduct or fraud, or any other unethical activity by employees of the entity

Reviewed the controls over significant financial and operational risk

Reviewed and acted on any other relevant matters referred to it by the board

Reviewed the validity, accuracy, reliability and completeness of financial information provided by management and other users of such information

Reviewed the accounting and auditing concerns identified by Internal and External Auditors

Reviewed the annual integrated report and financial statements taken as a whole to ensure they present a balance and understandable assessment of the position, performance and prospects of the entity

Reviewed the sustainability prospects of the entity

Reviewed External Auditors findings and reports submitted to management

Reviewed the independence and objectivity of Internal Audit function and External Auditors

Had separate meetings with the Chief Audit Executive to discuss the functioning of the Internal Audit environment

In terms of the King III requirement, the Audit Committee must either apply with the following principles or explain non-application thereof:

Overseeing integrated reporting

Ensuring that a combined assurance model is applied in order to provide a co-ordinated approach to all assurance activities.

Satisfying itself of the expertise, resources and experience of the company's Finance function

Satisfy itself of the effectiveness of Information and Communication Technology (ICT)

Being responsible for overseeing Internal Audit function and ensure effectiveness

Being an integral component of the risk management process

Being responsible for recommending the appointment of External Auditor and overseeing the external audit process

Reporting to the Board of Directors and shareholder on how it has discharged its duties

The Audit Committee has complied with all the King III principles.

Internal Control Environment

The Audit Committee has made an assessment of the effectiveness of the control environment through the use of assurance providers such as Internal Audit, External Auditors and other independent assurance providers.

Where weaknesses were identified internal controls corrective actions were taken to eliminate or reduce the risk. The Audit Committee is of the opinion, based on the information and explanations given by management and the Internal Audit Department and discussions with the independent External Auditors on the result of their audits, that the internal controls of the entity have generally operated effectively throughout the year under review but noted that there is still room for improvement. Where internal controls did not operate effectively compensating controls have ensured that the entity's assets have been safeguarded, proper accounting records maintained and resources utilised economically, efficiently and effectively, and compliance to laws and regulations. The Audit Committee noted that in several instances management were slow to implement corrective actions recommended.

Pikitup Johannesburg SOC Limited

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Financial Statements for the year ended June 30, 2014

Audit Committee Report

Following our review of the financial statements for the year ended 30 June 2014 and combined assurances received from management, internal and external auditors, we are of the opinion that they comply with the relevant provisions of the Municipal Finance Management Act, Act no 56 of 2003, the Local Government : Municipal Systems Act, 2000, Companies Act, 71 of 2008, Public Audit Act, Act no .25 of 2004 and the South African Statement of Generally Recognised Accounting Practice (GRAP), and they present fairly the results of the operations, cashflow and financial position of the entity.

The Audit Committee concurs that the adoption of the ongoing -concern premise in the preparation of the financial statements is appropriate. We therefore recommend that the financial statements and the annual intergrated report as submitted be approved by the Board of Directors.



Signed: Chairperson of the Audit Committee

12 December 2014

Date: _____

Pikitup Johannesburg SOC Limited

(Registration number 2000/029899/07)

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Financial Statements for the year ended June 30, 2014

Director's Report

The directors submit their report for the year ended June 30, 2014.

1. INCORPORATION

The entity was incorporated on November 28, 2000 and obtained its certificate to commence business on the same day.

2. REVIEW OF ACTIVITIES

Main business and operations

The entity is engaged in providing comprehensive waste management services on behalf of the City of Johannesburg metropolitan municipality to the residents and businesses within the City of Johannesburg metropolitan municipality geographic area.

During the year under review there were no changes in the activities of the business.

Net surplus after taxation of the entity was R 59,292,053 (2013: deficit R 44,884,160).

3. GOING CONCERN AND UNDERTAKING OF SUPPORT

We draw attention to the fact that at June 30, 2014, the entity had accumulated deficits of R (310,649,337) (2013 R 369 941 390) and that the entity's total liabilities exceed its assets by R (267,646,529) (2013 R369 940 390).

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

The ability of the entity to continue as a going concern is dependent on a number of factors. The most significant of these is that the subordination letter of support referred to in note 36 of these financial statements will remain in force.

4. DIRECTORS' DECLARATION OF PERSONAL FINANCIAL INTEREST

The directors declared that they have no interest in the contracts of the company.

5. ACCOUNTING POLICIES

The annual financial statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board in accordance with the Municipal Finance Management Act (Act 56 of 2003).

6. SHARE CAPITAL

The company was incorporated with an authorised share capital of 1,000 ordinary shares of R1 each which were issued at par value.

According to the company's register at 30 June 2014 The City of Johannesburg Metropolitan Municipality held 100% of the ordinary share capital of the company.

There were no changes in the authorised or issued contributions from owners of the company during the year under review.

Pikitup Johannesburg SOC Limited

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Financial Statements for the year ended June 30, 2014

Director's Report

7. BORROWING LIMITATIONS

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

8. MANAGEMENT AGREEMENT

The City of Johannesburg Metropolitan Municipality operates on a consolidated billing system for its revenue and certain of its controlled entities, which includes this company. In terms of this system, the City of Johannesburg Metropolitan Municipality invoices commercial customers on behalf of this company, and collects the receipts thereof from these customers.

9. BOARD OF DIRECTORS

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

Name	Nationality	Changes
Dr Mabuya NB (Chairperson)	South African	Appointed 25 February 2014
Mr Brenner L	South African	
Mr Maharaj S	South African	Appointed 25 February 2014
Prof Marwala T	South African	Retired 31 July 2013
Mr Mondlane D	South African	
Dr Mutshekwanane N	South African	
Ms Nair A	South African	Appointed 25 February 2014
Dr Ndema Y	South African	
Dr Nyabeze WRR	South African	
Mr Sutherland HAB	South African	Retired 25 February 2014
Mr Matshekga LJ	South African	Appointed 25 February 2014
Adv Rampai TD	South African	Appointed 25 February 2014

10. SECRETARY

The secretary of the entity is Francois Dekker of:

Business address

Pikitup Building
Corner Bertha & Juta Streets
Braamfontein
2001

Postal address

Private Bag X74
Braamfontein
2017

Pikitup Johannesburg SOC Limited

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Trading as Pikitup

Financial Statements for the year ended June 30, 2014

Director's Report

11. CORPORATE GOVERNANCE

General

The directors are committed to business integrity, transparency and professionalism in all their activities. As part of this commitment, the directors support the highest standards of corporate governance and the ongoing development of best practice.

During the year under review 2 board members retired, namely Prof Marwala T, Mr Sutherland H.

Board of directors

The Board:

- retains full control over the entity, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the entity;
- is of a unitary structure comprising:
 - non-executive directors, all of whom are independent directors.
 - Accounting officer.

Chairperson and Accounting Officer

The Chairperson of the board is a non-executive director.

The roles of the Chairperson and Accounting officer are separate, with responsibilities divided between them, so that no individual has unfettered powers of discretion.

Remuneration

The remuneration of the Accounting Officer is determined by the Shareholder.

The remuneration of the directors is determined by the City of Johannesburg as agreed by special resolution at the annual general meeting.

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Trading as Pikitup

Financial Statements for the year ended June 30, 2014

Director's Report

Board meetings

The directors meet at least 4 times per year.

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

BOARD OF DIRECTORS

Name	Board meetings	Audit committee meetings	Risk Assurance and Compliance	Human resources committee meetings	Operations committee meetings
Dr Mabuya NB (Chairperson)	15		1	4	
Mr Bahula M	11		3		
Mr Brenner L	15	8	6		
Mr Matshekga LJ	4		1	1	
Mr Mondlane D	14			2	8
Dr Mutshekwane N	12				6
Dr Ndema Y	13	6		5	
Dr Nyabeze WRR	14		5		8
Adv Rampai TD	5				2
Mr Sutherland HAB	10				6

BOARD OF DIRECTORS

Name	Social and Ethics Committee	Procurement oversight
Dr Mabuya NB (Chairperson)		2
Mr Bahula M	2	2
Mr Matshekga LJ	1	
Mr Mondlane D		5
Dr Mutshekwane N	4	5
Dr Ndema Y	2	
Adv Rampai TD	1	1

Audit Committee

The members of the Audit Committee are Mr Brenner L, Dr Ndema Y, Mr Hattingh W, Mr Buys R, Mr Mafuna G. The Audit Committee held 8 meetings during the 2013/14 financial year to review matters necessary to fulfill their role.

Pikitup Johannesburg SOC Limited

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Director's Report

MEMBERS OF THE AUDIT COMMITTEE

Name	Audit Committee Meeting
Total number of meetings held	8
Mr Brenner L (Chairperson)	8
Mr Buys R	6
Mr Hattingh W	4
Mr Mufana G	3
Dr Ndema Y	4

Internal audit

The internal audit function was performed using in-house capacity as well as co-sourced assistance from a panel of internal auditors . This is in compliance with the Municipal Finance Management Act, 2003.

12. CONTROLLING ENTITY

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

13. INVESTMENT IN ASSOCIATES

Name of investment	Purpose of the company	Net income (loss) after tax
Friedshelf 128 (Pty) Ltd	Property company	2 260 758

Pikitup holds 50% equity interest in Friedshelf 128 (Pty) Ltd whose underlying assets comprise of the building used as the head office of Pikitup.

The financial year-end of Friedshelf 128 (Pty) Ltd is the end of February.

14. BANKERS

Standard Bank of South Africa.

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

15. AUDITORS

The Auditor General of South Africa will continue in office for the next financial period.

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Company Secretary's Certification

Declaration by the company secretary in respect of Section 88(2)(e) of the Companies Act of 2008

In terms of section 88(2)(e) of the Companies Act 71 of 2008, (as amended) and the Municipal Finance Management Act, Act 56 of 2003, I certify that, to the best of my knowledge and belief, the company has lodged and/or filled, for the financial year ended 30 June 2014, all such returns and notices as required and that all such returns and notices are true, correct and up to date.



Francois Dekker
Company Secretary

Pikitup Johannesburg SOC Ltd

Pikitup Johannesburg SOC Limited

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Financial Statements for the year ended June 30, 2014

Statement of Financial Position as at June 30, 2014

Figures in Rand	Note(s)	2014	2013
ASSETS			
Current Assets			
Inventories	3	5,086,656	6,184,113
Loans to shareholder	4	277,780,420	396,310,147
Amount owed by SARS	5	1,777,917	2,138,570
Receivables from non-exchange transactions	6	51,088,229	35,050,261
Consumer debtors	7	225,264,128	65,983,521
Cash and cash equivalents	8	10,329,438	4,941
		571,326,788	505,671,553
Non-Current Assets			
Property, plant and equipment	9	683,048,363	591,511,572
Intangible assets	10	11,473,984	14,370,343
Investment in associate	11	18,108,143	15,847,385
Loans to shareholders	4	104,350,749	99,103,244
		816,981,239	720,832,544
Total Assets		1,388,308,027	1,226,504,097
LIABILITIES			
Current Liabilities			
Loans from shareholder	4	91,536,190	274,722,155
Finance lease obligation	13	32,683,030	32,846,265
Payables from exchange transactions	14	273,720,350	189,169,617
Provision	16	30,894,634	7,750,845
		428,834,204	504,488,882
Non-Current Liabilities			
Loans from shareholders	4	442,555,786	415,291,086
Finance lease obligation	13	106,623,928	47,650,830
Employee benefit obligation	15	108,254,932	100,123,932
Provision	16	569,685,706	528,889,757
		1,227,120,352	1,091,955,605
Total Liabilities		1,655,954,556	1,596,444,487
Net Assets/ (Liabilities)		(267,646,529)	(369,940,390)
NET ASSETS/ (LIABILITIES)			
Share capital	18	1,000	1,000
Owners Contribution	41	43,001,808	-
Accumulated deficit		(310,649,337)	(369,941,390)
Total Net Assets /(Liabilities)		(267,646,529)	(369,940,390)

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Statement of Financial Performance

Figures in Rand	Note(s)	2014	2013
Revenue			
Rendering of services	19	1,132,424,267	224,735,318
Rental facilities and equipment		275,959	2,313,089
Miscellaneous other revenue		6,259,049	6,000,667
Government grants & subsidies	21	603,748,217	1,170,613,826
Fair value adjustments		43,326,255	-
	20	1,786,033,747	1,403,662,900
Other income			
Interest received		2,114,384	5,772,903
Income from equity accounted investment	11	2,260,758	2,109,891
		4,375,142	7,882,794
Operating Expenses (Refer to page 16)		(1,666,038,515)	(1,416,751,345)
Operating surplus (deficit)	22	124,370,374	(5,205,651)
Finance costs	25	(65,078,321)	(39,678,509)
Surplus (deficit) for the year		59,292,053	(44,884,160)

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Financial Statements for the year ended June 30, 2014

Statement of Financial Performance

Figures in Rand	Note(s)	2014	2013
Operating expenses			
Advertising		(566,443)	(786,206)
Assessment rates & municipal charges		(8,508,338)	(6,904,341)
Auditors remuneration	26	(2,306,495)	(2,817,787)
Allowance for doubtful debts		(233,714,728)	(38,524,655)
Bank charges		(79,124)	(73,625)
Cleaning		(340,755)	(416,497)
Safety Equipment		(373,263)	(2,005,836)
Conferences and seminars		(663,921)	(371,050)
Consulting and professional fees		(5,325,188)	(3,475,646)
Consumables		(20,553,614)	(13,199,108)
Pollution monitoring		(707,203)	(852,704)
Depreciation, amortisation and impairments		(81,135,227)	(54,921,071)
Employee costs	23	(764,632,332)	(726,951,018)
Entertainment		(1,555,265)	(1,571,450)
Sundries		(1,688,552)	(490,941)
Waste disposal fees		(14,549,166)	(18,932,652)
Payroll processing		(1,415,986)	(1,356,480)
Recruitment fees		(1,522,393)	(2,608,264)
Fleet and cleaning services		(434,057,103)	(461,936,011)
Hire		(495,991)	(541,031)
IT expenses		(11,633,829)	(10,278,504)
Insurance		(1,707,092)	(3,558,956)
Lease rentals on operating leases		(7,089,786)	(6,004,073)
Legal expenses		(8,130,351)	(3,279,783)
Marketing		(1,259,691)	(2,038,651)
Postage		(7,176)	(2,915)
Printing and stationery		(1,346,986)	(1,407,992)
Repairs and maintenance		(2,422,604)	(3,874,448)
Security		(28,226,013)	(19,670,714)
Staff welfare		(9,946,380)	(2,166,233)
Subscriptions		(184,583)	(284,057)
Telephone and fax		(4,384,308)	(3,631,755)
Training		(773,887)	(1,545,860)
Books and publications		(11,074,732)	(14,405,023)
R & CRM fees		(3,654,133)	(4,991,639)
Travelling		(5,877)	(874,369)
		(1,666,038,515)	(1,416,751,345)

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Financial Statements for the year ended June 30, 2014

Statement of Changes in Net Assets

Figures in Rand	Note(s)	Share capital	Owners Contribution	Accumulated deficit	Total equity
Opening balance as previously reported		1,000	-	(322,971,177)	(322,970,177)
Adjustments					
Prior year adjustments	33	-	-	(2,086,053)	(2,086,053)
Balance at July 01, 2012 as restated		1,000	-	(325,057,230)	(325,056,230)
Changes in net assets					
Deficit for the year		-	-	(44,884,160)	(44,884,160)
Total changes		-	-	(44,884,160)	(44,884,160)
Opening balance as previously reported		1,000	-	(369,171,932)	(369,170,932)
Adjustments					
Prior year adjustments	33	-	-	(769,458)	(769,458)
Balance at July 01, 2013 as restated		1,000	-	(369,941,390)	(369,940,390)
Changes in net assets					
Surplus for the year		-	-	59,292,053	59,292,053
Owners Contribution		-	43,001,808	-	43,001,808
Total changes		-	43,001,808	59,292,053	102,293,861
Balance at June 30, 2014		1,000	43,001,808	(310,649,337)	(267,646,529)

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Financial Statements for the year ended June 30, 2014

Cash Flow Statement

Figures in Rand	Note(s)	2014	2013
Cash flows from operating activities			
Receipts			
Sale of goods and services		1,707,123,355	1,608,724,000
Interest income		4,483,250	6,083,589
		1,711,606,605	1,614,807,589
Payments			
Suppliers		(1,826,818,213)	(1,634,637,730)
Finance costs		(27,201,489)	(20,039,600)
Taxes on surpluses	28	360,653	-
		(1,853,659,049)	(1,654,677,330)
Net cash flows from operating activities	27	(142,052,444)	(39,869,741)
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(79,062,457)	(41,131,711)
Purchase of other intangible assets	10	(1,626,260)	-
Net cash flows from investing activities		(80,688,717)	(41,131,711)
Cash flows from financing activities			
Repayment of shareholders loan		97,885,499	68,542,769
Finance lease payments		37,064,802	12,447,565
Net cash flows from financing activities		649,652,535	72,969,706
Net increase/(decrease) in cash and cash equivalents		10,324,497	(6,280)
Cash and cash equivalents at the beginning of the year		4,941	11,221
Cash and cash equivalents at the end of the year	8	10,329,438	4,941

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Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	1,067,699,962	(47,718)	1,067,652,244	1,132,424,267	64,772,023	A
Rental facilities and equipment	800,000	(548,000)	252,000	275,959	23,959	
Miscellaneous other revenue	6,883,179	534,306	7,417,485	6,259,049	(1,158,436)	
Interest received	2,211,300	1,182,084	3,393,384	2,114,384	(1,279,000)	
Total revenue from exchange transactions	1,077,594,441	1,120,672	1,078,715,113	1,141,073,659	62,358,546	
Revenue from non-exchange transactions						
Taxation revenue						
Government grants & subsidies	479,568,793	85,000,325	564,569,118	603,748,217	39,179,099	B
Fair value adjustment	-	-	-	43,326,255	43,326,255	C
Total revenue from non-exchange transactions	479,568,793	85,000,325	564,569,118	647,074,472	82,505,354	
Total revenue	1,557,163,234	86,120,997	1,643,284,231	1,788,148,131	144,863,900	
Expenditure						
Personnel	(758,440,317)	(6,329,167)	(764,769,484)	(764,632,332)	137,152	D
Environmental education	(11,255,606)	(5,506,017)	(16,761,623)	(11,074,732)	5,686,891	E
Depreciation and amortisation	(75,889,000)	(15,000,351)	(90,889,351)	(81,135,227)	9,754,124	F
Finance costs	(12,690,042)	(42,230,997)	(54,921,039)	(65,078,321)	(10,157,282)	G
Allowance for doubtful debts	(107,035,000)	(32,999,709)	(140,034,709)	(233,714,728)	(93,680,019)	H
Safety	(2,490,818)	1,485,574	(1,005,244)	(373,263)	631,981	
Repairs and maintenance	(6,711,022)	493,694	(6,217,328)	(2,422,604)	3,794,724	
Pollution monitoring	(1,384,620)	(100,000)	(1,484,620)	(707,203)	777,417	
General Expenses	(581,266,809)	14,065,976	(567,200,833)	(571,978,426)	(4,777,593)	I
Total expenditure	(1,557,163,234)	(86,120,997)	(1,643,284,231)	(1,731,116,836)	(87,832,605)	
Operating surplus	-	-	-	57,031,295	57,031,295	
Income from equity accounted investments	-	-	-	2,260,758	2,260,758	
Surplus before taxation	-	-	-	59,292,053	59,292,053	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	-	-	-	59,292,053	59,292,053	

A. Service charges comprises of revenue from domestic and commercial customers. The significant positive variance can be attributed to domestic revenue as a result of the late processing of accruals for the current financial year by Rates department at COJ

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Financial Statements for the year ended June 30, 2014

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

B. The Capital (USDG) grant is excluded from revenue for budgetary purposes as per instruction from COJ. The inclusion in the actual results is the origin of the positive variance.

C. The application of Circular 9 from SAICA with regards to discounting of revenue is only applied at financial year end and also unbudgeted for.

D. Personnel cost exceed budget for the financial year by 6.5%. The approved budget allowed for 3.3% annual increase, which is less than 6,79% salary increase as per the SALGA agreement.

E. Environmental education forms part of the Separation at Source project for which the implementation plan was amended to affect fewer depots. This resulted in a budget saving.

F. Depreciation and amortization cost are under budget for the year due to slower than anticipated capital expenditure for both the replacement of the COJ owned fleet and the utilisation of Pikitup capital budget.

G. Finance costs increased as a result of the increase in number of new vehicles on finance lease from COJ. A further contributing factor is the provision for interest relating to the dispute with Fleet Africa.

H. The allowance for doubtful debt is in accordance with the approval policies for domestic and commercial debtors. Collection rates for both revenue streams was considerably lower than budgeted which resulted in high provision levels.

I. A concerted effort to curb discretionary expenditure companywide has resulted in savings compared to budget for some expenses.

The main cost drivers in general expenses are:

- Fleet cost which were over budget for the year as a result of expensive ad- hoc vehicle hire due to aging COJ Fleet.
- Contractors cost was less than budget. Provision was made for the hiring of casual workers for the cleaning of informal settlements. The project commenced later than planned, thus resulting in a saving. A reduction in the number of plant hired and operating hours on the landfills further contributed to the saving.
- Stores and Materials which included the cost for bin liners showed a significant saving as a result of the delayed roll- out of the Separation at Source project.
- A significant decrease in the cost for general insurance from COJ resulted in a saving.
- The reduction of tonnages to an external landfill site due to contract termination resulted in cost savings

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Financial Statements for the year ended June 30, 2014

Accounting Policies

1. Presentation of Financial Statements

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

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

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

1.1 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect 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. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the entity for similar financial instruments. The discounting rates for the period under review is 9.25% (2013: 8.5%).

Impairment testing

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

Provisions

Provisions are raised based on the information available. Additional disclosure of these provisions are included in note 16 - Provisions.

Taxation

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

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

Useful lives of assets

The entity's management determines the estimated useful lives and related depreciation charges for the items of property, plant and equipment. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

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Financial Statements for the year ended June 30, 2014

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Post retirement benefits

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

Effective interest rate

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

Allowance for doubtful debts

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

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

1.2 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

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Financial Statements for the year ended June 30, 2014

Accounting Policies

1.2 Property, plant and equipment (continued)

Property, plant and equipment are depreciated on the over their expected useful lives to their estimated residual value.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

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

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

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

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

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

1.3 Intangible assets

An asset is identifiable if it either:

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

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

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

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

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

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

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

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

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Accounting Policies

1.3 Intangible assets (continued)

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

1.4 Investment in associate

An investment in an associate is carried at fair value and classified as fair value through surplus or deficit.

1.5 Financial instruments

Initial recognition and measurement

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

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

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Loans to (from) economic entities

These include loans to and from controlling entities, fellow controlled entities, controlled entities, joint ventures and associates and are recognised initially at fair value plus direct transaction costs.

Loans to economic entities are classified as loans and receivables.

Loans from economic entities are classified as financial liabilities measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts.

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

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

Receivables from exchange transactions

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

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1.5 Financial instruments (continued)

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the deficit is recognised in surplus or deficit within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in surplus or deficit.

Trade and other receivables are classified as loans and receivables.

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

Payables from exchange transactions

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

These are initially and subsequently recorded at fair value. Cash and cash equivalents are classified as loans and receivable financial instruments.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the entity's accounting policy for borrowing costs.

Other financial liabilities are measured initially at fair value and subsequently at amortised cost, using the effective interest rate method. Bank overdraft and borrowings are classified as loans and payables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

1.6 Tax

Current tax assets and liabilities

In the event that tax is payable it is based on taxable surplus for the year. Taxable surplus differs from surplus as reported in the statement of financial performance because it excludes income and expenses that are taxable or tax deductible in other years and it further excludes items that are never taxable or tax deductible.

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

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

Deferred tax assets and liabilities

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

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1.6 Tax (continued)

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

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

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in surplus or deficit for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to net assets; or
- a business combination.

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

1.7 Leases

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

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

Finance leases - lessee

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

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

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

Operating leases - lessee

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

1.8 Inventories

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

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

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

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

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1.8 Inventories (continued)

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

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

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

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

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

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

1.9 Impairment of cash-generating assets

Cash-generating assets are those assets held by the entity with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

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

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

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

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

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

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

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

Useful life is either:

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

Criteria developed by the entity to distinguish cash-generating assets from non-cash-generating assets are as follow:

1.10 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the entity with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

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Accounting Policies

1.10 Impairment of non-cash-generating assets (continued)

Non-cash-generating assets are assets other than cash-generating assets.

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

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

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

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

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

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

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

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

1.11 Share capital

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Equity instruments issued by the company are classified according to the substance of the contractual arrangements entered into.

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

1.12 Employee benefits

Short-term employee benefits

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

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

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

Defined contribution plans

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

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

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1.12 Employee benefits (continued)

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

The company's contributions to the defined contribution plans are charged to the Statement of Financial Performance in the financial year to which they relate.

The company's has no further payment obligations once the contributions have been paid.

Defined benefit plans

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

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

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

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

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

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

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

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

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

The majority of the company employees are members of various defined benefit plans, the assets of which are held in separate trustee-administrated funds. These retirement funds are generally funded by payments from employees, the company and the The City of Johannesburg Metropolitan Municipality.

For defined benefit plans, the accounting costs are assessed and charged to the Statement of Financial Performance. The obligation is measured at the present value of the estimated future cash flows using interest rates of government securities that have terms to maturity approximating the terms of the related liability.

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

Actuarial gains and losses are charged to the Statement of Financial Performance as the cost occur.

Other post retirement obligations

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

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1.12 Employee benefits (continued)

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

1.13 Provisions and contingencies

Provisions are recognised when:

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

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

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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

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

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

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

Provisions are not recognised for future operating deficits.

Actual costing figures were used in determining the provision for rehabilitation of landfill sites. Landfill areas are rehabilitated over years and in accordance with the operational plans. The areas will stay the same in size for a number of years.

Provision is made for estimated cost to be incurred on the long term environmental obligations, comprising expenditure on pollution control and closure over the estimated life of the landfill.

The increase in the restoration provision due to passage of time is recognised as interest in the income statements.

The cost of ongoing programmes to prevent, control pollution and rehabilitate the environment is recognised as an expense when incurred.

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 30.

Decommissioning, restoration and similar liability

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Accounting Policies

1.13 Provisions and contingencies (continued)

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.9 and 1.10.

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
 - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

1.14 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

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

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

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

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1.14 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

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

1.15 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the entity can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

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

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting entity.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

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

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

Measurement

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

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1.15 Revenue from non-exchange transactions (continued)

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

1.16 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.17 Unauthorised expenditure

Unauthorised expenditure means:

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

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

1.18 Fruitless and wasteful expenditure

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

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

1.19 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

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Figures in Rand 2014 2013

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

At the date of authorisation these Financial Statements, the following Standards and interpretations are issued but not effective.

Standard/ Interpretation	Effective Date	Impact
GRAP18 -Segment reporting	01 April 2013	None
GRAP 20- Related party disclosure	01 April 2013	Adopted
GRAP 25 Employee benefits	01 April 2013	Adopted
GRAP 105- Transfer of functions between entities under common control	30 June 2014	None
Grap 106- Transfer of functions between entities not under common control	30 June 2014	None
Grap 107- Mergers	30 June 2014	None

3. Inventories

Equipment stock	95,686	97,305
Bin Liners	1,679,216	1,809,232
Protective clothing	1,601,485	1,894,686
Consumable stock	1,390,806	1,045,500
Compost stock	319,463	1,337,390
	5,086,656	6,184,113

4. Loans to/(from) shareholder

City of Johannesburg Metropolitan Municipality - Notional loans in respect of Post Retirement Benefits (Non-Current Assets)	4.1	104,350,749	99,103,244
City of Johannesburg Metropolitan Municipality - Unsecured (Current Liabilities)	4.2	(75,816,515)	(274,722,155)
City of Johannesburg Metropolitan Municipality - Unsecured Other loans (Current Assets)	4.3	277,780,420	312,582,140
City of Johannesburg Metropolitan Municipality - Capex Loans (Non-Current Liabilities)	4.4	(181,178,452)	(153,913,752)
City of Johannesburg Metropolitan Municipality - Sweeping account (Current Assets)	4.5	(15,719,675)	83,728,007
City of Johannesburg Metropolitan Municipality - Second Unsecured Loans (Non-Current Liabilities)	4.6	(261,377,334)	(261,377,334)
		(151,960,807)	(194,599,850)
Non-current assets		104,350,749	99,103,244
Current assets		277,780,420	396,310,147
Non-current liabilities		(442,555,786)	(415,291,086)
Current liabilities		(91,536,190)	(274,722,155)
		(151,960,807)	(194,599,850)

The maximum exposure to credit risk at the reporting date is the fair value of each class of loan mentioned above. The entity does not hold any collateral as security.

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Figures in Rand	2014	2013
4. Loans to/(from) shareholder (continued)		
4.1 Notional loans		
Loans at beginning of the year	99,103,244	94,303,221
Advances	5,247,505	4,800,023
	104,350,749	99,103,244
The notional loans relates to the employee benefits obligations, refer to note 16		
4.2 Unsecured		
In respect of operating expenditure	(77,251,914)	(274,722,155)
4.3 Unsecured other loans		
In respect of operating expenditure	273,935,056	312,582,140
4.4 Capex loans		
Loans at beginning of the year	(153,913,752)	(131,515,923)
Receipts	(27,264,700)	(22,397,829)
	(181,178,452)	(153,913,752)
The terms of payments between 9% to 14% interest rate per annum and the payment terms ranging between 30 and 40 quarterly instalment. The redemption of these loans have been deferred until the solvency of the company has been restored. These loans relates to capital loans approved as part of annual capital budget . The Urban Settlement Development Grant is disclosed as part of note 21.		
4.5 Sweeping account		
Opening balance for the year	83,728,007	74,137,051
Movement for the year	(99,447,682)	9,590,956
	(15,719,675)	83,728,007
The sweeping account represent cash that is swept on a daily basis as per the sweeping arrangement with The City of Johannesburg Metropolitan Municipality.		
4.6 Second Unsecured Loans		
Loans at beginning of the year	(261,337,334)	(261,337,334)
This represents salaries paid by the shareholder on behalf of Pikitup Johannesburg SOC Ltd the redemption of which has been deferred until the solvency of the company has been restored.		
5. Amount owed by SARS		
This relates to a refund in respect of 2010 Income Tax assessment.		
Opening balance	2,138,570	2,138,570
Payments received	(360,653)	-
Total	1,777,917	2,138,570

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6. Receivables from non-exchange transactions		
Government grants and subsidies	38,923,189	21,356,631
Other receivables from non-exchange revenue	8,433,878	8,582,742
VAT	3,731,162	5,110,888
	51,088,229	35,050,261
7. Consumer debtors		
Gross balances		
Refuse	1,182,425,020	260,098,762
Less: Allowance for impairment		
Refuse	(957,160,892)	(194,115,241)
Net balance		
Refuse	225,264,128	65,983,521
Refuse		
Current (0 - 30 days)	33,017,490	23,915,339
31 - 60 days	15,496,696	11,646,628
61 - 90 days	29,263,391	4,636,314
91 - 120 days	21,976,570	994,231
121 - 365 days	125,509,981	24,791,009
	225,264,128	65,983,521
Reconciliation of allowance for impairment		
Balance at beginning of the year	(194,115,241)	(158,398,624)
Contributions to allowance	(763,045,651)	(35,716,617)
	(957,160,892)	(194,115,241)
8. Cash and cash equivalents		
<p>The Company has a sweeping arrangement with the The City of Johannesburg Metropolitan Municipality whereby all cash is swept on a daily basis to the The City of Johannesburg Metropolitan Municipality's bank account. Petty cash is reflected as being on hand. As at 30 June 2014 an amount of R 10 296 058 was not swept. The cash owed to the company by the The City of Johannesburg Metropolitan Municipality is reflected as an amount due from the shareholder.</p>		
<p>Cash and cash equivalents consist of:</p>		
Cash on hand	10,329,438	4,941

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9. Property, plant and equipment

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	3,972,399	-	3,972,399	3,972,399	-	3,972,399
Buildings	190,777,014	(93,204,531)	97,572,483	185,927,779	(86,591,379)	99,336,400
Plant and machinery	27,196,338	(19,530,700)	7,665,638	21,595,674	(18,367,146)	3,228,528
Furniture and fixtures	14,457,558	(4,750,508)	9,707,050	8,576,546	(4,303,840)	4,272,706
Motor vehicles	193,909,247	(45,924,059)	147,985,188	104,822,406	(27,544,542)	77,277,864
Office equipment	12,792,767	(12,145,180)	647,587	12,765,493	(11,847,210)	918,283
IT equipment	14,945,227	(6,943,353)	8,001,874	12,201,512	(5,753,958)	6,447,554
Landfill sites	579,146,634	(224,327,483)	354,819,151	533,871,102	(181,617,063)	352,254,039
Bins and containers	239,944,748	(190,722,964)	49,221,784	226,347,340	(185,325,625)	41,021,715
Cellphones	754,593	(188,653)	565,940	-	-	-
Signage	6,032,554	(3,143,285)	2,889,269	5,699,530	(2,917,446)	2,782,084
Total	1,283,929,079	(600,880,716)	683,048,363	1,115,779,781	(524,268,209)	591,511,572

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Depreciation	Total
Land	3,972,399	-	-	3,972,399
Buildings	99,336,400	4,849,235	(6,613,152)	97,572,483
Plant and machinery	3,228,528	5,600,664	(1,163,554)	7,665,638
Furniture and fixtures	4,272,706	5,881,012	(446,668)	9,707,050
Motor vehicles	77,277,864	89,086,841	(18,379,517)	147,985,188
Office equipment	918,283	27,274	(297,970)	647,587
IT equipment	6,447,554	2,743,715	(1,189,395)	8,001,874
Landfill sites	352,254,039	45,275,532	(42,710,420)	354,819,151
Bins and containers	41,021,715	13,597,408	(5,397,339)	49,221,784
Cellphones	-	754,593	(188,653)	565,940
Signage	2,782,084	333,024	(225,839)	2,889,269
	591,511,572	168,149,298	(76,612,507)	683,048,363

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9. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Disposals	Depreciation	Total
Land	3,972,399	-	-	-	3,972,399
Buildings	96,789,834	8,772,544	-	(6,225,978)	99,336,400
Plant and machinery	4,142,205	310,580	-	(1,224,257)	3,228,528
Furniture and fixtures	3,494,200	1,147,082	-	(368,576)	4,272,706
Motor vehicles	61,192,479	36,979,908	-	(20,894,523)	77,277,864
Office equipment	1,792,055	-	-	(873,772)	918,283
IT equipment	5,852,394	1,685,807	-	(1,090,647)	6,447,554
Landfill sites	408,263,617	9,429,352	(60,088,075)	(5,350,855)	352,254,039
Bins and containers	36,306,801	18,878,542	-	(14,163,628)	41,021,715
Signage	2,027,873	907,804	-	(153,593)	2,782,084
	623,833,857	78,111,619	(60,088,075)	(50,345,829)	591,511,572

The following leased assets are included in Property, Plant and Equipment listed above

	2014			2013		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Motor vehicles	195,110,607	(45,963,465)	149,147,142	104,822,406	(27,544,542)	77,277,864

Details of properties

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

Freehold land and buildings to the value of R 119,7m were purchased from City of Johannesburg Metropolitan Municipality in terms of the sale of business agreement dated 15 November 2001.

Reconciliation of Capital Work-in-Progress 2014

	Included within Landfills	Included within Other PPE	Total
Opening balance	7,458,178	11,424,706	18,882,884
Additions/capital expenditure	26,410,079	9,336,965	35,747,044
	33,868,257	20,761,671	54,629,928

Reconciliation of Capital Work-in-Progress 2013

	Included within Landfills	Included within Other PPE	Total
Opening balance	4,613,750	28,599,336	33,213,086
Additions/capital expenditure	7,396,378	258,450	7,654,828
Transfer out of AUC	(4,551,950)	(17,433,080)	(21,985,030)
	7,458,178	11,424,706	18,882,884

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10. Intangible assets

	2014			2013		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	33,112,205	(21,638,221)	11,473,984	31,485,945	(17,115,602)	14,370,343

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
Computer software	14,370,343	1,626,260	(4,522,619)	11,473,984

Reconciliation of intangible assets - 2013

	Opening balance	Amortisation	Total
Computer software	18,945,587	(4,575,244)	14,370,343

11. Investment in associate

Name of entity	Listed / Unlisted	% holding 2014	% holding 2013	Carrying amount 2014	Carrying amount 2013
Friedshelf 128 (Pty) Ltd		50.00 %	50.00 %	18,108,143	15,847,385

The carrying amounts of associates are shown net of impairment losses.

Movements in carrying value

Opening balance	15,847,385	13,737,494
Share of surplus	2,260,758	2,109,891
	18,108,143	15,847,385

Summary of controlled entity's interest in associate

Total assets	41,407,313	36,779,313
Total liabilities	(6,871,530)	(6,437,007)
Revenue	5,641,650	4,810,484
Surplus (deficit)	4,193,478	4,057,398

Associates with different reporting dates

The financial year-end of the associate is the last day of February. The year ends of the two entities are more than three months apart. The entity made estimates to the accounts of the associate to bring the two year ends in line with each other.

Revaluations are performed by the directors who have extensive experience in the location and category of the investment property being valued.

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12. Financial assets by category

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

2014

	Loans and receivables	Total
Loans to shareholder	382,131,169	382,131,169
Investment of associate	18,108,143	18,108,143
Receivables from non-exchange transactions	51,088,229	51,088,229
Consumer debtors	259,605,415	259,605,415
	710,932,956	710,932,956

2013

	Loans and receivables	Total
Loans to shareholder	495,413,391	495,413,391
Investment in associates	15,847,385	15,847,385
Receivables from non-exchange transactions	35,055,102	35,055,102
Consumer debtors	65,983,521	65,983,521
	612,299,399	612,299,399

13. Finance lease obligation

Minimum lease payments due

- within one year	45,404,096	40,551,754
- in second to fifth year inclusive	129,640,655	57,238,949
	175,044,751	97,790,703
less: future finance charges	(35,737,791)	(17,293,608)
Present value of minimum lease payments	139,306,960	80,497,095

Present value of minimum lease payments due

- within one year	32,683,031	32,846,265
- in second to fifth year inclusive	106,623,928	47,650,830
	139,306,959	80,497,095

Current liabilities	32,683,030	32,846,265
Non-current liabilities	106,623,928	47,650,830
	139,306,958	80,497,095

14. Payables from exchange transactions

Trade payables	67,342,575	96,079,112
Accrued leave pay	50,641,040	49,194,922
Accrued bonus	19,182,196	19,157,523
Sundry creditors	136,554,539	24,738,060
	273,720,350	189,169,617

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Figures in Rand	2014	2013
15. Employee benefit obligations		
Defined benefit plan		
Post retirement benefit plan		
Defined benefit plan		
Post Retirement Medical Aid Plan	(5,771,000)	(5,208,000)
Post Retirement Housing plan	(15,000)	(14,000)
Post Retirement Gratuity Plan	(102,468,932)	(94,901,932)
	(108,254,932)	(100,123,932)
Post retirement medical aid plan		
<p>Pikitup Johannesburg (SOC) Limited has obligations to subsidise medical aid contribution in respect of certain qualifying staff and pensioners and their surviving spouses. Only pensioners and employees who were aged 50 or older and were members of Lamaf (previously called Jomed) and Munimed medical schemes on 01 July 2003.</p> <p>The above Liability is unfunded. However, The City of Johannesburg Metropolitan Municipality has undertaken to cover such portion of the liability for the staff of Pikitup Johannesburg (SOC) Limited who are entitled to benefits that relate to their service with Pikitup Johannesburg (SOC) Limited since the company's establishment. This amount is determined at 01 July 2003 and has been crystallised in the form of a notional loan account which earned interest of R565 986.37 (2013 R 538 573) and against which the company may claim benefit payments made. This loan does not constitute an asset and in terms of GRAP 25 cannot be offset against the liability.</p> <p>The City of Johannesburg Metropolitan Municipality operates 6 accredited medical aid schemes, namely Global Health , Hosmed, Munimed, Bonitas, Samwumed and LA Health Pensioner continue on the option they belong to on the day of their retirement</p> <p>Amounts recognised in the Statement of financial position</p> <p>The fair value of plan assets includes</p>		
Movements for the year		
Opening balance	(5,208,000)	(8,273,000)
Net expense recognised in Statement of Financial Performance	(563,000)	3,065,000
	(5,771,000)	(5,208,000)
Net expense recognised in Statement of Financial Performance		
Past Service Cost	(176,000)	(39,000)
Interest cost	(424,890)	(707,000)
Actuarial (gains) losses	28,000	3,811,000
	(572,890)	3,065,000
Notional loan account		
Opening balance	11,119,573	10,581,000
Interest received	588,781	538,573
	11,708,354	11,119,573
Key assumption used on last valuation		
Assumption used on last valuation on 30 June 2014		
Discount rate used	5%	7.89%

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Figures in Rand 2014 2013

15. Employee benefit obligations (continued)

Post retirement housing subsidy plan

Pikitup Johannesburg (SOC) Limited provides housing subsidies in respect of certain qualifying staff members. In the event that the housing loan that the subsidy relates to is not fully repaid at retirement date, the subsidy will continue into the members retirement. The subsidy amount is based on the subsidy being received at the date of valuation. The subsidy amount is assumed to remain constant and to continue for a period of 10 years after retirement.

The above liability is unfunded. However, the City of Johannesburg Metropolitan Municipality has undertaken to cover such portion of the liability for the staff of Pikitup Johannesburg (SOC) Limited who are entitled to benefits that relate to their service with the City of Johannesburg Metropolitan Municipality since the company's establishment. This amount was determined at 01 July 2003 and has been crystallised in the form of a notional loan account which earned interest of R nil (2013 Rnil) and against which the company may claim benefits payments made. This loan does not constitute an asset and in terms of GRAP 25 cannot be offset against the liability

Amounts recognised in the Statement of Financial Position

Fair value of plan assets includes.

Movement for the year

Opening Balance	(14,000)	(61,000)
Net Expense recognised in the Statement of Financial Performance	(1,000)	47,000
	(15,000)	(14,000)

Net expenses recognised in the Statement of Financial Performance

Current service cost	-	(2,000)
Interest cost	(1,000)	(5,000)
Actuarial (gain)/ losses	-	54,000
	(1,000)	47,000

Key assumptions used

Assumption used on the last valuation on 30 June 2014

Discounting rate	5%	7.86%
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Post retirement gratuity plan

Pikitup Johannesburg (SOC) Limited provides gratuities on retirement or prior to death in respect of certain qualifying staff members who have service with The City of Johannesburg Metropolitan Municipality of Pikitup Johannesburg (SOC) Limited when they were not members of one of the retirement funds and who meet certain service requirements in terms of The City of Johannesburg Metropolitan Municipality since the company's establishment. This amount is determined at 01 July 2003 and has been crystallised in the form of a notional loan account which earned interest of R4 478 359 (2013 R4 261 450) and against which the company may claim benefits payments made. This loan does not constitute a plan asset and in terms of GRAP 25 cannot be offset against the liability.

The plan is post retirement gratuity benefit plant

Amounts recognised in the Statement of Financial Position

The fair value of plan assets includes

Movement for the year

Opening balance	(94,901,932)	(85,730,932)
Net expense recognised in the statement of financial performance	(7,567,000)	(9,171,000)
	(102,468,932)	(94,901,932)

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15. Employee benefit obligations (continued)		
Net expense recognised in the statement of financial performance		
Interest cost	(7,327,000)	(7,330,000)
Actuarial (gains)/ losses	(2,599,993)	-
Benefits paid	2,359,993	(1,841,000)
	(7,567,000)	(9,171,000)
Notional Loan		
Opening Balance	87,983,450	83,722,000
Interest received	4,658,945	4,261,450
	92,642,395	87,983,450
Key assumption used		
Assumptions used on 30 June 2014		
Discount rate used	5%	7.89%
Pension benefits		
Post Retirement Liability		
Post retirement medical aid plan	(5,771,000)	(5,208,000)
Post retirement housing subsidy plan	(15,000)	(14,000)
Retirement gratuity	(102,468,932)	(94,901,932)
	(108,254,932)	(100,123,932)

Defined contribution plan

It is the policy of the entity to provide retirement benefits to all its employees [or specify number of employees covered]. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act exist for this purpose.

The entity is under no obligation to cover any unfunded benefits.

The total economic entity contribution to such schemes	66,173,530	64,291,698
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Included in defined contribution plan information above, is the following plan(s) which is (are) a Multi-Employer Funds and is (are) a Defined Benefit Plans, but due to the fact that sufficient information is not available to enable the entity to account for the plan(s) as a defined benefit plan(s). The entity accounted for this (these) plan(s) as a defined contribution plan(s):

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16. Provision

Reconciliation of provision - 2014

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Total
Provision for employee settlements	-	1,162,725	-	-	-	1,162,725
Performance bonus	7,687,641	8,055,393	-	(5,687,641)	-	10,055,393
Escalation on contracts	63,204	-	(63,204)	-	-	-
Environmental rehabilitation: Closed landfill site	142,229,042	-	-	(5,016,435)	7,246,569	144,459,176
Environmental rehabilitation: Open landfill sites	386,660,715	18,865,452	-	-	19,700,363	425,226,530
Fleet provision	-	19,676,516	-	-	-	19,676,516
	536,640,602	47,760,086	(63,204)	(10,704,076)	26,946,932	600,580,340

Reconciliation of provision - 2013

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Total
Performance bonus	8,674,520	7,687,641	(1,587,768)	(7,086,752)	-	7,687,641
Escalation on contracts	1,473,142	63,204	(1,473,142)	-	-	63,204
Environmental rehabilitation: Closed landfill site	147,543,725	-	-	(13,215,650)	7,900,967	142,229,042
Environmental rehabilitation: Open landfill sites	447,711,635	-	(24,937,803)	(60,088,075)	23,974,958	386,660,715
	605,403,022	7,750,845	(27,998,713)	(80,390,477)	31,875,925	536,640,602

Non-current liabilities (Landfill rehabilitation)	569,685,706	528,889,757
Current liabilities	30,894,634	7,750,845
	600,580,340	536,640,602

On an annual basis, management has to determine an accurate estimate of the environmental obligation to rehabilitate the various landfill sites upon closure. During this process management placed reliance upon the final Landfill Airspace Estimation Report as compiled by an independent consulting engineer for the technical data utilised in the provision and lifespan estimates.

The calculations of the landfill rehabilitation are based on the following assumptions in line with the permits requirements and consistent with prior years.,

- The final side slopes for each landfills are 1:3;
- The cover to waste ratio is 1:5 for each site;
- The growth rates for each site are based on zero growth;
- The final landfill footprint extends over the entire landfill property size (excluding infrastructure and a 20m buffer zone between the site boundary and the toe of the landfill); and
- The density of the waste is calculated using both the survey and weighbridge data.

The final landfill airspace estimation was performed by the Topographical surveyor appointed by the Company who has extensive experience in the field with an Advance Mine Survey Certificate - M3.

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17. Financial liabilities by category

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

2014

	Financial liabilities at amortised cost	Total
Loans from shareholder	534,555,786	534,555,786
Payables from exchange transactions	273,720,349	273,720,349
	808,276,135	808,276,135

2013

	Financial liabilities at amortised cost	Total
Loans from shareholder	690,013,241	690,013,241
Payables from exchange transactions	189,169,616	189,169,616
	879,182,857	879,182,857

18. Share capital

Authorised

1000 Ordinary Shares of R1 each	1,000	1,000
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Issued

1000 Ordinary share of R1 each	1,000	1,000
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19. Service charges

Service charges	1,132,424,267	224,735,318
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20. Revenue

Service charges	1,132,424,267	224,735,318
Rental facilities and equipment	275,959	2,313,089
Miscellaneous other revenue	6,259,049	6,000,667
Interest received - investment	2,114,384	5,772,903
Government grants & subsidies	603,748,217	1,170,613,826
Fair value adjustments	43,326,255	-
	1,788,148,131	1,409,435,803

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	1,132,424,267	224,735,318
Rental facilities and equipment	275,959	2,313,089
Miscellaneous other revenue	6,259,049	6,000,667
Interest received - investment	2,114,384	5,772,903
	1,141,073,659	238,821,977

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20. Revenue (continued)

The amount included in revenue arising from non-exchange transactions is as follows:

Government grants and subsidies	603,748,217	1,170,613,826
Fair value adjustments	43,326,255	-
	647,074,472	1,170,613,826

21. Government grants and subsidies

Operating grants

SETA Grant	2,584,550	3,100,940
Operating Grants from COJ	567,020,519	1,148,779,000
	569,605,069	1,151,879,940

Capital grants

USDG Grant	34,143,148	18,733,886
	34,143,148	18,733,886
	603,748,217	1,170,613,826

22. Operating surplus (deficit)

Operating surplus (deficit) for the year is stated after accounting for the following:

Operating lease charges

Premises		
• Contractual amounts	7,089,786	6,004,073
	4,522,619	4,575,244
Amortisation on intangible assets	76,612,608	50,345,827
Depreciation on property, plant and equipment	764,632,332	726,951,018
Employee costs		

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23. Employee related costs		
Basic salaries	528,240,382	493,602,724
Hostel charges	4,308,200	4,847,994
Provident fund contributions	20,522	70,259
Uniforms and protective clothing	8,171,500	5,247,180
Medical examinations	-	2,923
Housing benefits and allowances	1,037,749	1,113,615
Overtime payments	53,973,017	60,901,733
Bonus	36,783,042	35,339,282
Hostel recoveries	(249,205)	(3,713,724)
UIF	5,450,505	5,151,286
WCA	5,130,724	5,549,426
SDL	6,176,540	5,837,188
Leave pay provision charge	6,050,507	11,862,082
Other allowances	3,028,572	3,426,334
Bargaining council levies	367,370	353,675
Gratuities	5,646,442	5,613,424
Unfunded liabilities - Pension funds	(2,439,153)	(1,983,000)
Defined contribution plans	15 66,173,530	64,291,698
Acting allowances	1,640,223	1,041,301
Public holiday allowance	11,686,597	10,050,180
Casual Locomotions	933,056	625,374
Permanent locomotion	16,533,890	17,377,680
Casual services	5,968,322	342,384
	764,632,332	726,951,018
24. Depreciation and amortisation		
Property, plant and equipment	76,612,608	50,345,827
Intangible assets	4,522,619	4,575,244
	81,135,227	54,921,071
25. Finance costs		
Shareholders loan account	16,517,320	13,997,637
Interest on fair value adjustments of expenditure	1,941,703	1,316,896
Other interest paid	-	3,241,977
Finance leases	10,684,169	5,884,483
Finance cost on fleet	-	157,480
Interest unwinding on rehabilitation of landfill	26,946,932	31,875,925
Fair value adjustments on payables	-	(2,263,343)
Net landfill rehabilitation adjustment	8,988,197	(14,532,546)
	65,078,321	39,678,509
26. Auditors' remuneration		
Fees for audit services	2,306,495	2,817,787

Pikitup Johannesburg SOC Limited

(Registration number 2000/029899/07)

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Figures in Rand	2014	2013
27. Cash used in operations		
Surplus (deficit)	59,292,053	(44,884,160)
Adjustments for:		
Depreciation and amortisation	81,135,227	54,921,071
Adjustment on property plant and equipment	(89,086,841)	(36,979,908)
Adjustment on infrastructure	18,865,452	60,088,075
Income from equity accounted investments	(2,260,758)	(2,109,891)
Finance costs - Finance leases	10,684,169	5,884,483
Debt impairment	728,704,364	38,524,655
Movements in retirement benefit assets and liabilities	8,131,000	6,059,000
Movements in provisions	63,939,738	(68,762,420)
Movement in tax receivable and payable	360,653	-
Changes in working capital:		
Inventories	1,097,457	(2,370,301)
Consumer debtors	(922,326,258)	(57,409,550)
Other receivables from non-exchange transactions	(16,037,968)	12,183,437
Payables from exchange transactions	(84,550,732)	(4,847,565)
Deferred income	-	(166,667)
	(142,052,444)	(39,869,741)
28. Tax refunded		
Balance at beginning of the year	2,138,570	2,138,570
Balance at end of the year	(1,777,917)	(2,138,570)
	360,653	-
29. Commitments		
Commitments in respect of capital expenditure:		
Authorised and not yet contracted for		
• Property, plant and equipment	158,557,000	144,040,000
• Infrastructure	32,600,000	32,865,000
	191,157,000	176,905,000
Authorised and contracted for		
• Property, plant and equipment	9,893,000	4,500,000
This expenditure will be financed from:		
COJ Loans	187,050,000	134,540,000
Government Grants	14,000,000	46,865,000
	201,050,000	181,405,000

The commitments relates to the approved capital budget for 2014/15 financial year. The amount disclosed as authorised and contracted for, relates to multi-year projects where capital funds have already been committed.

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30. Contingencies

Economic entity

Freehold land, buildings and servitudes purchased from The City of Johannesburg Metropolitan Municipality in terms of the sale of business agreement, have not as yet been transferred into the name of Pikitup Johannesburg SOC Ltd. Transfer duties might be payable by the company on the transfer of property. It is not possible to estimate an expected amount.

The company has a contingent liability to the value of R 7.576 Million in the main relating to disputed claims with respect to service providers and dispute of yellow plant tenders.

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Figures in Rand	2014	2013
31. Related parties (continued)		
Related party transactions		
Sales to related parties		
City of Johannesburg Metropolitan Municipality	548,361,812	1,169,497,166
City Power Johannesburg SOC Ltd	-	145,760
Johannesburg City Parks NPC	10,220	131,181
	548,372,032	1,169,774,107
Purchases from related parties		
City of Johannesburg Metropolitan Municipality	60,096,258	37,286,782
Johannesburg Social Housing Company SOC Ltd	3,635,994	4,113,673
Johannesburg Water SOC Ltd	156,811	384,275
Johannesburg Civic Theatre SOC Ltd	-	22,566
Johannesburg City Parks NPC	-	64,403
Friedshelf 128 (pty) ltd	-	4,983,600
	63,889,063	46,855,299
Other expenses paid to (received from) related parties		
City of Johannesburg Metropolitan Municipality - sweeping account interest received	(4,181,284)	(6,083,589)

Key management information

32. Change in estimate

Property, plant and equipment

On an annual basis, management has to determine an accurate estimate of the environmental obligations to rehabilitate the various landfill sites upon closure. During this process management place reliance upon the final landfill airspace estimation report as compiled by an independent consulting engineer for the technical data utilised in the provision and lifespan estimates.

The useful life of landfill sites were estimated in 2013 be between 5 and 11 years. In the current period management have revised their estimates to between 6 and 15 years.

Robinson deep landfill site useful life changed from 8 to 7 years and the impact of the change in estimates is the decrease in the annual depreciation by R 2 626 187.

Ennerdale landfill site useful life changed from 11 to 13 years. The impact of the change in estimate is the increase in annual depreciation by R 359 321

Marie louise landfill site changed from 5 to 6 years. The impact of the change in estimates is the decrease in depreciation by R 2 817 333.

Goudkoppies landfill sites useful life changed from 11 to 15 years. The impact is the the increase in annual depreciation by R 2 756 118.

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33. Prior period errors

The retained earnings were restated due to debtors adjustments.

Statement of financial position

PIKITUP - Adjustment against opening accumulated deficit	2,855,611	-
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Statement of financial performance

PIKITUP - Revenue	(2,855,611)	-
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The prior period errors relates in the main to commercial revenue for 2012/13 and 2011/12 financial periods. These are amounts that were not billed in their respective periods and were identified at year end.

34. Risk management

Financial risk management

The company's activities expose it to a variety of financial risks: market risk (including, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance. The company is a wholly owned subsidiary of the City of Johannesburg Metropolitan Municipality. Risk management is carried out by a central treasury department within the Metro Municipality (company treasury) under policies approved by the Council.

Liquidity risk

The entity's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

The company's risk to liquidity is a result of the funds available to cover future commitments. The company manages liquidity risk through an ongoing review of future commitments and credit facilities. The entity also receives an annual subsidy from the City of Johannesburg Metropolitan Municipality which mitigates to a large extent the liquidity risk of the entity.

The table below analyses the company's financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant. No defaults or breaches occurred during the year and the entity is in good standing with its payables.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, and trade receivables. The company only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. The company is therefore exposed to credit risk.

35. Going concern

We draw attention to the fact that at June 30, 2014, the entity had accumulated deficits of R (310,649,337) and that the entity's total liabilities exceed its assets by R (267,646,529).

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

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Financial Statements for the year ended June 30, 2014

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36. Subordination letter

CJMM has agreed to assist the entity by subordinating its claims against the entity in favour of, and for the benefit of the creditors of the entity to the value of R 442,555,786

After year end the subordination agreement with CJMM in favour of and for the benefit of the creditors of the entity has been extended to the value of R 442,555,786.

37. Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure

Opening balance	12,963,497	12,885,625
Fruitless and wasteful expenditure current year	1,264,935	77,872
	14,228,432	12,963,497

Included in the amounts disclosed are two cases which were detected through the internal control systems within Pikitup. These are :

- Catering for Employee Wellness department meeting was arranged and a supplier order was issued. The relevant official failed to timeously cancel the order with the supplier and resulting in the food being delivered and returned. The amount is R2,975. Relevant disciplinary action was being taken in terms of MFMA.

- Payment for the supply and delivery of 240L bins- The service provider Phambili Services (Pty) Ltd was appointed in 2012/13 financial period to provide 240L bins to Pikitup. A fraudulent request to change banking details was processed and a payment made and it was subsequently established that payment was made into a fraudulent account. By the time the account was suspended by the bank, 5 days had lapsed and R1,261 960 of the original payment had been withdrawn or transferred. The service provider claimed this amount to be refunded. A subsequent forensic investigation cleared Pikitup staff of any involvement and recommended a review of internal controls and disciplinary action for possible negligence against applicable employees. The control environment regarding the changing of banking details have been reviewed and additional controls put in place and the disciplinary steps against three employees have been taken.

38. Irregular expenditure

Reconciliation of irregular expenditure

Opening balance	291,258,364	290,370,789
Irregular expenditure current year	2,184,544	887,575
	293,442,908	291,258,364

The amount relates to the information technology contract that lapsed and was running on a month-on-month basis until the finalization of the new tender process.

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39. Supply chain management deviations in accordance with Regulation 36

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the and includes a note to the financial statements.

Deviations approved by the Accounting Officer

	Total
Repairs and maintenance	110,265
Plumbing services	62,324
Cleaning	68,421
Conference	41,643
Consulting and advisory	336,290
Information technology	175,462
Training	81,599
Casual Workers	200,467
Advertising	9,228
Staff Welfare	62,700
Subscriptions	5,000
	1,153,399

Pikitup Johannesburg SOC Limited

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Trading as Pikitup

Financial Statements for the year ended June 30, 2014

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40. Directors' emoluments

2014

Executive directors and members of key management	Basic Salary	Medical Aid Contribution	Pension Fund Contribution	Travel Allowance	Total
Managing Director	2,017,173	-	103,377	-	2,120,550
Chief Financial Officer	1,424,228	-	72,004	-	1,496,232
Chief Operating Officer (6 months)	625,665	12,300	32,906	36,000	706,871
Executive Director : Waste Management	1,404,996	-	72,004	-	1,477,000
Executive Director: Commercial and Customer Services	1,253,839	38,801	78,861	-	1,371,501
Executive Director : Legal and Compliance	1,161,591	42,692	61,718	-	1,266,001
Executive Director: Corporate Service	1,442,315	42,692	74,575	-	1,559,582
Chief Technology Officer (10 months)	951,250	-	48,750	-	1,000,000
Acting Chief Audit Executive	348,400	-	-	-	348,400
General Manager : Risk Management	718,511	-	77,040	150,000	945,551
Chief Operating Officer (6 months)	199,705	4,590	14,978	65,040	284,313
General manager: Business Planning	1,219,579	-	62,501	-	1,282,080
Company Secretary	1,204,294	-	61,706	-	1,266,000
	13,971,546	141,075	760,420	251,040	15,124,081

Non-executive

2014

	Directors' fees
Dr Mabuya NB (Chairperson)	290,950
Mr Bahula M	129,170
Mr Brenner L	338,567
Prof. Marwala T (Retired)	59,513
Mr Matshekga LJ	42,322
Dr Mondlane D	197,059
Dr Mutshekwane N	203,671
Dr Ndema Y	208,303
Dr Nyabeze WRR	208,962
Adv Rampai TD	47,612
Mr Sutherland HAB (Retired)	130,933
	1,857,062

Pikitup Johannesburg SOC Limited

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Trading as Pikitup

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

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40. Directors' emoluments (continued)

2013

	Directors' fees
Prof Marwala T (Chairperson)	332,607
Mr Bahula M	23,806
Mr Brenner L	282,358
Dr Mabuya NB	142,836
Ms Mashanda T	115,513
Mr Mondlane D	144,575
Dr Mutshekwane N	144,158
Dr Ndema Y	122,997
Dr Nyabeze WRR	159,394
Mr Sutherland H	128,670
Mr Tshwete L	48,935
	1,645,849

41. Owners Contribution

Domestic Refuse -Consumer debtors	572,014,116	-
Provision for bad debts	(529,012,308)	-
Total Contribution	43,001,808	-

The Owners Contribution consists of domestic refuse debtors less provision for bad debts ,transferred to the entity on 1st July 2013. This will ensure that domestic revenue as well as the ressponsibility,accountability ,communication and infrastructure relating to domestic revenue is aligned.

KEY ACHIEVEMENTS

- Unqualified Audit Opinion



SECTION 1: AUDITOR-GENERAL'S REPORT FOR THE CURRENT YEAR

Note: The Constitution S188 (1) (b) states that the functions of the Auditor-General includes the auditing and reporting on the accounts, financial statements and financial management of all municipalities. MSA section 45 states that the results of performance measurement must be audited annually by the Auditor-General.

Refer to the Annual Financial Statements set out in Chapter 5 and the timescale for the audit of these accounts and the audit of performance and the production of reports on these matters by the Auditor General as set out in this Chapter.

Pikitup has received unqualified reports for the last 4 years with emphasis of matters raised. Most of these were addressed. Performance information remains a challenge and active steps have been taken to ensure compliance to SMART criteria as set out in the Framework for Managing Programme Performance Information. Other areas where matters of emphasis were raised refer to supply chain management as well as asset management.

	2010/11	2011/12	2012/13	2013/14
Audit Opinion	Unqualified	Unqualified	Unqualified	Unqualified

Auditor's report

Pikitup Johannesburg Soc Ltd

30 June 2014

Report of the auditor-general to the Gauteng Provincial Legislature and the council of the City of Johannesburg Metropolitan Municipality on Pikitup Johannesburg SOC Ltd

Report on the financial statements

Introduction

1. I have audited the financial statements of Pikitup Johannesburg SOC Ltd set out on pages ... to ..., which comprise the statement of financial position as at 30 June 2014, the statement of financial performance, statement of changes in net assets and cash flow statement, the statement of comparison of budget information with actual information for the year then ended, as well as the notes, comprising a summary of significant accounting policies and other explanatory information.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP), the Companies Act of South Africa (Act no.71 of 2008)(the Companies Act) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA), and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-general's responsibility

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA), the general notice issued in terms thereof and International Standards on Auditing. 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.
4. 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.

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

Opinion

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of Pikitup Johannesburg SOC Ltd as at 30 June 2014 and its financial performance and cash flows for the year then ended, in accordance with South African Standards of GRAP, the Companies Act and the requirements of the MFMA.

Emphasis of matters

7. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Restatement of corresponding figures

8. As disclosed in note 33 to the financial statements, the corresponding figures for 30 June 2013 have been restated as a result of errors in the financial statements of Pikitup Johannesburg during the year ended, 30 June 2014.

Material impairments

9. As disclosed in note 7 to the financial statements, trade and other receivables were significantly impaired as the recoverability of these amounts is doubtful. The impairment of receivables amounts to R1 182 425 020 (2012-13: R 260 098 762) which represents 81% (2012-13:75%) of consumer debtors.

Going concern

10. The directors report on page xx and note 35 to the financial statements indicates that Pikitup Johannesburg had an accumulated deficit of R310 649 337 (2012-13: R 369 941 390) and total liabilities exceeded its total assets by R267 646 529 (2012-13: R 369 940 390). These conditions along with other matters as set forth in the directors' report and note 35 to the financial statements indicate the existence of a material uncertainty that may cast significant doubt on the municipal entity's ability to operate as a going concern.

Additional matters

11. I draw attention to the matters below. My opinion is not modified in respect of these matters.

Unaudited disclosure notes

12. In terms of section 125(2)(e) of the MFMA the municipal entity is required to disclose particulars of non-compliance with the MFMA. This disclosure requirement did not form part of the audit of the financial statements and accordingly I do not express an opinion thereon.

Unaudited supplementary schedules

13. The supplementary information set out on pages X to X does not form part of the financial statements and is presented as additional information. I have not audited these schedules and, accordingly, I do not express an opinion thereon.

Other reports required by the Companies Act

14. As part of our audit of the financial statements for the year ended 30 June 2014, I have read the Director's Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports, I have not identified material inconsistencies between the reports and the audited financial statements. I have not audited the reports and accordingly do not express an opinion on them.

Report on other legal and regulatory requirements

15. In accordance with the PAA and the general notice issued in terms thereof, I report the following findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report, non-compliance with legislation as well as internal control. The objective of my tests was to identify reportable findings as described under each sub-heading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

Predetermined objectives

16. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information for the following selected objectives presented in the annual performance report of the municipality entity for the year ended 30 June 2014:
- Objective 1.1: Minimise waste to landfills pp. xx
 - Objective 1.2: Develop appropriate infrastructure for disposal of waste pp. xx
 - Objective 2: Use waste for poverty alleviation and job creation opportunities pp. xx
 - Objective 3: Effective and efficient waste services pp. xx
17. I evaluated the reported performance information against the overall criteria of usefulness and reliability.
18. I evaluated the usefulness of the reported performance information to determine whether it is presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned development priorities. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's *Framework for managing programme performance information*.
19. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

20. I did not raise any material findings on the usefulness and reliability of the reported performance information for the selected objectives.

Additional matters

21. I draw attention to the following matters:

Achievement of planned targets

22. Refer to the annual performance report on pages x to x for information on the achievement of planned targets for the year.

Adjustment of material misstatements

23. I identified material misstatements in the annual performance report submitted for auditing of the reported performance information for development priority 2.1: use waste for poverty alleviation and job creation opportunities. As management subsequently corrected the misstatements, I did not raise material findings on the usefulness and reliability of the reported performance information.

Compliance with legislation

24. I performed procedures to obtain evidence that the entity had complied with applicable legislation regarding financial matters, financial management and other related matters.

25. My findings on material non-compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

Annual financial statements

26. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122 (1) of the MFMA. Material misstatements of revenue and receivables identified by the auditors in the submitted financial statements were subsequently corrected, resulting in the financial statements receiving an unqualified audit opinion.

Revenue management

27. An adequate management, accounting and information system was not in place which recognised revenue when it was earned, as required by section 97(1) (h) of the MFMA.

Internal control

28. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual performance report and the findings on non-compliance with legislation included in this report.

Leadership

29. Leadership did not always exercise adequate oversight to ensure compliance with the MFMA to ensure financial statements were free from material error and revenue was adequately managed.

Financial and performance management

30. Management did not implement proper systems to ensure effective and efficient revenue management in compliance with the MFMA.

Other reports

Investigations in progress

31. An investigation instituted by National Treasury in the prior year into alleged irregular procurement practices at the entity is still in progress.

32. Management has instituted an investigation into mismanagement and collusion at landfill sites.

Auditor General

Johannesburg

30 November 2014



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence

SECTION 2: HISTORICAL AUDIT FINDINGS AND REMEDIAL ACTION

Our review results reveal that action has been taken to address most of audit findings identified in the AG report issued in November 2013. The follow-up review reflects the following results:

AREA REVIEWED	FINDINGS	RESOLVED	NOT RESOLVED	% UNRESOLVED
Revenue	9	6	3	33%
Supply Chain Management	7	7	0	0%
Human Resource Management	8	7	1	13%
Fleet	1	1	0	0%
Information Technology	3	3	0	0%
Performance	11	10	1	9%
Finance	10	7	3	30%
Total	49	41	8	16% (average)
Total %	100%	84%	16%	

SECTION 3: COMMITMENT BY THE BOARD OF DIRECTORS

The Board retains full control over the entity, its plans and strategy; acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the entity; is of a unitary structure comprising non-executive directors, all of whom are independent directors and two executive directors (managing and financial).