



Pikitup Johannesburg SOC Limited
Trading as Pikitup
Annual Financial Statements
for the year ended 30 June 2012

Pikitup Johannesburg SOC Limited

(Registration number 2000/029899/07)

Trading as Pikitup

Annual Financial Statements for the year ended 30 June 2012

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	Mr Mkhabela I (Chairperson) - Retired Mr Brenner L Dr Mabuya NB Ms Mashanda T Ms Msezane N - Retired Dr Ndema Y Dr Nyabeze WRR Ms Parirenyatwa K - Retired Mr Sutherland HAB
BOARD OF DIRECTORS WITH EFFECT FROM 24 APRIL 2012	Prof Marwala T (Chairperson) Mr Brenner L Dr Mabuya NB Ms Mashanda T Mr Mondlane D Dr Mutshekwane N Dr Ndema Y Dr Nyabeze WRR Mr Sutherland HAB Mr Tshwete L
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	Bongie Memela

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General Information

COMPANY REGISTRATION NUMBER

2000/029899/07

BANKERS

ABSA Bank Limited

ATTORNEYS

Alan Kisson Attorneys

BG Bowman Gilfillan Attorneys

Maenetja Attorneys

Mojela Hlazo Practice

Mokonyane Incorporated Attorneys

Molefe Dlepu Incorporated

Mncedisi Ndlovu & Sedumedi Attorneys

Ranamane Phungo Incorporated

SR Mabuza Attorneys

Van De Venter Mojapelo

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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
MIG	Municipal Infrastructure Grant (Previously CMIP)
CJMM	City of Johannesburg Metropolitan Municipality
USDG	Urban Settlements Development Grant

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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 annual financial statements and related financial information included in this report. It is the responsibility of the directors to ensure that the annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The Auditor General is engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

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

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent 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 directors sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the entity and all employees are required to maintain the highest ethical standards in ensuring the entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the entity is on identifying, assessing, managing and monitoring all known forms of risk across the entity. While operating risk cannot be fully eliminated, the entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

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 annual 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 annual 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.

Prof Marwala T
Chairperson

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Audit and Risk Committee Report

The Audit and Risk Committee presents its report for the year ended 30 June 2012 as recommended by the King III report. The Audit and Risk Committee of Pikitup performs its functions in accordance with Section 94(7)(f) of the Companies Act of 2008 and MFMA. The committee has adopted the terms of reference approved by the Pikitup Board and has discharged all its duties and responsibilities.

The members of the Audit and Risk Committee are Ms Mashanda T and Mr Brenner L and the Committee held 7 meetings during the financial year to review matters necessary to fulfill its role.

Independent members of the Audit and Risk Committee are Ms Malope M, Mr Hattingh W and Mr Buys R.

Members of the Audit and Risk Committee

Name of member	Number of meetings attended
Mr Brenner L (Chairperson)	7
Mr Buys R	5
Mr Hattingh W	5
Ms Malope M	4
Ms Mashanda T	7
Dr Nyabeze WRR	4
Ms Parirenyatwa K	3

Members of the Audit and Risk Committee post 24 April 2012

Name of member	Number of meetings attended
Mr Brenner L (Chairperson)	0
Mr Buys R	0
Mr Hattingh W	0
Ms Malope M	0
Ms Mashanda T	0

In the conduct of its duties, the Audit and Risk Committee performed the following functions:

External audit

- Received and reviewed reports from Auditor General concerning the effectiveness of Pikitup's internal control environment, systems and processes; and
- Made appropriate recommendations to the Board regarding the corrective actions to be taken as consequence of audit findings.

Internal audit

- Considered the effectiveness of Internal Audit, which included approving the one-year operational plan and three-year strategic internal audit plans and monitored Internal Audit's adherence to its annual programme;
- Received and reviewed reports from the internal auditors concerning the effectiveness of the company's internal controls, systems and processes;
- Reviewed the adequacy and appropriateness of management's corrective action plan as a consequence of audit findings;
- Made appropriate recommendations to the Board regarding the corrective actions to be taken as a consequence of the audit findings.

Furthermore the Audit and Risk Committee:

- Reviewed the accounting practices adopted by the Company;
- Reviewed the accounting policies adopted by the Company and all proposed changes in accounting policies and practices, and recommended any changes considered appropriate in terms of GRAP to the Board for approval;
- Reviewed and recommended disclosed financial information for adoption by the Board;
- Monitored ethical conduct by the Company, its Executives and senior management;
- Monitored the Company's compliance with all applicable legislation and regulations, including the Companies Act, the MFMA, and the Treasury Regulations; and
- Reported on items of unauthorised and fruitless and wasteful and irregular expenditure in terms of MFMA.

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Audit and Risk Committee Report

King III recommendations

The Audit and Risk Committee will review its corporate governance practices with a view to fully comply with the requirements of King III.

Assessment of the financial function

The Audit and Risk Committee has assessed the financial function and is satisfied with the expertise and adequacy of the resources within the financial function of the Company and is also satisfied with the experience of the senior members of management responsible for the financial function.

Internal Control Environment

In the opinion of the Audit and Risk Committee, the internal controls of the Company are considered appropriate in terms of:

- Meeting the strategic objectives of the Company;
- Evaluating and mitigating the key risks facing the Company;
- Ensuring compliance with applicable laws and regulations;
- Ensuring that the Company's assets are safeguarded; and
- Ensuring that transactions undertaken are correctly recorded in accounting records.

Annual Financial Statements

The Audit and Risk Committee has evaluated the annual financial statements for the year ended 30 June 2012 and considers that they comply, in all material respects, with the requirements of the Companies Act, Municipal Finance Management Act, the Public Audit Act and South African Statements of Generally Recognised Accounting Practice (GRAP).

Signed: Chairperson of the Audit and Risk Committee

Date: _____

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Annual Financial Statements for the year ended 30 June 2012

Director's Report

The directors submit their report for the year ended 30 June 2012.

1. INCORPORATION

The entity was incorporated on 28 November 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 of the entity was R 17 530 309 (2011: surplus R 15 349 152), after taxation of R - (2011: R -).

3. GOING CONCERN AND UNDERTAKING OF SUPPORT

We draw attention to the fact that at 30 June 2012, the entity had accumulated deficits of R (323 708 471) (2011 R 353 481 577) and that the entity's total liabilities exceed its assets by R (323 707 471) (2011 R341 234 780).

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

4. SUBSEQUENT EVENTS

Pikitup's interim board appointed Ernst & Young in June of 2011 to conduct an in-depth forensic audit into corruption allegations. The report revealed that some contracts may have been awarded in contravention of the prescribed legislation, policies and SCM procedures. Refer to note 18 of the Director's report.

5. DIRECTORS' PERSONAL FINANCIAL INTEREST

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

6. 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).

7. 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 2012 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.

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Director's Report

8. 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.

9. 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 customers on behalf of this company, and collects the receipts thereof from these customers.

10. DIRECTORS

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

BOARD OF DIRECTORS

Name	Nationality	Changes
Mr Mkhabela I (Chairperson)	South Africa	Retired 24 April 2012
Mr Brenner L	South African	
Dr Mabuya NB	South African	
Ms Mashanda T	South African	
Ms Msezane N	South African	Retired 24 April 2012
Dr Ndema Y	South African	
Dr Nyabeze WRR	South African	
Ms Parirenyatwa K	South African	Retired 24 April 2012
Mr Sutherland HAB	South African	

BOARD OF DIRECTORS WITH EFFECT FROM 24 APRIL 2012

Name	Nationality	Changes
Prof Marwala T (Chairperson)	South African	Appointed 24 April 2012
Mr Brenner L	South African	
Dr Mabuya NB	South African	
Ms Mashanda T	South African	
Mr Mondlane D	South African	Appointed 24 April 2012
Dr Mutshekwanane N	South African	Appointed 10 May 2012
Dr Ndema Y	South African	
Dr Nyabeze WRR	South African	
Mr Sutherland H	South African	
Mr Tshwete L	South African	Appointed 24 April 2012

11. SECRETARY

The secretary of the entity is Bongie Memela of:

Business address

Pikitup Building
Corner Bertha & Juta Streets
Braamfontein
2001

Postal address

Private Bag X74
Braamfontein
2017

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Director's Report

12. 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 3 Board members were retired, namely Mr Mkhabela I, Ms Msezane N and Ms Parirenyatwa K.

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.
 - managing director.

Chairperson and Acting Managing Director

The Chairperson is a non-executive director.

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

The Acting Managing Director was seconded from the Infrastructure Services and Environmental Department. The Acting Managing Director is in terms of the section 93F of the MSA not eligible to be a director.

Remuneration

The remuneration of the Acting Managing Director is determined by the Shareholder.

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Director's Report

Board meetings

The directors meet at least 4 times per year. In addition 2 strategic planning and 2 workshops session took place in the year under review.

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

BOARD OF DIRECTORS

Name	Board meetings	Audit committee meetings	Finance committee meetings	Human resources committee meetings	Operations committee meetings
Mr Mkhabela I (Chairperson)	6				
Mr Brenner L	9	7	4		
Dr Mabuya NB	7			4	
Ms Mashanda T	9	7			
Ms Msezane N	6				4
Dr Ndema Y	9		4	1	
Dr Nyabeze WRR	8	4			4
Ms Parirenyatwa K	6	3		3	
Mr Sutherland HAB	9		4		4

BOARD OF DIRECTORS WITH EFFECT FROM 24 APRIL 2012

Name	Board meetings	Audit committee meetings	Finance committee meetings	Human resources committee meetings	Operations committee meetings
Prof Marwala T (Chairperson)	3				
Mr Mondlane D	3				
Dr Mutshekwane N	2				
Mr Tshwete L	3				

BOARD OF DIRECTORS

Name	Strategic planning meetings	Workshops
Total number of meetings held	2	2
Mr Mkhabela I (Chairperson)	1	2
Mr Brenner L	2	2
Dr Mabuya NB	2	1
Ms Mashanda T	2	2
Ms Msezane N	1	1
Dr Ndema Y	1	2
Dr Nyabeze WRR	2	2
Ms Parirenyatwa K	1	2
Mr Sutherland HAB	2	2

Name	
Prof Marwala T (Chairperson)	1
Mr Mondlane D	1
Dr Mutshekwane N	1
Mr Tshwete L	1

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Director's Report

Audit committee

The members of the Audit Committee are Mr Brenner L and Ms Mashanda T. The Committee held 7 Meetings during the 2011/12 financial year to review matters necessary to fulfill their role.

Independent members of the Audit and Risk Committee are Masesi Malope, Waldo Hattingh and Rudolf Buys.

MEMBERS OF THE AUDIT COMMITTEE APPOINTED AT THE AGM 24 APRIL 2012

Name	Audit and Risk Committee Meeting
Total number of meetings held	7
Mr Brenner L (Chairperson)	7
Mr Buys R	5
Mr Hattingh W	5
Ms Malope M	4
Ms Mashanda T	7

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.

13. CONTROLLING ENTITY

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

14. INVESTMENT IN ASSOCIATES

Name of investment	Purpose of the company	Net income (loss) after tax
Friedshelf 128 (Pty) Ltd	Property company	(222 478)

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.

15. SPECIAL RESOLUTIONS

The board did not pass any special resolutions.

16. BANKERS

Amalgamated Bank of South Africa Limited (ABSA Ltd).

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

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Director's Report

17. AUDITORS

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

18. FORENSIC INVESTIGATIONS

The following forensic investigations were instituted by the Board.

INVESTIGATION ON PROCUREMENT, AND STAFF RECRUITMENT PROCESS.

Pikitup's interim board appointed Ernst & Young in June of 2011 to conduct an in-depth forensic audit into corruption allegations, following the resignation of nine members of the previous Board, which included the former Managing Director. The forensic investigation probed the alleged irregular procurement processes and systems to Pikitup's suppliers

The main objective of this was to establish whether the awarding of tenders and the extension of contracts to service providers during the tenure of the previous Board was in accordance with the provisions of the Municipal Finance Management Act, Act No. 56 of 2003 ("MFMA").

Having concluded the forensic investigation, both the Joburg Risk and Audit Service Forensic Audit Report and the Ernst & Young forensic report confirmed that there is prima facie evidence of irregular awarding of contracts.

The report revealed that some contracts may have been awarded in contravention of the prescribed legislation, policies and SCM procedures and implicates a number of high ranking officials who appear to have unfortunately misused their position to influence the awarding of tenders and the extension of contracts. Such activities have exposed Pikitup to risks of corruption and may have been motivated by personal interests.

The report has identified irregularities and appointments in relation to 11 separate matters, which includes amongst others;

- Provision of fleet and waste collection service and fleet reengineering
- Street cleaning in the Inner City,
- Certain internal technology solutions,
- Provision of refuse removal and ancillary service for illegal dumping, and
- The provision, operation and maintenance of plant and equipment.

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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 2012, all such returns and notices as required and that all such returns and notices are true, correct and up to date.

Ms. Bongie Memela
Company Secretary

Pikitup Johannesburg SOC Ltd
31 August 2012

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Statement of Financial Position

Figures in Rand	Note(s)	2012	2011
ASSETS			
Current Assets			
Inventories	3	3 813 812	2 233 385
Loans to shareholder	4	171 001 908	63 983 183
Amount owed by SARS	5	2 138 570	2 138 570
Receivables from exchange transactions	6	47 238 539	29 869 249
Consumer debtors	7	48 778 897	25 805 355
Cash and cash equivalents	8	11 221	11 221
		272 982 947	124 040 963
Non-Current Assets			
Property, plant and equipment	9	563 148 480	271 755 321
Intangible assets	10	18 945 587	23 456 236
Investment in associate	11	13 737 494	13 959 971
Loans to shareholders	4	94 303 221	89 510 221
		690 134 782	398 681 749
Total Assets		963 117 729	522 722 712
LIABILITIES			
Current Liabilities			
Loans from shareholder	4	-	128 768 055
Finance lease obligation	13	43 569	1 250 696
Payables from exchange transactions	14	194 253 748	219 801 120
Deferred income	15	166 667	500 000
Provision	17	10 147 662	7 409 213
		204 611 646	357 729 084
Non-Current Liabilities			
Loans from shareholder	4	392 893 262	115 283 100
Finance lease obligation	13	-	43 570
Retirement benefit obligation	16	94 064 932	83 929 932
Provision	17	595 255 360	306 974 806
		1 082 213 554	506 231 408
Total Liabilities		1 286 825 200	863 960 492
Net Assets/ (Liabilities)		(323 707 471)	(341 237 780)
NET ASSETS/ (LIABILITIES)			
Share capital	19	1 000	1 000
Accumulated deficit		(323 708 471)	(341 238 780)
Total Net Assets /(Liabilities)		(323 707 471)	(341 237 780)

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Statement of Financial Performance

Figures in Rand	Note(s)	2012	2011
Revenue			
Service charges	20	1 300 009 539	1 133 377 434
Rental of facilities and equipment		3 496 437	3 145 820
Government grants & subsidies	21	33 725 473	25 577 766
Fair value adjustment		(13 572 531)	(12 673 025)
Miscellaneous other revenue		3 369 284	6 506 513
		1 327 028 202	1 155 934 508
Other income			
Discount received		-	14 204
Interest received		16 375 827	14 662 790
Income from equity accounted investment		-	9 859 394
		16 375 827	24 536 388
Expenses (Refer to page 16)		(1 239 569 878)	(1 169 153 582)
Operating surplus			
Finance costs	23	103 834 151	11 317 314
Loss from equity accounted investments	26	(86 081 364)	4 031 838
		(222 478)	-
		(86 303 842)	4 031 838
Surplus for the year		17 530 309	15 349 152

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Statement of Financial Performance

Figures in Rand	Note(s)	2012	2011
Operating expenses			
Advertising		(4 775 523)	(355 092)
Assessment rates & municipal charges		(6 999 800)	(5 974 751)
Auditors remuneration	27	(1 508 768)	(1 802 067)
Bad debts provision		(41 827 476)	(40 177 046)
Bank charges		(64 106)	(65 611)
Books and publications		(4 704 162)	(15 529)
Cleaning		(424 328)	(454 453)
Commission paid		-	(258 020)
Conferences and seminars		(491 981)	(497 849)
Consulting and professional fees		(4 822 743)	(7 483 955)
Consumables		(7 314 739)	(5 834 686)
Entertainment		(620 671)	(503 975)
Hire		(566 332)	(597 504)
Insurance		(1 240 238)	(1 153 294)
IT expenses		(9 889 667)	(8 504 690)
Lease rentals on operating leases		(3 984 330)	(608 416)
Legal expenses		(704 526)	(1 437 689)
Fleet and cleaning services		(514 095 928)	(564 328 109)
Marketing		(1 602 102)	(3 963 055)
Medical expenses		-	(77 868)
Motor vehicle expenses		-	(173 577)
Postage		(1 505)	(34 980)
Printing and stationery		(1 219 944)	(959 703)
Repairs and maintenance		(2 284 043)	(6 247 516)
R & CRM fees		(5 043 000)	(4 321 332)
Safety Equipment		(266 534)	(180 914)
Staff welfare		(2 324 627)	(1 243 476)
Security		(9 796 043)	(9 250 928)
Subscriptions		(214 586)	(205 453)
Sundries		(75 374)	(254 655)
Telephone and fax		(4 098 845)	(4 763 989)
Training		(1 045 004)	(1 068 026)
Travel - overseas		-	(129 658)
Payroll processing		(1 105 710)	(1 001 978)
Pollution monitoring		(680 611)	(696 601)
Utilities		-	(176 555)
Recruitment fees		(1 127 060)	(730 741)
Waste disposal fees		(21 443 965)	(18 280 726)
Asset scrapped		(1 094 590)	-
Employee costs		(545 827 660)	(433 390 576)
Depreciation, amortisation and impairments		(36 283 357)	(41 948 539)
		(1 239 569 878)	(1 169 153 582)

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Statement of Changes in Net Assets

Figures in Rand	Note(s)	Share capital	Accumulated deficit	Total equity
Opening balance as previously reported		1 000	(362 756 655)	(362 755 655)
Adjustments				
Prior year adjustments		-	6 168 723	6 168 723
Balance at 01 July 2010 as restated		1 000	(356 587 932)	(356 586 932)
Changes in net assets				
Surplus for the year		-	15 349 152	15 349 152
Total changes		-	15 349 152	15 349 152
Opening balance as previously reported		1 000	(352 789 019)	(352 788 019)
Adjustments				
Prior year adjustments	34	-	11 550 239	11 550 239
Balance at 01 July 2011 as restated		1 000	(341 238 780)	(341 237 780)
Changes in net assets				
Surplus for the year		-	17 530 309	17 530 309
Total changes		-	17 530 309	17 530 309
Balance at 30 June 2012		1 000	(323 708 471)	(323 707 471)

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Cash Flow Statement

Figures in Rand	Note(s)	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Sale of goods and services		1 476 853 943	1 088 858 006
Interest income		2 753 149	1 914 771
		1 479 607 092	1 090 772 777
Payments			
Suppliers		(1 453 293 871)	(1 021 020 955)
Finance costs		(12 946 838)	(16 615 243)
Tax refunded	29	-	29 762 984
		(1 466 240 709)	(1 007 873 214)
Net cash flows from operating activities	28	13 366 383	82 899 563
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	9	(49 034 461)	(40 193 140)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase / (decrease) in shareholders loan		37 030 382	(40 270 922)
Finance lease payments		(1 362 304)	(2 435 501)
Net cash flows from financing activities		35 668 078	(42 706 423)
Cash and cash equivalents at the beginning of the year		11 221	11 221
Cash and cash equivalents at the end of the year	8	11 221	11 221

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Accounting Policies

1. Presentation of Annual Financial Statements

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

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

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

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

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% (2011: 9%).

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 17 - 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.

Post retirement benefits

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Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

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

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.

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 at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition.

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.

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.

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

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

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

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

Assets which the entity holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

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Accounting Policies

1.3 Intangible assets

An asset is identified as an intangible asset when it:

- 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, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the entity or from other rights and obligations.

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

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

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

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

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

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

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.

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Accounting Policies

1.5 Financial instruments (continued)

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.

Loans to shareholders, directors, managers and employees

These financial assets are classified as loans and receivables.

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.

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 comprise cash on hand. 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.

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Accounting Policies

1.5 Financial instruments (continued)

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).

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.

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1.6 Tax (continued)

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 on the remaining balance of the liability.

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

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 at no cost, or for nominal consideration, 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.

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.

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Accounting Policies

1.8 Inventories (continued)

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.

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.

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

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.

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

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.

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.

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Accounting Policies

1.12 Employee benefits (continued)

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.

Assumptions were used in determining the provision for rehabilitation of landfill sites. Landfill areas are rehabilitated over years and the assumption was made that the areas 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 borrowing cost in the income statements.

The cost of ongoing programmes to prevent and control pollution and rehabilitate the environment is recognised as the 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 31.

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Accounting Policies

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.

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.

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Accounting Policies

1.15 Revenue from non-exchange transactions (continued)

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.

When, as a result of a non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is 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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2. New standards and interpretations		
2.1 Standards and interpretations issued, but not yet effective		
At the date of authorisation of these Annual Financial Statements, the following Standards and Interpretations were in issue but not yet effective:		
<ul style="list-style-type: none"> • GRAP 18 - Segment Reporting • GRAP 20 - Related Party Disclosures • GRAP 25 - Employee benefits • GRAP 105 - Transfer of Functions Between Entities Under Common Control • GRAP 106 - Transfer of Functions Between Entities Not Under Common Control • GRAP 107 - Mergers 		
3. Inventories		
Equipment stock	166 776	149 338
Bin Liners	491 129	232 232
Protective clothing	1 107 914	673 160
Consumable stock	1 098 735	665 595
Compost stock	949 258	513 060
	3 813 812	2 233 385
4. Loans to/from shareholder		
City of Johannesburg Metropolitan Municipality - Notional loans in respect of Post Retirement Benefits (Non-Current Assets) Terms and conditions	94 303 221	89 510 221
City of Johannesburg Metropolitan Municipality - Unsecured (Current Liabilities) Terms and conditions	-	(107 980 411)
City of Johannesburg Metropolitan Municipality - Unsecured Other loans (Current Assets) Terms and conditions	96 864 857	32 046 776
City of Johannesburg Metropolitan Municipality - Capex Loans (Non-Current Liabilities) Terms and conditions	(131 515 928)	(132 548 132)
City of Johannesburg Metropolitan Municipality - Sweeping account (Current Assets) Terms and conditions	74 137 051	28 413 795
City of Johannesburg Metropolitan Municipality - Second Unsecured Loans (Non-Current Liabilities) Terms and conditions	(261 377 334)	-
	(127 588 133)	(90 557 751)
Non-current assets	94 303 221	89 510 221
Current assets	171 001 908	63 983 183
Non-current liabilities	(392 893 262)	(115 283 100)
Current liabilities	-	(128 768 055)
	(127 588 133)	(90 557 751)

Credit quality of loans to shareholder

The entity's management considers that the loans to the shareholder that are not impaired for each of the reporting dates under review are of good quality. The loans between the entity and the City of Johannesburg Metropolitan Municipality are monitored by the City of Johannesburg Metropolitan Municipality Treasury Department.

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4. Loans to/from shareholder (continued)

Loans to shareholder past due but not impaired

There are no loans to the shareholder that are past due and not impaired.

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.

Notional loans

Loans at beginning of the year	89 510 221	84 769 221
Advances	4 793 000	4 741 000
	94 303 221	89 510 221

Conduit mirror loans

Loans at beginning of the year	-	(3 022 613)
Interest paid	-	293 133
Repayments	-	2 729 480
	-	-

Conduit mirror loan represents bridging finance on capital expenditure granted at inception and is payable over 32 quarterly instalments at an interest rate of 15% per annum.

No interest bearing

Loans at beginning of the year	-	(500 000)
Repayments	-	500 000
	-	-

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4. Loans to/from shareholder (continued)		
Unsecured		
In respect of operating expenditure		- (107 980 411)
Unsecured other loans		
In respect of operating expenditure	96 864 857	32 046 776
Capex loans		
Loans at beginning of the year	(132 548 124)	(145 755 675)
Receipts	(15 308 992)	(15 025 662)
Repayments	3 505 965	13 367 767
Interest paid	12 835 228	14 865 446
	(131 515 923)	(132 548 124)
The terms of payments between 9% to 14% interest rate per annum and the payment terms ranging between 30 and 40 quarterly instalment.		
Sweeping account		
Opening balance for the year	28 413 795	74 531 537
Movement for the year	45 723 256	(46 117 742)
	74 137 051	28 413 795
The sweeping account represent cash in the bank as at 30 June 2012.		
Second Unsecured Loans		
Receipts	(261 377 334)	-
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	2 138 569	31 901 554
Amount paid from SARS	-	(29 762 985)
Total	2 138 569	2 138 569
6. Receivables from exchange transactions		
Sundry debtor	8 602 785	9 360 100
Government subsidies	38 612 050	20 100 885
Prepaid expenses	23 704	408 264
	47 238 539	29 869 249
7. Consumer debtors		
Gross balances		

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7. Consumer debtors (continued)		
Refuse	207 177 521	176 222 162
Less: Provision for debt impairment		
Refuse	(158 398 624)	(150 416 807)
Net balance		
Refuse	48 778 897	25 805 355
Refuse		
Current (0 - 30 days)	18 836 755	6 593 351
31 - 60 days	5 365 693	560 174
61 - 90 days	3 134 869	781 532
91 - 120 days	743 755	2 290 735
121 - 365 days	20 697 825	15 579 563
	48 778 897	25 805 355
Reconciliation of debt impairment provision		
Balance at beginning of the year	(150 416 807)	(110 054 757)
Contributions to provision	(41 827 476)	(40 362 050)
Debt impairment written off against provision	84 897	-
Reversal of provision	33 760 762	-
	(158 398 624)	(150 416 807)
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. 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	11 221	11 221

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9. Property, plant and equipment

	2012			2011		
	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	177 662 337	(80 365 401)	97 296 936	154 467 032	(75 247 741)	79 219 291
Plant and machinery	21 285 094	(17 142 889)	4 142 205	19 945 126	(16 108 383)	3 836 743
Furniture and fixtures	7 443 107	(3 948 907)	3 494 200	7 802 817	(4 050 503)	3 752 314
Office equipment	7 620 550	(5 828 495)	1 792 055	8 046 482	(5 821 305)	2 225 177
IT equipment	15 551 995	(9 699 601)	5 852 394	19 679 808	(12 456 780)	7 223 028
Landfill sites	524 441 749	(116 178 132)	408 263 617	233 216 280	(103 256 992)	129 959 288
Bins and containers	215 585 653	(179 278 852)	36 306 801	208 762 363	(168 990 109)	39 772 254
Signage	4 791 726	(2 763 853)	2 027 873	4 391 946	(2 597 119)	1 794 827
Total	978 354 610	(415 206 130)	563 148 480	660 284 253	(388 528 932)	271 755 321

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions	Disposals	Depreciation	Total
Land	3 972 399	-	-	-	3 972 399
Buildings	79 219 291	23 195 305	-	(5 117 660)	97 296 936
Plant and machinery	3 836 743	1 339 968	-	(1 034 506)	4 142 205
Furniture and fixtures	3 752 314	273 798	(88 703)	(443 209)	3 494 200
Office equipment	2 225 177	219 658	(164 161)	(488 619)	1 792 055
IT equipment	7 223 028	783 187	(841 725)	(1 312 096)	5 852 394
Landfill sites	129 959 288	291 225 469	-	(12 921 140)	408 263 617
Bins and containers	39 772 254	6 823 290	-	(10 288 743)	36 306 801
Signage	1 794 827	399 780	-	(166 734)	2 027 873
	271 755 321	324 260 455	(1 094 589)	(31 772 707)	563 148 480

Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions	Disposals	Depreciation	Total
Land	3 972 399	-	-	-	3 972 399
Buildings	76 991 864	8 196 423	-	(5 968 996)	79 219 291
Plant and machinery	5 502 631	-	-	(1 665 888)	3 836 743
Furniture and fixtures	4 161 935	-	-	(409 621)	3 752 314
Office equipment	2 694 105	11 649	-	(480 577)	2 225 177
IT equipment	8 318 544	195 268	-	(1 290 784)	7 223 028
Landfill sites	139 067 183	24 347 618	(23 664 422)	(9 791 091)	129 959 288
Bins and containers	45 837 422	7 582 482	-	(13 647 650)	39 772 254
Signage	1 961 561	-	-	(166 734)	1 794 827
	288 507 644	40 333 440	(23 664 422)	(33 421 341)	271 755 321

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

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9. Property, plant and equipment (continued)

	2012			2011		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Building	12 690 358	(12 649 373)	40 985	12 690 358	(12 160 897)	529 461

Assets subject to finance lease (Net carrying amount)

Buildings	-	418 333
IT equipment	40 985	111 129
	40 985	529 462

Reconciliation of Work-in-Progress 2012

	Included within Infrastructure	Included within Other PPE	Total
Opening balance	347 713	22 243 388	22 591 101
Additions/capital expenditure	4 499 200	16 224 665	20 723 865
Transferred to completed items	(233 163)	(9 868 717)	(10 101 880)
	4 613 750	28 599 336	33 213 086

Reconciliation of Work-in-Progress 2011

	Included within Infrastructure	Included within Other PPE	Total
Opening balance	-	35 235 776	35 235 776
Additions/capital expenditure	347 713	9 370 283	9 717 996
Transferred to completed items	-	(22 362 671)	(22 362 671)
	347 713	22 243 388	22 591 101

Freehold land and buildings is carried at historical cost. The title deeds are registered in the name of the City of Johannesburg.

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.

Fully Depreciated Assets

	Cost	Accumulated Depreciation	Carrying Amount
Plant and machinery	7 418 181	(7 418 181)	-
IT Equipment	162 833	(162 833)	-
Bins and containers	74 005 042	(74 005 042)	-
	81 586 056	(81 586 056)	-

The entity plans to replace these assets in the ordinary course of events once CAPEX becomes available.

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10. Intangible assets

	2012			2011		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	31 485 945	(12 540 358)	18 945 587	40 717 303	(17 261 067)	23 456 236

Reconciliation of intangible assets - 2012

	Opening balance	Amortisation	Total
Computer software	23 456 236	(4 510 649)	18 945 587

Reconciliation of intangible assets - 2011

	Opening balance	Amortisation	Total
Computer software	31 983 434	(8 527 198)	23 456 236

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11. Investment in associate

Name of entity	Listed / Unlisted	% holding 2012	% holding 2011	Carrying amount 2012	Carrying amount 2011
Fried shelf 128 (Pty) Ltd		50.00 %	50.00 %	13 737 494	13 959 971

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

Movements in carrying value

Opening balance	13 959 971	4 000 321
Share of surplus	(754 172)	2 203 165
Share in revaluation reserve	531 695	7 756 485
	13 737 494	13 959 971

Summary of controlled entity's interest in associate

Total assets	32 448 702	27 709 304
Total liabilities	(6 163 794)	(4 994 646)
Revenue	4 372 960	2 127 395
Surplus (deficit)	3 570 249	15 615 858

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 adjustments to the accounts of the associate to bring the two year ends in line with each other.

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12. Financial assets by category

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

2012

	Loans and receivables	Total
Loans to shareholder	265 305 129	265 305 129
Investment of associate	13 737 494	13 737 494
Trade and other receivables	47 238 539	47 238 539
Consumer debtors	48 778 897	48 778 897
	375 060 059	375 060 059

2011

	Loans and receivables	Total
Loans to shareholder	153 493 404	153 493 404
Trade and other receivables	29 869 248	29 869 248
Investment in associate	13 959 971	13 959 971
Consumer Debtors	25 805 355	25 805 355
	223 127 978	223 127 978

13. Finance lease obligation

Minimum lease payments due

- within one year	44 886	1 429 615
- in second to fifth year inclusive	-	44 863
	44 886	1 474 478
less: future finance charges	(1 317)	(180 247)
Present value of minimum lease payments	43 569	1 294 231

Present value of minimum lease payments due

- within one year	43 569	1 250 696
- in second to fifth year inclusive	-	43 536
	43 569	1 294 232

Current liabilities	43 569	1 250 696
Non-current liabilities	-	43 570
	43 569	1 294 266

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14. Payables from exchange transactions		
Trade payables	97 331 091	150 799 929
Accrued leave pay	39 395 390	32 202 282
Accrued bonus	12 657 723	11 205 505
Sundry creditors	33 485 968	16 533 776
Deposits	2 126 183	-
Skill development levy rebate	-	473 453
Other Creditors	-	2 778 280
Related party creditor	9 257 393	5 807 895
	194 253 748	219 801 120

15. Deferred income

Movement during the year

Balance at the beginning of the year	500 000	454 146
Additions during the year	-	379 187
Income recognition during the year	(333 333)	(333 333)
	166 667	500 000

Deferred income represents advertising income received in advance amounting to R 1 000 000 to be recognised over 3 year period commencing 1 January 2010 and ending 31 December 2012.

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16. Employee benefit obligations		
16.1 Defined benefit plan		
Post-retirement liability		
Post-Retirement Medical Aid Plan	(8 273 000)	(9 281 000)
Post-Retirement Housing Subsidy Plan	(61 000)	(70 000)
Retirement Gratuity Plan	(85 730 932)	(74 578 932)
	(94 064 932)	(83 929 932)
16.1.1 Post retirement medical aid plan		
<p>Pikitup Johannesburg (SOC) Limited has obligations to subsidise medical aid contributions in respect of certain qualifying staff and pensioners and their surviving spouses. Only pensioners and employees who were aged 50 or older and were members of Lamaf (previously called Jomed) and Munimed medical schemes on 1 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 was determined at 1 July 2003 and has been crystallised in the form of a notional loan account which earned interest of R 538,000 (2011 R532 000) 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. Pensioners continue on the option they belonged to on the day of their retirement.</p>		
Amounts recognised in the Statement of financial position		
The fair value of plan assets includes:		
Movements for the year		
Opening balance	(9 281 000)	(11 160 000)
Net expense recognised in the Statement of Financial Performance	1 008 000	1 879 000
	(8 273 000)	(9 281 000)
Net expense recognised in the Statement of Financial Performance		
Past service cost	(82 000)	(156 000)
Interest cost	(797 000)	(897 000)
Actuarial (gains) losses	1 752 000	2 797 000
Benefits paid	135 000	135 000
	1 008 000	1 879 000
Notional loan account		
Opening balance	10 043 000	9 511 000
Interest received	538 000	532 000
Balance at end of year	10 581 000	10 043 000

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16. Employee benefit obligations (continued)

Key assumptions used

Assumptions used on last valuation on 30 June 2012.

Discount rates used	8.60 %	8.60 %
Expected rate of return on assets	8.60 %	8.60 %

16.1.2 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 related 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 The City of Johannesburg Metropolitan Municipality since the company's establishment. This amount was determined at 1 July 2003 and has been crystallised in the form of a notional loan account which earned interest of R nil (2011: R nil) 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.

Amounts recognised in the Statement of Financial Position

The fair value of plan assets includes:

Movements for the year

Opening balance	(17 000)	(70 000)
Net expense recognised in the Statement of Financial Performance	9 000	53 000
	(8 000)	(17 000)

Net expense recognised in the Statement of Financial Performance

Current service cost	(2 000)	(4 000)
Interest cost	(6 000)	(11 000)
Actuarial (gains) losses	2 000	68 000
Benefits paid	15 000	-
	9 000	53 000

Key assumptions used

Assumptions used on last valuation on 30 June 2012.

Discount rates used	8.60 %	8.60 %
Expected rate of return on assets	8.60 %	8.60 %

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16. Employee benefit obligations (continued)

16.1.3 Post retirement gratuity plan

Pikitup Johannesburg (SOC) Limited provides gratuities on retirement or prior death in respect of certain qualifying staff members who have service with The City of Johannesburg Metropolitan Municipality or 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's conditions of employment. The gratuity amount is based on 1 month's salary per year of non-retirement funding service.

The above liability is unfunded. However, The City of Johannesburg Metropolitan Municipality has undertaken to cover such portion of the liability for the staff of Pikitup Johannesburg (SOC) Limited who are entitled to benefits that relates to their service with the The City of Johannesburg Metropolitan Municipality since the company's establishment. This amount was determined at 1 July 2003 and has been crystallised in the form of a notional loan account which earned interest of R 4,255,000 (2011:R 4,209,000) and against which the company may claim benefit payments made. This loan does not constitute a plan assets and in terms of GRAP 25 cannot be offset against the liability.

The plan is a post-retirement gratuity benefit plan.

Amounts recognised in the Statement of financial position

The fair value of plan assets includes:

Movements for the year

Opening balance	(74 578 932)	(66 705 932)
Net expense recognised in the statement of financial performance	(11 152 000)	(7 873 000)
	(85 730 932)	(74 578 932)

Net expense recognised in the statement of financial performance

Interest cost	(6 405 000)	(6 003 000)
Actuarial (gains) losses	(6 668 000)	(4 114 000)
Benefits paid	1 921 000	2 244 000
	(11 152 000)	(7 873 000)

Notional loan account

Opening balance	79 467 000	75 258 000
Interest received	4 255 000	4 209 000
Balance at end of year	83 722 000	79 467 000

Key assumptions used

Assumptions used on last valuation on 30 June 2012.

Discount rates used	8.60 %	8.60 %
Expected rate of return on assets	8.60 %	8.60 %
Expected increase in salaries	6.70 %	5.90 %

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16. Employee benefit obligations (continued)

16.2 Defined contribution plan

It is the policy of the company to provide retirement benefits to all its employees on a voluntary basis. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Amendment Act (65 of 2001), exist for this purpose.

The company is under no obligation to cover any unfunded benefits and the cost incurred are included under employee benefits in the Statement of Financial Performance.

The total economic entity contribution to such schemes	47 397 547	35 244 216
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17. Provision

Reconciliation of provisions - 2012

	Opening Balance	Additions	Utilised during the year	Change in discount factor	Total
Performance bonus	6 233 760	7 086 752	(4 645 992)	-	8 674 520
Escalation on contracts	1 175 453	1 378 446	(1 080 757)	-	1 473 142
Environmental rehabilitation: Closed landfill site	90 924 780	51 676 422	(140 172)	5 082 695	147 543 725
Environmental rehabilitation: Open landfill sites	216 050 026	275 077 244	(55 492 831)	12 077 196	447 711 635
	314 384 019	335 218 864	(61 359 752)	17 159 891	605 403 022

Reconciliation of provisions - 2011

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Total
Performance bonus	3 323 378	6 233 760	(3 323 378)	-	-	6 233 760
Escalation on contracts	2 440 347	1 162 147	(2 427 041)	-	-	1 175 453
Environmental rehabilitation: Closed landfill site	125 328 916	-	(2 451 370)	(40 412 468)	8 459 702	90 924 780
Environmental rehabilitation: Open landfill sites	236 970 147	3 289 317	(4 922 420)	(35 282 503)	15 995 485	216 050 026
	368 062 788	10 685 224	(13 124 209)	(75 694 971)	24 455 187	314 384 019

Non-current liabilities (Landfill rehabilitation)	595 255 360	306 974 806
Current liabilities	10 147 662	7 409 213
	605 403 022	314 384 019

The provision is management's best estimate of the obligations to settle escalations on procurement service contract and the environmental obligations to rehabilitate the various landfill sites upon closure.

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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Figures in Rand	2012	2011
18. Financial liabilities by category		
The accounting policies for financial instruments have been applied to the line items below:		
2012		
	Financial liabilities at amortised cost	Total
Loans from shareholder	392 893 262	392 893 262
Trade and other payables	194 253 747	194 253 747
	587 147 009	587 147 009
2011		
	Financial liabilities at amortised cost	Total
Loans from shareholder	244 051 155	244 051 155
Trade and other payables	226 034 879	226 034 879
	470 086 034	470 086 034
19. Share capital		
Authorised		
1000 Ordinary Shares of R1 each	1 000	1 000
Issued		
1000 Ordinary share of R1 each	1 000	1 000
20. Service charges		
Service charges	223 653 539	208 267 434
Service fee in lieu of refuse removal from CJMM	1 076 356 000	925 110 000
	1 300 009 539	1 133 377 434
21. Government grants and subsidies		
Municipal infrastructure grants	33 725 473	25 577 766
Municipal infrastructure grants		
Current year receipts	33 725 473	25 577 766
Conditions met - transferred to revenue	(33 725 473)	(25 577 766)
Conditions still to be met - transferred to liabilities	-	-
22. Other revenue		
Discount received	-	14 204
23. Operating surplus (deficit)		
Operating surplus (deficit) for the year is stated after accounting for the following:		

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Figures in Rand	2012	2011
23. Operating surplus (deficit) (continued)		
Operating lease charges		
Premises		
• Contractual amounts	3 984 330	608 416
Amortisation on intangible assets	4 510 649	8 527 198
Depreciation on property, plant and equipment	31 772 708	33 421 341
Employee costs	545 827 660	433 390 576
24. Employee related costs		
Basic salaries	365 567 378	301 074 642
Hostel charges	4 374 513	4 025 071
Provident fund contributions	22 319	21 293
Uniforms and protective clothing	4 609 621	2 712 138
Medical examinations	50 856	113 292
Housing benefits and allowances	1 244 671	1 360 609
Overtime payments	39 280 215	27 628 598
Bonus	28 143 888	24 255 133
Hostel recoveries	(224 860)	(234 140)
UIF	3 609 480	2 993 564
WCA	3 223 054	2 815 916
SDL	4 117 407	3 210 534
Leave pay provision charge	8 576 354	4 051 840
Other allowances	2 655 399	750 796
Bargaining council levies	203 599	117 497
Gratuities	6 340 648	5 291 187
Unfunded liabilities - Pension funds	-	(946 481)
Post-employment benefits - Pension - Defined contribution plan	16 47 397 547	35 244 216
Acting allowances	1 128 725	894 767
Public holiday allowance	8 053 166	-
Casual Locomotions	381 539	312 115
Permanent locomotion	16 689 774	15 522 388
Casual services	382 367	2 175 601
	545 827 660	433 390 576
25. Depreciation and amortisation		
Property, plant and equipment	31 772 708	33 421 341
Intangible assets	4 510 649	8 527 198
	36 283 357	41 948 539
26. Finance costs		
Shareholders loan account	12 835 230	15 158 570
Interest on fair value adjustments of expenditure	2 023 970	2 094 480
Other interest paid	2 415 000	2 170 000
Finance leases	111 606	1 531 709
Finance cost on fleet	102 357	-
Interest unwinding on rehabilitation of landfill	17 159 892	24 455 186
Fair value adjustments on payables	(243 114)	(625 514)
Interest unwinding (reversal)/addition on landfill rehabilitation	51 676 423	(48 816 269)
	86 081 364	(4 031 838)

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27. Auditors' remuneration		
Fees for audit services	1 508 768	1 802 067
28. Cash generated from operations		
Surplus	17 530 309	15 349 152
Adjustments for:		
Depreciation and amortisation	36 283 357	41 948 539
Assets scrapped	1 094 589	-
Adjustment on property plant and equipment	(148 750)	-
Adjustment on infrastructure	(275 077 244)	23 664 427
Income from equity accounted investments	222 478	(9 859 394)
Finance costs	111 606	1 531 709
Debt impairment	41 827 476	40 177 046
Movements in retirement benefit assets and liabilities	10 135 000	5 941 000
Movements in provisions	291 019 003	(53 678 769)
Movement in tax receivable and payable	-	29 762 984
Other non-cash items	-	6 510 393
Changes in working capital:		
Inventories	(1 580 427)	643 715
Receivables from exchange transactions	(17 369 290)	(11 254 358)
Consumer debtors	(64 801 018)	630 972
Investment in associates	-	(8 417 051)
Payables from exchange transactions	(25 547 373)	(96 656)
Deferred income	(333 333)	45 854
	13 366 383	82 899 563
29. Tax refunded		
Balance at beginning of the year	2 138 570	31 901 554
Balance at end of the year	(2 138 570)	(2 138 570)
	-	29 762 984

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30. Commitments		
Commitments in respect of capital expenditure:		
Authorised and not yet contracted for		
• Property, plant and equipment	36 700 000	35 000 000
• Infrastructure	17 000 000	15 000 000
	53 700 000	50 000 000
Authorised and contracted for		
• Property, plant and equipment	500 000	5 801 400
This expenditure will be financed from:		
External Loans	19 200 000	21 801 400
Government Grants	35 000 000	34 000 000
	54 200 000	55 801 400
Operating leases - as lessee (Fleet)		
The operating lease commitments relates to the office automation, rental of parking bay and Fleet.		
Minimum lease payments due		
- within one year	28 152 864	90 790 022
- in second to fifth year inclusive	43 594 093	1 471 217
	71 746 957	92 261 239
Operating leases – as lessor (income)		
Minimum lease payments due		
- within one year	1 595 837	3 191 674
- in second to fifth year inclusive	-	1 595 837
	1 595 837	4 787 511

31. 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 54 Million in respect of disputed claims with respect to service providers.

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32. Related parties

Relationships
Controlling entity

The City of Johannesburg Metropolitan Municipality
City of Joburg Property Company SOC Ltd
City Power Johannesburg SOC Ltd
Johannesburg City Parks NPC
Johannesburg Development Agency SOC Ltd
Johannesburg Metropolitan Bus Services SOC Ltd
Johannesburg Roads Agency SOC Ltd
The Johannesburg Tourism Company NPC
Johannesburg Water SOC Ltd
The Metropolitan Trading Company SOC Ltd
Pikitup Johannesburg SOC Ltd
Roodepoort City Theatre NPC
Joburg Theatre SOC Ltd
The Johannesburg Fresh Produce Market SOC Ltd
The Johannesburg Zoo NPC
Fried shelf 128 (Pty) Ltd
Greater Newtown Development Company (Pty) Ltd
Constitutional Hill Development Company (Pty) Ltd
Johannesburg Social Housing Company SOC Ltd

Related party balances

Amounts included in Loans, Trade and other receivables regarding related parties

City of Johannesburg Metropolitan Municipality	8 024 674	803 590
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Amounts included in Loans, Trade and other payables regarding related parties

City of Johannesburg Metropolitan Municipality	8 982 596	5 057 962
Johannesburg Social Housing Company SOC Ltd	-	270 504
Johannesburg Water SOC Ltd	142 718	430 679
Johannesburg Civic Theatre SOC Ltd	64 611	-
Johannesburg City Parks NPC	67 418	31 705
Johannesburg Roads Agency SOC Ltd	-	17 045
	9 257 343	5 807 895

Loans accounts owing by related parties

City of Johannesburg Metropolitan Municipality	265 232 389	153 493 404
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Loan account owing to related parties

City of Johannesburg Metropolitan Municipality	392 893 262	244 051 155
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Figures in Rand	2012	2011
32. Related parties (continued)		
Related party transactions		
Sales to related parties		
City of Johannesburg Metropolitan Municipality	1 091 417 405	989 248 607
Purchases from related parties		
City of Johannesburg Metropolitan Municipality	21 492 347	20 086 743
Johannesburg Social Housing Company SOC Ltd	3 213 824	3 371 179
Johannesburg Water SOC Ltd	372 611	430 679
Johannesburg Civic Theatre SOC Ltd	63 592	-
Johannesburg City Parks NPC	59 138	70 330
Johannesburg Roads Agency SOC Ltd	8 214	17 045
	25 209 726	23 975 976
Other expenses paid to (received from) related parties		
City of Johannesburg Metropolitan Municipality - sweeping account interest received	(2 753 149)	(1 678 159)

33. Change in estimate

Property, plant and equipment

The useful life of certain Property, plant and equipment was estimated in 2008 to be between 6 to 10 years. In the current financial year management have revised their estimated to be 15 years.

The impact of the change in estimate is the decrease in the annual depreciation charge by R1 938 261 .

Intangibles assets

The useful life of the SAP software was estimated in 2010 to be 4 years. In the current period management have revised their estimate to 6 years.

The impact on depreciation is the reduction by R 4 017 090.

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34. Prior period errors

The useful life of certain Property, plant and equipment were not estimated correctly as some of the assets were still in use although they were fully depreciated at the end of June 2009. This translates to an overstatement of the accumulated depreciation amount disclosed during 2010 and 2011 financial year

Additionally the equity investment in Friedshelf was mistated as a results of differences between the draft annual financial statements and the audited annual financial statements which only became available after the finalisation of the audit of 2011 financial year.

Statement of financial position

PIKITUP - Adjustment against opening accumulated deficit	-	(11 186 732)
PIKITUP - Accumulated Depreciation	-	9 256 302
PIKITUP - Trade and other payables	-	(902 152)
PIKITUP - Investment in associates	-	1 153 969
PIKITUP - Revaluation reserve	-	12 774 492
PIKITUP - Trade and other receivables	-	453 460
	-	11 549 339

Statement of financial performance

PIKITUP - Depreciation	-	(2 199 056)
PIKITUP - Profit from equity accounted investments	-	(8 910 452)
PIKITUP - Revenue	-	(439 831)
	-	(11 549 339)

Discolure notes

The directors emoluments were overstated by R 142 980 which relates to amount paid to the independent audit committee members.

35. Comparative figures

Where items have been reclassified, comparative figures have been restated.

The effects of the reclassification are as follows:

Statement of financial position

Provision- Performance Bonus - classified as Trade and other payable in prior year	8 674 520	6 233 760
Deferred income - classified as Operating lease liability in the prior year	-	500 000

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36. 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.

At 30 June 2012	Not later than one month	Later than one month and not later than three months	Later than three months and not later than one year	Later than one year
Trade and other payables	66 022 753	65 377 179	21 332 242	41 521 573
Trade and other receivables	-	47 238 539	105 356 087	100 000 000
At 30 June 2011	Not later than one month	later than one month and not later than three months	Later than three months and not later one year	Later than one year
Shareholder loans	-	116 521 478	17 265 032	115 283 100
Trade and other payables	92 076 254	63 629 418	37 224 774	32 202 282
Trade and other receivables	-	29 555 947	100 000 000	150 000 000

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36. Risk management (continued)

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.

37. Going concern

We draw attention to the fact that at 30 June 2012, the entity had accumulated deficits of R (323 708 471) and that the entity's total liabilities exceed its assets by R (323 707 471).

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

38. Subordination loan agreement

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 392 893 262.

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 a value of R 392 893 262.

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39. Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure

Fruitless and wasteful expenditure current year	185 625	-
Fruitless and wasteful expenditure prior year	12 700 000	-
	12 885 625	-

An amount of R 12,7 million included in the figures above relates to the fruitless and wasteful expenditure identified during the forensic investigation.

Also included in the amount disclosed above, is an amount of R72 000 which relates to the over expenditure on absorbed employees by Human Resources. R 113 625.26 of the above relates to the invoices erroneously paid to Fleet Africa. The process to recover has already commenced.

40. Irregular expenditure

Reconciliation of irregular expenditure

Opening balance	1 476 002	-
Irregular expenditure current year	6 041 031	1 476 002
Irregular expenditure prior year	282 853 756	-
	290 370 789	1 476 002

An amount of R 287 234 394.85 million included in the figures above relates to the irregular expenditure identified during the forensic investigation.

Also included in the above is the ICT contract that lapsed and running on a month-on-month basis pending the finalization of the new tender process. A new contract is now in place.

41. 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 directors and includes a note to the annual financial statements.

Deviations approved by the Accounting Officer	Amounts	Total
Maintenance of equipment	183 480	183 480
Security services	44 080	44 080
Hiring of trucks	107 603	107 603
Advertising	33 972	33 972
Consulting and advisory	167 157	167 157
Repairs and maintenance	313 348	313 348
Catering	2 750	2 750
	852 390	852 390

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42. Directors' emoluments

Executive

2011

	Emoluments
Mr Nkosi ZT (Managing Director)	1 704 174

No emoluments were paid to the Acting Managing Director as he was seconded by the Shareholder.

Non-executive

2012

	Directors' fees
Mr Mkhabela I (Chairperson)	103 159
Prof Marwala T (Chairperson)	51 578
Mr Brenner L	164 657
Dr Mabuya NB	143 498
Ms Mashanda T	132 256
Mr Mondlane D	28 435
Dr Mutshekwane N	18 516
Ms Msezane N	78 691
Dr Ndema Y	127 626
Dr Nyabeze WRR	119 690
Ms Parirenyatwa K	111 755
Mr Sutherland H	195 735
Mr Tshwete L	28 435
	1 304 031

2011

	Directors' fees
Mrs Radebe PF (Chairperson)	222 958
Mr Brenner L	6 745
Dr Mabuya NB	25 371
Ms Mashanda T	139 687
Ms Msezane N	13 270
Dr Ndema Y	13 277
Dr Nyabeze WRR	25 304
Ms Parirenyatwa K	13 491
Mr Sutherland H	25 332
Ms Botha A	58 573
Mr Kgomo SJ	98 166
Mr Mashika D	94 509
Mr Nemukula VC	145 924
Dr Phaho D	69 344
Mr Raghbir S	77 441
Dr Ruiters C	99 043
	1 128 435

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43. Statement of comparative and actual information

2012

	Original budget	Revised budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Financial Performance						
Service charges (A)	1 197 931 992	1 296 571 000	1 300 009 539	(3 438 539)	100 %	109 %
Interest received (B)	5 499 996	5 500 000	16 375 827	(10 875 827)	298 %	298 %
Government grant and subsidies (C)	-	-	33 725 473	(33 725 473)	- %	- %
Other revenue (D)	10 287 552	6 504 040	(6 706 810)	13 210 850	(103)%	(65)%
Total revenue (excluding capital transfers and contributions)	1 213 719 540	1 308 575 040	1 343 404 029	(34 828 989)	103 %	111 %
Employee costs (E)	(459 391 608)	(535 351 575)	(545 827 660)	10 476 085	102 %	119 %
Bad debts (F)	(14 698 836)	(14 699 223)	(41 827 476)	27 128 253	285 %	285 %
Depreciation and asset impairment (G)	(45 648 564)	(43 144 243)	(36 283 357)	(6 860 886)	84 %	79 %
Finance costs (H)	(78 276 996)	(78 277 084)	(86 081 364)	7 804 280	110 %	110 %
Other expenditure (I)	(615 703 584)	(637 102 920)	(615 631 385)	(21 471 535)	97 %	100 %
Total expenditure	(1 213 719 588)	(1 308 575 045)	(1 325 651 242)	17 076 197	101 %	109 %
Surplus/(Deficit)	(48)	(5)	17 752 787	(17 752 792)	- %	- %

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43. Statement of comparative and actual information (continued)

	Original budget	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget	
Share of surplus (deficit) of associate	-	-	-	(222 478)	222 478	- %	- %
Surplus/(Deficit) for the year	(48)	(5)	17 530 309	(17 530 314)	- %	- %	

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43. Statement of comparative and actual information (continued)

	Original budget	Final budget	Actual outcome	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Capital expenditure and funds sources						
Total capital expenditure	50 000 000	50 000 000	324 260 455	(274 260 455)	649 %	649 %
Sources of capital funds						
Municipal infrastructure grant	34 000 000	34 000 000	33 725 473	274 527	99 %	99 %
COJ Loan	16 000 000	16 000 000	15 455 489	544 511	97 %	97 %
Donated assets	-	-	148 750	(148 750)	- %	- %
Total sources of capital funds	50 000 000	50 000 000	49 329 712	670 288	99 %	99 %

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43. Statement of comparative and actual information (continued)

Comments on material variance - Financial performance

A- Service charges - revenue from service charges are in line with the budget.

B- Interest received - relates in the main to the fair value adjustments.

C- Government grants and subsidies - USDG grant received from government not included in the budget as it is conditional in nature.

D- Other revenue - interest received is more than budgeted due to the fair value adjustments calculation at year end.

E- Employee costs - employee costs are over budget with the largest of variances (R9.393m) related to overtime which was well over budget due to high levels of vehicle non-availability during the financial year. Also over budget were leave and gratuity provisions.

F- Provision for doubtful debts - higher provision required due to a decrease in debt collection levels.

G- Depreciation and asset impairment - depreciation charges are well below budget for the year due to year end adjustments relating to the useful life of the assets as well as well as changes in accounting estimates.

H- Finance costs - higher than expected increase in landfill rehabilitation provision.

I- Other expense - the positive variance relates to fleet costs reduction following the termination of the fleet contract during the year under review .