PIKI TUP
JOHANNESBURG
SOC Limited

Pikitup Johannesburg SOC Limited
Trading as Pikitup
Financial statements
for the year ended 30 June 2018

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 Shongwe B (Chairperson) Mrs Bogatsu SR Mr Brenner L Mr Dhlamini L (Managing Director) Dr Hanekom P (Retired 20 April 2018) Ms Kana N Mr Maharaj S (Chief Financial Officer) (Retired 30 April 2018) Mr Mathebula V Mr Mayne C Prof Netswera G Dr Nyabeze WRR (Retired 20 April 2018) Adv Rampai TD (Retired 20 April 2018) Prof Snyman J
REGISTERED OFFICE	Jorissen Place 66 Jorissen Street Braamfontein Johannesburg 2001
BUSINESS ADDRESS	Jorissen Place 66 Jorissen Street 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
COMPANY REGISTRATION NUMBER	2000/029899/07
BANKERS	Standard Bank of South Africa

Index

Index

Abbreviations

Pikitup	Pikitup Johannesburg SOC LTD
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 (Act no. 32 of 2000)
MFMA	Municipal Finance Management Act (Act no. 56 of 2003)
COJ	City of Johannesburg
CJMM	City of Johannesburg Metropolitan Municipality

Directors Responsibilities and Approval

The directors are required by the Municipal Finance Management Act (Act no. 56 of 2003) and Companies Act of South Africa (Act no.71 of 2008), to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the directors to ensure that the financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The Auditor General is engaged as required by the Constitution s188 and MFMA s92 to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

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

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

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

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit. Pikitup has adopted a combined assurance framework that will optimise overall assurance to the Board of directors by management , internal and external assurance providers on how risk affecting the entity is being managed or mitigated.

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

Mr Shongwe B
Chairperson of the Board

Mr Dhlamini L
Managing Director 2018|11|30

Date: 30-11-2018

Audit Committee Report

The Audit Committee presents its report for the year ended 30 June 2018 as recommended by the King IV report and in compliance with Section 94(7)(f) of the Companies Act of 2008 and MFMA s166. The Audit Committe has adopted formal terms of reference that have been approved by the Board of Directors. The Committee has conducted and discharged its affairs and its responsibilities in compliance with its terms of reference , King IV, Section 94(7)(f) of the Companies Act of 2008 and MFMA s166. Pikitup is compliant with King IV as applicable to a wholly owned entity of the City of Johannesburg Metropolitan Municipality.

The members of the Audit Committee are Mr Brenner L (Chairperson), Mr Buys R, Dr P Hanekom (resigned 20 April 2018), Mr Hattingh W, Mr Mufana G (resigned 20 April 2018) and Mr Mayne C .The Committee held 8 meetings during the financial year to review matters necessary to fullfil its role. The chairperson of the board attend audit committees on invitation.

Audit committee members and attendance

The Audit Committee consists of the members listed hereunder and met 8 times during the financial year to review matters necesary to fullfill its role.

Name of member	Number of meetings attended
Mr Brenner L (Chairperson)	8
Mr Buys R	5
Dr Hanekom P (Resigned 20 April 2018)	7
Mr Hattingh W	5
Mr Mufana G (Resigned 20 April 2018)	5
Mr Mayne C	8

In the conduct of its duties, the Audit Committee reviewed its terms of reference during the period under review and perfomed the following functions:

External audit

- Received and reviewed reports from Auditor General concerning the fairness of the Financial Statement and performance information. The effectiveness of Pikitup's internal control environment, systems and processes;
- 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 three year rolling plan and reviewed the annual internal audit charter;
- 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.

The internal audit fuction led by the Chief Audit Executive reports fuctionally to the Audit Committee and has direct reporting line to the Chairperson of the Audit Committee. The annual audit plan is reviewed regularly to ensure that it remains relevant and responsive to the identified risk . During the year under review the Audit Committee met with the Chief Audit Executive and External Auditors without management being present.

Perfomance Evaluation

The Audit Committee conducted its perfomance evaluation during the year . The result of the evaluation was satisfactory .

Audit Committee Report

King IV recommendations

Pikitup adopted King IV as part of its code on corporate governance. The assurance work conducted by assurance providers during the year included all principles of King IV. Based on the assurance work provided,the Audit Committee is satisfied that King IV recommendations were fully complied with during the year.

Assessment of the financial function

The Audit Committee satisfied itself that the Chief Financial Officer and the acting Chief Financial Officer has appropriate financial experience . The committee continues to make recommendations for enhancing the functioning and improvement of the finance function to management where appropriate.

The Committee also considered the Annual Report for the year under review and recommended approval thereof to the Board of Directors. The Audit Committee is satisfied that it complies with its legal, statutory and delegated responsibilities.

Internal Control Environment

The Audit Committee has overseen a process by which Internal Audit perfomed a written assessment of the effectiveness of the company's system of internal control and risk management, including internal financial controls.
The Audit Committee noted that in certain instances the corrective actions implmented were not completely adequate and effective. The Committee has made recommendations for ensuring that the internal control enviroment is improved and better accountability from management is established including consequence management.

In addition to work conducted by Internal Audit, the Audit Committee rely on the work conducted by the external auditors to determine the effectiveness and adequacy of the system of internal control within the entity. In the previous financial year ,external auditors raised audit findings in the management report and the Audit Committee is satisfied with the progress made in resolving these audit findings.

In the opinion of the Audit Committee, considerable work was done during the current year to improve internal controls of the Entity in terms of:

- Meeting the strategic objectives of the Entity;
- Evaluating and mitigating the key risks facing the Entity;
- 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.

The Audit Committee has evaluated the financial statements for the year ended 30 June 2018 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 the South African Statements of Generally Recognised Accounting Practice (GRAP).

DBremer

Signed: Chairperson of the Audit Committee

Date: 4/12/2018

Directors Report

The directors submit their report for the year ended 30 June 2018.

1. INCORPORATION

The entity was incorporated on 28 November 2000 and obtained its certificate to commence operating 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 179 532 281 (2017: surplus R 291 936 910).

3. GOING CONCERN AND UNDERTAKING OF SUPPORT

As at 30 June 2018, the entity had an accumulated surplus of R 113 590 147 (2017 R69 610 222) and the entity's total assets exceed its liabilities by R 156 592 955 (2017 R 26 607 414).

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

4. SUBSEQUENT EVENTS

Burned building at Central camp depot

On the 30th of August 2018, one of the building at Central camp depot was set alight by former Jozi@work and 2010 employees' protesters. Two mobile scales with an asset value of R28 324, 00 were burned and four (04) chairs and 14 drawers were also burned/damaged. A case with the SAPS was opened and the claim with our insurance company was lodged. An estimated cost of the damage amount to R434 783 based on the lodged claim.

Absorption of former 2010 and jozi@work employees

In line with the directive issued by the executive mayor during the 2017/18 financial year for former jozi@work employees and also the CCMA judgement for former 2010 employees, Pikitup concluded this project during the month of August 2018. The total of 1159 claimants for jozi@work and 382 for 2010 qualified to be absorbed and started working on the 01 September 2018. Those who didn't qualify were also given an opportunity to appeal and this process was also concluded. The entity is in the process of vetting all qualified beneficiaries to authenticate all the submitted documents including the ID documents, payslips, bank statements etc.

Friedshelf 128 (Pty) Ltd

The board has taken a decision on the meeting held on the 13 April 2018 to dispose its 50% shareholding in Friedshelf 128 (pty) ltd to JOSHCO. The transaction was concluded during the month of August 2018 and the purchase price of R20m was paid into the trust account (attorney's account). This amount has not yet been transferred to Pikitup bank account pending the change of ownership at CIPC. Refer to paragraph 13 of this directors report for more information.

Public protector's report.

The public protector report relating to various allegations related to procurement and human resource processes was released on the 30 October 2018. The report made binding recommendations that should be implemented by the Board within 60 days from the date of the report is released. The Board has established an ad-hoc committee to advise the Board on the implementation of these recommendations including determining the amount of fruitless and wasteful expenditure, irregular and unauthorised expenditure that should be recovered.

Directors Report

5. DIRECTORS' DECLARATION OF PERSONAL FINANCIAL INTEREST

The directors declared that they have no interest in the contracts entered with 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 no. 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 2018, 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 shares from owners of the company during the year under review.

Directors Report

8. BORROWING LIMITATIONS

In terms of the of Memorandum of Incorporation and the Delegation of Authority, Pikitup Johannesburg (SOC) Limited does not have the authority to borrow funds. All external funding is managed under the auspices of the City of Johannesburg Metropolitan Municipality.

9. MANAGEMENT AGREEMENT

The City of Johannesburg Metropolitan Municipality operates a consolidated billing system for its revenue for some of its controlled entities, which includes Pikitup. In terms of this management agreement, the City of Johannesburg Metropolitan Municipality invoices commercial and domestic customers on behalf of Pikitup, and collects the receipts thereof from these customers. The receipts are allocated in terms of receipts allocation policy of the City of Johannesburg Metropolitan Municipality. Pikitup pays a prescribed fee to the City of Johannesburg Metropolitan Municipality for this service.

10. SECRETARY

The previous company secretary resigned as secretary of the entity on 22 December 2017 and an acting company secretary was appointed.

11. CORPORATE GOVERNANCE

General

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

Board of directors

The Board as the accounting authority of the entity:
- 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 of independent non-executive and executive directors :
  - non-executive directors, all of whom are independent directors.
  - Managing Director
  - Chief Financial officer
- The Board has various Sub-committees, which are chaired by the independent non-executive directors:
  - Audit Committee
  - Risk and ICT Committe
  - Human Resource and Remuneration Commitee
  - Social and Ethics Committee
  - Operations and Service Delivery Committee

Chairperson and Accounting Officer

The Chairperson of the Board is an independent non-executive director.

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

Remuneration

The remuneration of the Managing Director is determined by the Board in consultation with the Shareholder.

The remuneration of the directors is determined by the Shareholders as agreed by special resolution at the Annual General Meeting.

Board meetings

Directors Report

The directors held 18 meetings in the current financial period. These meetings were necessitated by the challenges the entity was experiencing during transitional period.

Audit Committee

The members of the Audit Committee are Mr Brenner L (Chairperson), Dr Hanekom P (resigned 20 April 2018),Mr Mayne C, Mr Mufana G (resigned 18 April 2018),Mr Buys R,Mr Hattingh W.

Internal audit

The internal audit function led by the Chief Audit Executive made use of a panel of internal auditors to fulfill its duties.This is in compliance with Municipal Finance Management Act (Act no. 56 of 2003).

12. CONTROLLING ENTITY

The company is a wholly owned entity of the City of Johannesburg Metropolitan Municipality.

13. NON-CURRENT ASSETS HELD FOR SALE

Name of investment	Purpose of the company	Propotionate share of net income (loss) after tax as at 30 June 2018
Friedshelf 128 (Pty) Ltd	Property company	R 638 162

Pikitup holds 50% equity interest in Friedshelf 128 (Pty) Ltd whose underlying assets comprise of the building situated at: Corner Bertha and Juta Street in Braamfontein, Johannesburg. The building is currently vacant as Pikitup Head Office has been relocated.

The directors in the company are Mr Mundell AJF, Mr Tannenberger JO, Mr LT Dhlamini, Mr LL Itholeng.

The balance of the 50% holding of shares is held by Zenprop Property Holdings (Pty) Ltd .

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

The board has taken a decision on the meeting held on the 13 April 2018 to dispose its 50% shareholding in Friedshelf 128 (pty) ltd to JOSHCO. The transaction was concluded during the month of August 2018 and the purchase price of R20m was paid into the trust account (attorney's account). This amount has not yet been transferred to Pikitup bank account pending the change of ownership at CIPC.

14. BANKERS

The company's banker is Standard Bank of South Africa.

Directors Report

The management of the treasury function within the company is managed under the auspices of the The City of Johannesburg Metropolitan Municipality Treasury department. Pikitup has a sweeping arrangement with The City of Johannesburg Metropolitan Municipality whereby all cash is swept on a daily basis to the City of Johannesburg Metropolitan Municipality bank account resulting in an intercompany loan between the City of Johanneburg Metropolitan Municipality and Pikitup.

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 (Act no. 71 of 2008) (as amended) and the Municipal Finance Management Act (Act no. 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 2018, all such returns and notices as required and that all such returns and notices are true, correct and up to date.

Company Secretary

Pikitup Johannesburg SOC Ltd

Pikitup Johannesburg SOC Limited
(Registration number 2000/029899/07)
Trading as Pikitup
Financial Statements for the year ended 30 June 2018

Statement of Financial Position as at 30 June 2018

Figures in Rand	Note(s)	2018	2017
Assets			
Current Assets			
Inventories	3	1 059 584	5 356 911
Loans to shareholder	4	1 255 375 319	1 327 680 686
Receivables from non-exchange transactions	5	182 978 029	246 261 701
Receivables from exchange transactions	6	575 904 487	207 667 551
Cash and cash equivalents	8	38 014	23 709
		2 015 355 433	**1 786 990 558**
Non-Current Assets			
Property, plant and equipment	9	549 463 249	559 833 387
Intangible assets	10	303 914	365 277
Non-current assets held for sale	11	16 240 072	15 601 910
Loans to shareholders- Employee benefit obligation	4	133 864 689	125 844 871
		699 871 924	**701 645 445**
Total Assets		**2 715 227 357**	**2 488 636 003**
Liabilities			
Current Liabilities			
Loans from shareholder	4	642 248 474	640 258 027
Finance lease obligation	13	53 860 534	53 860 534
Payables from exchange transactions	14	607 727 418	646 264 726
Provision for perfomance bonus	16	10 993 027	11 818 503
		1 314 829 453	**1 352 201 790**
Non-Current Liabilities			
Loans from shareholders	4	524 359 657	464 294 819
Finance lease obligation	13	20 478 357	62 252 950
Employee benefit obligation	15	79 753 932	82 273 755
Provisions- Landfill Rehabilitation	16	619 213 001	550 552 018
		1 243 804 947	**1 159 373 542**
Total Liabilities		**2 558 634 400**	**2 511 575 332**
Net Assets/ (Liabilities)		**156 592 957**	**(22 939 329)**
Net Assets/ (Liabilities)			
Share capital	18	1 000	1 000
Owners Contribution		43 001 808	43 001 808
Accumulated surplus		113 590 147	(65 942 134)
Total Net Assets /(Liabilities)		**156 592 955**	**(22 939 326)**

Pikitup Johannesburg SOC Limited
(Registration number 2000/029899/07)
Trading as Pikitup
Financial Statements for the year ended 30 June 2018

Statement of Financial Performance

Figures in Rand	Note(s)	2018	2017
Revenue			
Service Charges	19	1 501 175 179	1 347 374 412
Other revenue		4 334 027	4 587 967
Grants & subsidies	20	619 565 966	698 261 937
Levies	19	171 641 491	150 116 363
		2 296 716 663	**2 200 340 679**
Other income			
Discount received		683 546	553 767
Interest received		34 692 969	32 382 802
Income from equity accounted investment	11	638 162	-
		36 014 677	**32 936 569**
Operating Expenses (Refer to page 14)		**(2 058 968 462)**	**(1 858 294 244)**
Operating surplus	21	**273 762 878**	**374 983 004**
Finance costs	24	(94 230 597)	(82 856 996)
Loss from equity accounted investments	11	-	(189 098)
		(94 230 597)	**(83 046 094)**
Surplus for the year		**179 532 281**	**291 936 910**

Statement of Financial Performance

Figures in Rand	Note(s)	2018	2017
Operating expenses			
Food for waste		-	(189 160)
Advertising		(273 086)	(340 357)
Assessment rates & municipal charges		(14 929 288)	(14 662 811)
Auditors remuneration	25	(5 706 115)	(6 313 772)
Allowance for doubtful debts	6	(151 905 484)	(38 128 652)
Bank charges		(11 085)	(10 609)
Cleaning		(404 532)	(1 069 296)
Safety Equipment		(624 129)	(1 044 448)
Conferences and seminars		(98 270)	(106 585)
Consulting and professional fees		(2 957 366)	(3 271 540)
Consumables		(26 468 267)	(34 743 968)
Pollution monitoring		(222 729)	(355 847)
Depreciation, amortisation and impairments	23	(101 791 373)	(101 134 973)
Employee costs	22	(976 136 582)	(948 378 140)
Entertainment		(1 678 634)	(3 342 871)
Contractors		(6 041 225)	(4 306 783)
Sundries		(82 055)	(72 584)
Waste disposal fees		(31 061 996)	(30 141 572)
Payroll processing		(1 120 578)	(1 413 501)
Recruitment fees		(832 178)	(1 171 090)
Fleet and cleaning services		(644 002 728)	(572 641 453)
Funeral assistance		(297 501)	(705 164)
IT expenses		(22 507 843)	(23 037 716)
Insurance		-	(3 543 775)
Lease rentals on operating leases		(10 098 751)	(8 421 287)
Legal expenses		(3 603 742)	(9 662 112)
Marketing		-	(149 583)
Asset scrapped		-	(1 650 454)
Printing and stationery		(572 632)	(873 216)
Security		(37 826 859)	(34 737 268)
Staff welfare		(3 117 531)	(1 458 601)
Subscriptions		(44 759)	(339 359)
Telephone and fax		(3 553 691)	(3 861 276)
Training		(4 226 215)	(3 520 125)
Education and awareness		(3 071 395)	(454 136)
Customer Services Management fee		(3 198 040)	(3 034 190)
Travelling		(501 803)	(5 970)
		(2 058 968 462)	**(1 858 294 244)**

Statement of Changes in Net Assets

Figures in Rand	Note(s)	Share capital	Owners Contribution	Accumulated surplus	Total equity
Opening balance as previously reported		1 000	43 001 808	(298 943 727)	(255 940 919)
Adjustments					
Prior year adjustments		-	-	(58 935 317)	(58 935 317)
Balance at 01 July 2016 as restated		**1 000**	**43 001 808**	**(357 879 044)**	**(314 876 236)**
Changes in net assets					
Surplus for the year		-	-	291 936 910	291 936 910
Total changes		-	-	291 936 910	291 936 910
Opening balance as previously reported		1 000	43 001 808	(64 766 301)	(21 763 493)
Adjustments					
Prior year adjustments		-	-	(1 175 833)	(1 175 833)
Balance at 01 July 2017 as restated		**1 000**	**43 001 808**	**(65 942 134)**	**(22 939 326)**
Changes in net assets					
Surplus for the year		-	-	179 532 281	179 532 281
Total changes		-	-	179 532 281	179 532 281
Balance at 30 June 2018		**1 000**	**43 001 808**	**113 590 147**	**156 592 955**

Cash Flow Statement

Figures in Rand	Note(s)	2018	2017
Cash flows from operating activities			
Receipts			
Sale of goods and services		1 020 308 824	1 347 374 412
Grants		619 565 966	698 261 937
Interest income		34 692 969	32 382 802
Other revenue		4 334 027	4 587 967
City cleaning levy		171 641 491	150 116 363
		1 850 543 277	2 232 723 481
Payments			
Employee costs		(981 696 290)	(861 134 679)
Suppliers		(829 219 497)	(992 586 034)
Finance costs		-	-
		(1 810 915 787)	(1 853 720 713)
Net cash flows from operating activities	26	**39 627 490**	**379 002 768**
Cash flows from investing activities			
Purchase of property, plant and equipment	9	(60 109 661)	(57 079 612)
Loans to Shareholders		64 285 549	-
Net cash flows from investing activities		**4 175 888**	**(57 079 612)**
Cash flows from financing activities			
Loans from Shareholders		62 055 285	(213 358 552)
Finance lease Obligations		(41 774 593)	(54 326 269)
Finance costs		(57 809 006)	(54 271 056)
Post Retirement Benefits Paid		(6 260 760)	-
Net cash flows from financing activities		**(43 789 074)**	**(321 955 877)**
Net increase/(decrease) in cash and cash equivalents		**14 304**	**(32 721)**
Cash and cash equivalents at the beginning of the year		23 709	56 430
Cash and cash equivalents at the end of the year	8	**38 013**	**23 709**

Pikitup Johannesburg SOC Limited
(Registration number 2000/029899/07)
Trading as Pikitup
Financial Statements for the year ended 30 June 2018

Statement of Comparison of Budget and Actual Amounts

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	1 432 539 000	30 735 033	**1 463 274 033**	1 501 175 179	**37 901 146**	A
Other revenue	7 439 000	(1 422 290)	**6 016 710**	4 334 027	**(1 682 683)**	B
Discount received	540 000	14 143	**554 143**	683 546	**129 403**	C
Interest received	21 295 000	2 235 000	**23 530 000**	34 692 969	**11 162 969**	D
Total revenue from exchange transactions	**1 461 813 000**	**31 561 886**	**1 493 374 886**	**1 540 885 721**	**47 510 835**	
Revenue from non-exchange transactions						
Government grants & subsidies	779 608 000	(160 042 002)	**619 565 998**	619 565 966	**(32)**	E
Levies	114 476 000	15 352 996	**129 828 996**	171 641 491	**41 812 495**	F
Total revenue from non-exchange transactions	**894 084 000**	**(144 689 006)**	**749 394 994**	**791 207 457**	**41 812 463**	
Total revenue	**2 355 897 000**	**(113 127 120)**	**2 242 769 880**	**2 332 093 178**	**89 323 298**	
Expenditure						
Personnel	(1 108 489 000)	100 481 004	**(1 008 007 996)**	(976 136 582)	**31 871 414**	G
Enviromental Education	(16 773 000)	10 902 541	**(5 870 459)**	(3 071 395)	**2 799 064**	H
Depreciation and amortisation	(127 960 000)	23 154 999	**(104 805 001)**	(101 791 373)	**3 013 628**	I
Finance costs	(98 902 000)	21 160 455	**(77 741 545)**	(94 230 597)	**(16 489 052)**	J
Lease rentals on operating lease	(10 931 000)	764 843	**(10 166 157)**	(10 098 751)	**67 406**	K
Allowance for doubtful debts	(155 978 000)	8 019 999	**(147 958 001)**	(151 905 484)	**(3 947 483)**	L
Safety	(2 026 000)	484 212	**(1 541 788)**	(624 129)	**917 659**	M
Repairs and maintenance	(760 000)	760 000	**-**	-	**-**	
Pollution monitoring	(1 941 000)	190 999	**(1 750 001)**	(222 729)	**1 527 272**	N
General Expenses	(879 105 000)	(5 823 935)	**(884 928 935)**	(815 118 019)	**69 810 916**	O
Total expenditure	**(2 402 865 000)**	**160 095 117**	**(2 242 769 883)**	**(2 153 199 059)**	**89 570 824**	
Operating surplus	**(46 968 000)**	**46 967 997**	**(3)**	**178 894 119**	**178 894 122**	
Income from equity accounted investments	46 968 000	(46 968 000)	**-**	638 162	**638 162**	
Surplus before taxation	**-**	**(3)**	**(3)**	**179 532 281**	**179 532 284**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**-**	**(3)**	**(3)**	**179 532 281**	**179 532 284**	

Statement of Comparison of Budget and Actual Amounts

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

A. Service charges- The budgeted amount for commercial services included an overly optimistic scenario after considering the ring-fencing of commercial services. The ring-fencing were not completed during the current year. However the total revenue for service charges increase by 11.4% compared to prior financial year which is higher than the approved tariff increase due to the new customers signed during the year.

B. Other Revenue- At the time of the budget revision process, the A Re Tsebaneng incomes from other Entities were initially budgeted under other income . The review of the signed contract between the entities and COJ indicated that the income and the expenditure should be accounted in COJ financial statement. The reclassification resulted in actual income amount being below budget.

C. Discount received-The minor (R129K) positive variance for discount received is reasonable within budget.

D. Interest received is comprised of :
- Interest charged to oustanding debtors - the amount received is over budget due the increase in the debtor's book.
- Interest received on the sweeping account - The amount received is over budget as the sweeping account balance during the year were higher than anticipated.

E. Government grants and subsidies are in line with budget and relate to the service fee received from the City for non -billable services.The R160m decrease in funding between the approved and adjusted budgets is a result of the City-wide budget cuts mandated as part of the budget revision process.

F. Levies - The city cleaning levy is over budget as a result of new customers identified during data clean-ups during the financial year and new customers registered during the year.

G . Personnel cost are 3.2% under budget due to:

-Delays in absorption of staff previously employed by third party contractors in 2010 and for Jozi@work programme. The absorption cost was budgeted to occur within the current financial year (2017/18)
-Continued delays in appointing of staff to replace those that had terminated their employment with Pikitup during the financial year.

H. Enviromental education-Various educational campaigns commenced in the final quarter of the financial year resulting in underspending as the budget was for campaigns to be run throughout the year.

I. Depreciation cost is under budget due to lower than anticipated capital expenditure budget allocated to replace City owned vehicles.

J. Finance costs - to accomodate the R160m budget adjustment as required by the city as part of the budget adjustment process, the budget for the finance cost was decreased by R21m resulting in the cost being R16m over budget at financial year end.

K. Lease costs are within budget for the financial year.

L. Difference due to the audit adjustment at year end.

M. Safety - Costs were lower than budget as a result of the planned safety video being delayed.

N. Pollution cost were lower than budget due to the actual rates being lower than anticipated.

O. General expenses cost show a R70 million underspending compared to budget as per table below:

-Whilst the City requested that budget be allocated to certain intercopmany services during the financial year,no services were supplied and thus no cost were billed to Pikitup for both marketing and legal cost.

Statement of Comparison of Budget and Actual Amounts

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

-The mobile plant hired is currently utilized at landfill sites,garden sites and for the cleaning of illegally dumped waste. Due to higher than anticipated machine downtime costs billed to Pikitup were lower than budgeted.

- Due to the phasing out of the community based cleaning projects late in the financial year, costs were lower than expected.

- Network cost were lower than budgeted as a result of the lower charges which have been negotiated for internet services as part of the new contract.

-No cost for the general insurance have been allocated to Pikitup during the financial year.

- Recycling (separation at source) cost were lower than budget as a result of delays in the expnansion of the project.

- Audit fees :
  -External audit (Auditor General) actual cost are in line with budget.
  -Internal audit costs are under budget as some audits that were budgeted for were not perfomed during the the financial year.

- Water supply cost from the City have fluctuated during the financial year, resulting in the underspending compared to budget.

- The below table shows largest of the variances :

	Actual	Revised Budget	Variance
Inter departmental charges- Marketing	-	10 000 000	10 000 000
Inter departmental charges- Legal fees	-	7 808 782	7 808 782
Contractor services - Mobile plant	126 876 018	134 590 226	7 714 208
Contractor services - Waste cleaning	149 862 085	157 363 700	7 501 615
Network infrastucture cost	7 782 346	12 015 000	4 232 654
Insurance general	-	3 455 006	3 455 006
Contractor - Recycling	11 384 730	14 516 947	3 132 217
Audit fees	5 706 115	8 477 784	2 771 669
Water supply	7 230 233	9 838 021	2 607 788
240L bins	9 369 954	15 945 000	6 908 046
	318 211 481	374 010 466	56 131 985

Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act no. 56 of 2003).

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

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

1.1 Significant judgements and sources of estimation uncertainty

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

Impairment testing

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

Provisions

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

Taxation

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

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

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

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

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

Effective interest rate

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

Allowance for doubtful debts

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

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

1.2 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

1.2 Property, plant and equipment (continued)

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

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

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

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

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

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

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

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

Item	Depreciation method	Useful life
Land	Straight line	Infinite
Buildings	Straight line	10-20
Plant and machinery	Straight line	6-10
Furniture and fixtures	Straight line	15
Motor vehicles	Straight line	3-6
Office equipment	Straight line	6-10
IT equipment	Straight line	6-10
Landfill Site	Straight line	Determined annually based on the available space
Signage	Straight line	15
Containers	Straight line	15

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

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

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

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

Accounting Policies

1.2 Property, plant and equipment (continued)

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

1.3 Intangible assets

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

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

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

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

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

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

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

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

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

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

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

Internally generated goodwill is not recognised as an intangible asset.

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

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

Accounting Policies

1.4 Non-current assets held for sale

An investment in an associate is carried on equity basis and operating gains and losses are recognised through surplus and 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.

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.

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.

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

1.5 Financial instruments (continued)

Cash and cash equivalents

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

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

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.

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.

Accounting Policies

1.7 Statutory receivables (continued)

Finance leases - lessee

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

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

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

Operating leases - lessee

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

1.8 Inventories

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

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

Inventories are measured at the lower of cost and current replacement cost where they are held for;
- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

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.

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

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

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

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

1.9 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

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).

1.9 Impairment of cash-generating assets (continued)

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 managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

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

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 assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

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

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

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

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

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

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.

Accounting Policies

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.

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.

Accounting Policies

1.12 Employee benefits (continued)

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.

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.

1.13 Provisions and contingencies (continued)

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 surplus.

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

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

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

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

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

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 28.

Decommissioning, restoration and similar liability

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

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

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

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

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

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.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

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.

1.15 Revenue from non-exchange transactions (continued)

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.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

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 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

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

1.17 Comparative figures

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

1.18 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.

Accounting Policies

1.18 Unauthorised expenditure (continued)

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.

1.19 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.

1.20 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.

Notes to the Financial Statements

Figures in Rand		2018	2017

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The standards listed below that will be effective from 01 April 2019 have been considered but they were not applied in the current financial year. The impact of the new standards is not expected to be material.

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 36: Investment in Associates and Joint Ventures	Not determined yet	The impact of the amendment is not expected to be material.
• GRAP 20: Related parties	01 April 2019	
• GRAP 32: Service Concession Arrangements: Grantor	01 April 2019	
• GRAP 108: Statutory Receivables	01 April 2019	
• GRAP 109: Accounting by Principals and Agents	01 April 2019	

3. Inventories

	2018	2017
Equipment stock	180 049	137 641
Bin Liners	332 985	591 035
Protective clothing	45 136	234 849
Consumable stock	501 414	336 336
240L Bins	-	4 057 050
	1 059 584	**5 356 911**

3.1 Inventory recognised as expense

	2018	2017
Inventories recognised as an expense during the year	26 468 267	34 743 968

4. Loans to/(from) shareholder

		2018	2017
City of Johannesburg Metropolitan Municipality - Notional loans in respect of Post Retirement Benefits (Non-Current Assets)	4.1	133 864 689	125 844 871
City of Johannesburg Metropolitan Municipality - Unsecured (Current Liabilities)	4.2	(642 248 474)	(640 258 027)
City of Johannesburg Metropolitan Municipality - Unsecured Other loans (Current Assets)	4.3	1 060 066 035	1 086 187 569
City of Johannesburg Metropolitan Municipality - Capex Loans (Non-Current Liabilities)	4.4	(524 359 657)	(464 294 819)
City of Johannesburg Metropolitan Municipality - Sweeping account (Current Assets)	4.5	195 309 284	241 493 117
		222 631 877	**348 972 711**

	2018	2017
Non-current assets	133 864 689	125 844 871
Current assets	1 255 375 319	1 327 680 686
Non-current liabilities	(524 359 657)	(464 294 819)
Current liabilities	(642 248 474)	(640 258 027)
	222 631 877	**348 972 711**

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.

4.1 Notional loans

Figures in Rand	2018	2017

4. Loans to/(from) shareholder (continued)

Loans at beginning of the year	125 844 871	117 439 078
Interest and benefits paid	8 019 818	8 405 793
	133 864 689	**125 844 871**

The notional loans relates to the employee benefits obligations determined on the basis of the actuarial valuation , refer to note 16

4.2 Unsecured

Opening balance	(640 258 027)	(558 074 090)
Movement	(1 990 447)	(82 183 937)
	(642 248 474)	**(640 258 027)**

The loan relates to amounts owed by Pikitup to the City of Johannesburg Metropolitan Municipality for salaries.

4.3 Unsecured other loans

Opening balance	1 086 941 102	913 226 914
Movement	(26 875 067)	173 714 188
	1 060 066 035	**1 086 941 102**

The loan relates to amounts owed by the City of Johannesburg Metropolitan Municipality to Pikitup for detors billed and collected .

4.4 Capex loans

Loans at beginning of the year	(464 294 819)	(407 215 207)
Receipts	(60 064 838)	(57 079 612)
	(524 359 657)	**(464 294 819)**

The terms of payments between 9% to 14% interest rate per annum and the payment terms ranging between 30 and 40 quarterly instalments.These loans relates to capital expenditure incurred and in line with the approved annual capital budget that is funded bu COJ.

4.5 Sweeping account

Opening balance for the year	241 493 118	136 259 908
Movement for the year	(46 183 833)	105 233 209
	195 309 285	**241 493 117**

The sweeping account represent cash that is swept on a daily basis as per the sweeping arrangement with the City of Johannesburg Metropolitan Municipality.

5. Receivables from non-exchange transactions

City cleaning levy	182 978 029	246 261 701

This city cleaning levy is charged to all properties zoned as non-residential and agricultural in the land information system.

6. Receivables from exchange transactions

Notes to the Financial Statements

Figures in Rand	2018	2017

6. Receivables from exchange transactions (continued)

	2018	2017
Gross balances		
Refuse	2 221 384 877	1 712 663 622
Less: Allowance for impairment		
Refuse	(1 645 480 390)	(1 504 996 071)
Net balance		
Refuse	575 904 487	207 667 551

Management used the revenue as the basis of allocation of the debtor's credit balances. These credit balances are generally utilised by customers through consumption of services provided by Piktitup.

	2018	2017
Receivable from exchange transaction		
Current (0 - 30 days)	153 372 281	69 650 298
31-60 days	67 983 965	14 331 247
61-90 days	3 411 505	7 096 837
91 - 120 days	30 033 609	11 927 134
>121 days	321 103 127	104 662 035
	575 904 487	**207 667 551**

City of Johannesburg Metropolitan Municipality (CJMM) invoices clients for the following revenue components which are electricity, water, refuse and rates. Revenue and corresponding debtor is allocated to each municipal entity based on the actual amounts billed.

When debtors have credit balances, management then allocates the credit balance applicable to each entity using the billing trend as a basis of allocation. The basis of allocation was determined taking into account that the credit balance are typically utilised through consumption of services that will be provided by the City in the future. Management have applied judgement in determining the allocation basis, this is consistent with prior financial years.

Notes to the Financial Statements

Figures in Rand	2018	2017

6. Receivables from exchange transactions (continued)

Summary of debtors by customer classification

Consumers		
Current (0 - 30 days)	262 265 274	231 024 295
31 - 60 days	84 118 048	27 967 817
61 - 90 days	4 692 117	18 021 214
91 - 120 days	44 199 085	21 299 473
>121 days	1 254 047 168	787 048 974
	1 649 321 692	1 085 361 773
Less: Allowance for impairment	(1 265 778 202)	(978 917 615)
	383 543 490	**106 444 158**

Consumers - Past due and impaired		
Current (0 - 30 days)	(136 897 425)	(190 892 458)
31 - 60 days	(16 897 524)	(21 446 891)
61 - 90 days	(2 712 512)	(13 665 123)
91 - 120 days	(21 543 621)	(13 487 512)
>121 days	(1 087 727 120)	(739 425 631)
	(1 265 778 202)	**(978 917 615)**

Consumers - Past due and not impaired		
Current (0 - 30 days)	125 367 849	40 131 837
31 - 60 days	67 220 524	6 520 926
61 - 90 days	1 979 605	4 356 091
91 - 120 days	22 655 464	7 811 961
>121 days	166 320 048	47 623 343
	383 543 490	**106 444 158**

Industrial/ commercial		
Current (0 - 30 days)	51 246 425	64 620 482
31 - 60 days	13 483 264	18 762 822
45	6 328 773	11 758 493
91 - 120 days	15 920 543	12 595 971
>121 days	453 517 815	502 723 705
	540 496 820	610 461 473
Less: Allowance for impairment	(364 013 867)	(517 078 878)
	176 482 953	**93 382 595**

Industrial/ commercial - Past due and impaired		
Current (0 - 30 days)	(23 456 824)	(24 601 928)
31 - 60 days	(12 972 855)	(11 222 641)
61 - 90 days	(4 900 215)	(9 111 256)
91 - 120 days	(8 774 237)	(8 546 211)
>121 days	(313 909 736)	(463 596 841)
	(364 013 867)	**(517 078 877)**

Industrial/ commercial - Past due and not impaired		
Current (0 - 30 days)	27 789 600	40 018 554
31 - 60 days	510 409	7 540 181
61 - 90 days	1 428 558	2 647 237
91 - 120 days	7 146 307	4 049 760

Notes to the Financial Statements

Figures in Rand	2018	2017
6. Receivables from exchange transactions (continued)		
>121 days	139 608 079	39 126 864
	176 482 953	**93 382 596**
National and provincial government		
Current (0 - 30 days)	540 456	834 848
31 - 60 days	868 273	572 685
61 - 90 days	3 342	589 142
91 - 120 days	457 715	554 036
>121 days	29 696 579	24 899 251
	31 566 365	27 449 962
Less: Allowance for impairment	(15 688 322)	(8 999 578)
	15 878 043	**18 450 384**
National and provincial government - Past due and impaired		
Current (0 - 30 days)	(325 625)	(725 416)
31 - 60 days	(615 241)	(302 545)
61 - 90 days	-	(495 632)
91 - 120 days	(225 877)	(488 563)
>121 days	(14 521 579)	(6 987 422)
	(15 688 322)	**(8 999 578)**
National and provincial government - Past due and not impaired		
Current (0 - 30 days)	214 831	109 432
31 - 60 days	253 032	270 140
61 - 90 days	3 342	93 510
91 - 120 days	231 838	65 473
>121 days	15 175 000	17 911 829
	15 878 043	**18 450 384**
Total		
Current (0 -30 days)	314 052 155	296 479 625
31 - 60 days	98 469 585	47 303 324
61 - 90 days	11 024 232	30 368 849
91 - 120 days	60 577 343	34 449 480
>121 days	1 737 261 562	1 304 062 347
	2 221 384 877	1 712 663 625
Less: Allowance for impairment	(1 645 480 391)	(1 504 996 071)
	575 904 486	**207 667 554**
Less: Provision for debt impairment		
31 - 60 days	(191 165 494)	(249 191 878)
61 - 90 days	(7 612 727)	(23 272 012)
91 - 120 days	(30 543 735)	(22 522 286)
>121 days	(1 416 158 435)	(1 210 009 895)
	(1 645 480 391)	**(1 504 996 071)**

Notes to the Financial Statements

Figures in Rand	2018	2017

6. Receivables from exchange transactions (continued)

Total debtor past due but not impaired		
Current (0 - 30 days)	153 372 280	69 650 298
31 - 60 days	67 983 965	14 331 247
61 - 90 days	3 411 505	7 096 837
91 - 120 days	30 033 609	11 927 134
>121 days	321 103 127	104 662 035
	575 904 486	**207 667 551**

Reconciliation of allowance for impairment		
Balance at beginning of the year	(1 504 996 071)	(641 466 009)
Contributions to allowance	(140 484 319)	(863 530 064)
	(1 645 480 390)	**(1 504 996 073)**

7. Debt Impairment

Contributions to debt impairment provision	120 355 290	49 832 823
Bad debts reversal	31 550 194	(11 704 171)
	151 905 484	**38 128 652**

8. Cash and cash equivalents

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

Cash and cash equivalents consist of:

Cash on hand	38 014	23 709

The entity had the following bank accounts

Account number / description	Bank statement balances					
	30 June 2018	30 June 2017	30 June 2016			
Standard Bank - Current account - 000190586	1	1	1	-	-	-
Standard Bank - Current account - 000190594	1	1	1	-	-	-
Standard Bank - Current account - 000190535	1	1	1	-	-	-
Total	3	3	3	-	-	-

Notes to the Financial Statements

9. Property, plant and equipment

	2018			2017		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	7 162 399	-	7 162 399	3 972 399	-	3 972 399
Buildings	367 900 668	(154 084 128)	213 816 540	330 278 024	(133 521 749)	196 756 275
Plant and machinery	30 138 320	(20 608 166)	9 530 154	28 509 680	(5 588 797)	22 920 883
Furniture and fixtures	13 641 347	(7 306 425)	6 334 922	17 459 101	(6 512 552)	10 946 549
Vehicles	241 228 650	(178 619 104)	62 609 546	263 362 130	(158 907 235)	104 454 895
Office equipment	20 053 268	(18 690 730)	1 362 538	8 938 856	(7 383 921)	1 554 935
IT equipment	16 217 899	(6 425 894)	9 792 005	16 438 868	(6 710 552)	9 728 316
Landfill sites	470 724 661	(258 262 187)	212 462 474	474 679 886	(288 653 529)	186 026 357
Containers	151 000 285	(126 303 243)	24 697 042	179 898 880	(158 674 755)	21 224 125
Cellphones	(176 419)	176 419	-	370 736	(370 658)	78
Signage	5 550 968	(3 855 339)	1 695 629	5 936 714	(3 688 139)	2 248 575
Total	**1 323 442 046**	**(773 978 797)**	**549 463 249**	**1 329 845 274**	**(770 011 887)**	**559 833 387**

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Depreciation	Total
Land	3 972 399	3 190 000	-	7 162 399
Buildings	196 756 275	37 622 644	(20 562 379)	213 816 540
Plant and machinery	22 920 883	1 628 640	(15 019 369)	9 530 154
Furniture and fixtures	10 946 549	1 242	(4 612 869)	6 334 922
Vehicles	104 454 895	44 812	(41 890 161)	62 609 546
Office equipment	1 554 935	250 602	(442 999)	1 362 538
IT equipment	9 728 316	2 486 172	(2 422 483)	9 792 005
Landfill sites	186 026 357	41 093 603	(14 657 486)	212 462 474
Containers	21 224 125	5 042 157	(1 569 240)	24 697 042
Cellphones	78	-	(78)	-
Signage	2 248 575	-	(552 946)	1 695 629
	559 833 387	**91 359 872**	**(101 730 010)**	**549 463 249**

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Write Off	Depreciation	Total
Land	3 972 399	-	-	-	-	3 972 399
Buildings	174 418 126	33 132 367	-	-	(10 794 218)	196 756 275
Plant and machinery	30 331 526	2 476 743	-	-	(9 887 386)	22 920 883
Furniture and fixtures	12 240 277	889 242	(983 361)	-	(1 199 609)	10 946 549
Vehicles	145 814 878	4 106 326	(499 279)	-	(44 967 030)	104 454 895
Office equipment	2 050 802	316	(73 136)	-	(423 047)	1 554 935
IT equipment	10 912 364	360 723	(88 209)	-	(1 456 562)	9 728 316
Landfill sites	260 198 119	1 507 942	(45 048 828)	-	(30 630 876)	186 026 357
Containers	23 659 982	18 704 281	(6 471)	(19 691 170)	(1 442 497)	21 224 125
Cellphones	-	-	-	-	78	78
Signage	2 513 038	8 003	-	-	(272 466)	2 248 575
	666 111 511	**61 185 943**	**(46 699 284)**	**(19 691 170)**	**(101 073 613)**	**559 833 387**

Notes to the Financial Statements

9. Property, plant and equipment (continued)

Pledged as security

No items of Property plant and Equipment have been pledged as security as at end of financial period.

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

	2018			2017		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Vehicles	241 228 650	(178 619 104)	62 609 546	263 362 130	(158 907 235)	104 454 895

Property, plant and equipment in the process of being constructed or developed

Cumulative expenditure recognised in the carrying value of property, plant and equipment		
Buildings	29 259 346	55 533 599
Landfill sites	9 411 645	15 784 544
Underground bins	8 368 853	6 702 545
	47 039 844	**78 020 688**
Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
Buildings Refurbishments of various depots, landfills and garden sites still underway	5 038 485	51 561 666
Landfills The constructions are still underway at the landfil	6 702 545	6 702 545
Underground bins The underground bins are being modified.	5 229 945	15 784 544
	16 970 975	**74 048 755**

All aśsets that were identifies as completed in the current financial year were transferred from work-in-progress.

Reconciliation of Work-in-Progress 2018

	Included in Property plant and equipment	Total
Opening balance	78 020 688	78 020 688
Additions/capital expenditure	20 450 091	20 450 091
Transferred to completed items	(51 430 935)	(51 430 935)
	47 039 844	**47 039 844**

Reconciliation of Work-in-Progress 2017

	Included in Property plant and equipment	Total
Opening balance	99 479 999	99 479 999
Additions/capital expenditure	22 580 786	22 580 786
Transferred to completed items	(44 040 097)	(44 040 097)
	78 020 688	**78 020 688**

Notes to the Financial Statements

9. Property, plant and equipment (continued)

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Contracted services	96 481 046	100 376 258
General expenses	6 037 132	157 705
	102 518 178	**100 533 963**

The amount relates to amongst others, electrical repairs, plumbing and grass cutting during the year.

10. Intangible assets

	2018			2017		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	19 032 869	(18 728 955)	303 914	19 032 869	(18 667 592)	365 277

Notes to the Financial Statements

10. Intangible assets (continued)

Reconciliation of intangible assets - 2018

	Opening balance	Amortisation	Total
Computer software	365 277	(61 363)	303 914

Reconciliation of intangible assets - 2017

	Opening balance	Amortisation	Total
Computer software	426 639	(61 362)	365 277

No intangible asset was pledged as security in the current financial period.

There are no additions and disposals of intangible asset in the current financial period.

11. Non-current assets held for sale

Name of entity	Listed / Unlisted	% holding 2018	% holding 2017	Carrying amount 2018	Carrying amount 2017
Friedshelf 128 (Pty) Ltd		50,00 %	50,00 %	16 240 072	15 601 910

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

Movements in carrying value

Opening balance	15 601 910	15 791 008
Share of surplus/(deficit) included in statement of financial performance	638 162	(189 098)
	16 240 072	**15 601 910**

Summary of controlled entity's interest in associate

Total assets	36 886 910	36 726 987
Total liabilities	(4 377 174)	(4 381 712)
Revenue	1 228 477	1 138 405
Surplus (deficit)	(87 877)	(169 525)

Associates with different reporting dates

The financial year-end of the associate is the last day of February. The reporting periods of the two entities are more than three months apart. The entity made estimates to the accounts of the associate to bring the two year ends in line with each other. Prior year financial statements amounts of the associate were restated and the impact of that is accounted for in the current year investment in associates amounts recognised in the statement of financial perfomance.

A resolution was taken to dispose of Pikitup's shareholding in Friedshelf (128) Pty Ltd. As at 30 June 2018, this transaction was not completed.

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

Notes to the Financial Statements

12. Financial assets by category

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

2018

	Total
Loans to shareholder	1 255 375 319
Investment of associate	16 240 072
Receivables from non-exchange transactions	182 978 029
Receivables from exchange transactions	575 904 487
Cash and cash equivalent	38 014
	2 030 535 921

2017

	Loans and receivables	Total
Loans to shareholder	1 328 434 219	1 327 680 686
Investment in associates	15 601 910	15 601 910
Receivables from non-exchange transactions	246 267 701	246 267 701
Receivables from exchange transactions	614 602 500	614 602 500
Cash and cash equivalent	23 709	23 709
	2 204 930 039	**2 204 176 506**

13. Finance lease obligation

Minimum lease payments due		
- within one year	49 799 020	53 860 534
- in second to fifth year inclusive	32 284 946	80 842 477
	82 083 966	134 703 011
less: future finance charges	(7 745 075)	(18 589 527)
Present value of minimum lease payments	**74 338 891**	**116 113 484**
Present value of minimum lease payments due		
- within one year	49 799 020	53 860 534
- in second to fifth year inclusive	24 539 871	62 252 950
	74 338 891	**116 113 484**
Current liabilities	53 860 534	53 860 534
Non-current liabilities	20 478 357	62 252 950
	74 338 891	**116 113 484**

The entity leases motor vehicles under a finance lease arrangement with the City of Johannesburg Metropolitan Municipality .

The lease terms vary between 1-5 years and the interest rate was 10% (2017: 10%).

The depreciation and finance charges relating to the leased assets is included as part of the total depreciation and finance charges respectively.

Notes to the Financial Statements

Figures in Rand	2018	2017

14. Payables from exchange transactions

Trade payables	287 475 086	354 796 660
Accrued leave pay	81 892 608	87 711 190
13th Cheque liability	23 739 326	22 654 976
Sundry payables	46 531 799	21 235 139
SARS Liability- VAT	168 088 599	159 866 761
	607 727 418	**646 264 726**

Sundry creditors include amongst others supplier's retention on capital projects and unclaimed credits relating to debtors.

Notes to the Financial Statements

Figures in Rand	2018	2017

15. Employee benefit obligations

Defined benefit plan		
Post Retirement Medical Aid Plan	3 069 000	4 619 373
Post Retirement Gratuity Plan	76 684 932	77 654 450
	79 753 932	**82 273 823**

Post retirement medical aid plan

Pikitup Johannesburg (SOC) Limited has obligations to subsidies medical aid contribution in respect of certain qualifying staff and pensioners and their surviving spouses. Only pensioners and employees who were aged 50 or older and were members of Lamaf (previously called Jomed) and Munimed medical schemes on 01 July 2003.

The above Liability is unfunded. However,The City of Johannesburg Metropolitan Municipality has undertaken to cover such portion of the liability for the staff of Pikitup Johannesburg (SOC) Limited who are entitled to benefits that relate to their service with Pikitup Johannesburg (SOC) Limited since the company's establishment. This amount is determined at 01 July 2003 and has been crystalised in the form of a notional loan account which earned interest of R423 286 (2016 R 566 921) 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.

The City of Johannesburg Metropolitan Municipality operates 6 accredited medical aid schemes,namely Global Health ,Hosmed, Munimed, Bonitas, Samwumed and LA Health Pensioner continue on the option they belong to on the day of their retirement

Amounts recognised in the Statement of financial position

The fair value of plan assets includes

Movements for the year		
Opening balance	4 619 373	4 771 039
Movement	(1 550 373)	(151 686)
	3 069 000	**4 619 353**

Net expense recognised in Statement of Financial Perfomance		
Interest	411 332	423 286
Actuarial (gains) losses	(1 700 945)	(269 028)
Benefits paid	-	(255 240)
	(1 289 613)	**(100 982)**

Notional loan account		
Opening balance	13 389 650	12 758 078
Interest	881 039	937 516
Amount paid by COJ	(260 760)	(305 944)
	14 009 929	**13 389 650**

Key assumption used on last valuation on 30 June 2018

Discount rate used	9.06%	9.26%
Health care cost inflation rate	7.30%	7.56%
Salary inflation rate	7.30%	7.06%
Net discount rate -health care cost inflation	1.64%	1.58%

Post retirement housing subsidy plan

Notes to the Financial Statements

Figures in Rand	2018	2017

15. Employee benefit obligations (continued)

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

The above liability is unfunded . However, the City of Johannesburg Metropolitan Municipality has undertaken to cover such portion of the liability for the staff of Pikitup Johannesburg (SOC) Limited who are entitled to benefits that relate to their service with the City of Johannesburg Metropolitan Municipality since the company 's establishment. This amount was determined at 01 July 2003 and has been crystalised in the form of a notional loan account which earned interest of R6 764 (2016 R2 519) and against which the company may claim benefits payments. 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 and fair value of plan includes:

	2018	2017
Movement for the year		
Opening Balance	-	74 177
Net Expense recognised in the Statement of Financial Perfomance	-	(74 177)
	-	-

	2018	2017
Net expenses recognised in the Statement of Financial Perfomance		
Interest	-	6 764
Actuarial (gain)/ losses	-	(80 941)
	-	(74 177)

Key assumption used on the last valuation on 30 June 2018

	2018	2017
Discounting rate	0%	9.26%
Maximum subsidy inflation rate	0 %	5.29%
Salary inflation rate	0 %	7.06%
Net discount rate - maximum subsidy inflation	0%	3.77%
Average Retirement Age	63	63

Post retirement gratuity plan

Pikitup Johannesburg (SOC) Limited provides gratuities on retirement or prior to death in respect of certain qualifying staff members who have service with The City of Johannesburg Metropolitan Municipality of Pikitup Johannesburg (SOC) Limited when they were not members of one of the retirement funds and who meet certain service requirements in terms of The City of Johannesburg Metropolitan Municipality since the company's establishment.This amount is determines at 01 July 2003 and has been crystalised in the form of a notional loan account which earned interest of R6 958 814 (2016 R6 482 436) and against which the company may claim benefits payments made. This loan does not constitute a plan asset and in terms of GRAP 25 cannot be offset against the liability.

The plan is post retirement gratuity benefit plan.

Amounts recognised in the Statement of Financial Position

	2018	2017
Movement for the year		
Opening balance	77 654 382	78 105 269
Movement	(969 450)	(450 887)
	76 684 932	77 654 382

Notes to the Financial Statements

Figures in Rand	2018	2017

15. Employee benefit obligations (continued)

Net expense recognised in the statement of financial performance

	2018	2017
Interest	6 880 064	6 927 781
Actuarial (gains)/ losses	(1 849 514)	(9 411 522)
Benefits paid	-	(2 466 733)
	5 030 550	**(4 950 474)**

Notional Loan

	2018	2017
Opening Balance	112 455 221	104 681 000
Interest	7 399 539	7 774 221
	119 854 760	**112 455 221**

Key assumptions used on 30 June 2018

	2018	2017
Discount rate used	9.06%	9.26%
Salary inflation rate	7.30%	7.06%
Net discount rate - salary inflation	1.64%	2.06%
Average retirement age	63	63

Pension benefits

Post Retirement Liability

	2018	2017
Post retirement medical aid plan	3 069 000	4 619 373
Retirement gratuity	76 685 000	77 654 450
	79 754 000	**82 273 823**

Defined contribution plan

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

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

Included in defined contribution plan information above, are Multi-Employer Funds and Defined Benefit Plans, but due to the fact that sufficient information is not available to enable the entity to account for the plans as defined benefit plans. The entity accounted for these plans as a defined contribution plans.

Notes to the Financial Statements

16. Provisions

Reconciliation of provisions - 2018

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Total
Performance bonus	11 818 503	5 097 768	(5 923 244)	-	-	10 993 027
Environmental rehabilitation: Closed landfill site	167 674 624	-	-	(3 476 891)	12 452 636	176 650 369
Environmental rehabilitation: Open landfill sites	382 877 394	31 250 211	-	-	28 435 027	442 562 632
	562 370 521	**36 347 979**	**(5 923 244)**	**(3 476 891)**	**40 887 663**	**630 206 028**

Reconciliation of provisions - 2017

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Change in discount factor	Total
Performance bonus	12 042 586	11 025 156	(10 694 998)	(554 241)	-	11 818 503
Environmental rehabilitation: Closed landfill site	160 549 209	-	-	(3 474 847)	10 600 262	167 674 624
Environmental rehabilitation: Open landfill sites	401 422 314	-	-	(45 048 828)	26 503 908	382 877 394
	574 014 109	**11 025 156**	**(10 694 998)**	**(49 077 916)**	**37 104 170**	**562 370 521**

Non-current liabilities (Landfill rehabilitation)	619 213 001	550 552 018
Current liabilities	10 993 027	11 818 503
	630 206 028	**562 370 521**

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

- The 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.

Perfomance bonus provision

The provision for bonus relates to perfomance bonuses for employees to whom the perfomance contracts applies for the period ended 30 June 2018. The perfomance bonus will be paid in the next financial year .

17. Financial liabilities by category

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

2018

Notes to the Financial Statements

17. Financial liabilities by category (continued)

	Total
Loans from shareholder	1 166 608 131
Payables from exchange transactions	607 727 418
Finance lease	74 338 891
	1 848 674 440

2017

	Total
Loans from shareholder	1 104 552 846
Payables from exchange transactions	529 475 665
Finance lease	116 113 484
	1 750 141 995

18. Share capital

Authorised		
1000 Ordinary Shares of R1 each	1 000	1 000
Issued		
1000 Ordinary share of R1 each	1 000	1 000

19. Revenue

Service charges	1 501 175 179	1 347 374 412
Sundry revenue	4 334 027	4 587 967
Discount received	683 546	553 767
Interest received - Sweeping	34 692 969	32 382 802
Grants & subsidies	619 565 966	698 261 937
Levies	171 641 491	150 116 363
	2 332 093 178	**2 233 277 248**

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

Service charges	1 501 175 179	1 347 374 412
Sundry revenue	4 334 027	4 587 967
Discount received	683 546	553 767
Interest received - investment	34 692 969	32 382 802
	1 540 885 721	**1 384 898 948**

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

Grants and subsidies	619 565 966	698 261 937
City cleaning levy	171 641 491	150 116 363
	791 207 457	**848 378 300**

Notes to the Financial Statements

Figures in Rand		2018	2017

20. Grants and subsidies

SETA Grant		2 399 966	3 499 937
Operating Grants from COJ		617 166 000	694 762 000
		619 565 966	**698 261 937**

The grants received are from the shareholders and operational.

21. Operating surplus

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

Operating lease charges			
Premises			
• Contractual amounts		10 098 751	8 421 287
Amortisation on intangible assets		61 363	61 362
Depreciation on property, plant and equipment		101 730 010	101 073 611
Employee costs		976 136 582	948 378 140

22. Employee related costs

Basic salaries		652 211 319	655 269 482
Hostel charges		5 645 972	5 871 352
Provident fund contributions		2 185	7 014
Uniforms and protective clothing		9 263 783	653 764
Medical examinations		-	1 600
Housing benefits and allowances		1 592 451	1 625 931
Overtime payments		75 818 473	68 704 129
Bonus		47 528 001	47 751 597
UIF		6 795 747	6 999 285
WCA		8 037 105	5 563 302
SDL		8 004 264	7 845 341
Leave pay provision charge		16 568 732	9 890 283
Other allowances		4 872 276	4 407 744
Bargaining council levies		401 338	388 485
Gratuities		7 141 501	5 356 919
Pension funds adjustment		(9 550 459)	(7 759 670)
Defined contribution plans	15	97 213 862	93 373 020
Acting allowances		884 748	2 400 055
Public holiday allowance		16 963 107	17 658 716
Car allowance		22 167 660	22 369 791
Casual services		4 574 517	-
		976 136 582	**948 378 140**

23. Depreciation and amortisation

Property, plant and equipment		101 730 010	101 073 611
Intangible assets		61 363	61 362
		101 791 373	**101 134 973**

Notes to the Financial Statements

Figures in Rand	2018	2017

24. Finance costs

Shareholders loan account	48 147 824	40 809 554
Interest on post retirement benefits	(989 182)	(1 322 873)
Finance leases	9 661 182	13 461 502
Interest unwinding on rehabilitation of landfill	40 887 664	37 104 170
Net landfill rehabilitation adjustment and other interest reversals	(3 476 891)	(7 195 357)
	94 230 597	**82 856 996**

25. Auditors' remuneration

Internal	2 528 890	3 856 528
External	3 177 225	2 457 244
	5 706 115	**6 313 772**

26. Cash generated from operations

Surplus	179 532 281	225 047 318
Adjustments for:		
Depreciation and amortisation	101 791 373	101 134 973
Loss on sale of assets and liabilities	-	1 650 454
Loss on discontinued operations	(3 550 459)	-
Adjustment on landfills	-	(45 048 828)
Profit/Loss from equity accounted investments	(638 162)	189 098
Finance costs	36 421 591	82 856 996
Interest income	-	(32 382 802)
Discount received	(683 546)	(553 767)
Grants income	-	-
Debt impairment	99 894 822	(394 465 487)
Movements in retirement benefit assets and liabilities	-	(2 180 544)
Movements in provisions	-	(31 320 104)
Other non-cash items	116 014 548	246 955 943
Changes in working capital:		
Inventories	4 297 327	846 216
Receivables from exchange transactions	(333 824 406)	200 193 381
Other receivables from non-exchange transactions	8 413 993	(64 367 888)
Provision	(825 476)	-
Construction contracts and receivables	(99 894 822)	-
Payables from exchange transactions	(67 321 574)	90 447 809
	39 627 490	**379 002 768**

Notes to the Financial Statements

Figures in Rand	2018	2017

27. Commitments

Commitments in respect of capital expenditure:

Authorised and contracted for		
• Property, plant and equipment	49 562 800	51 413 856
Total capital commitments		
Authorised and contracted for	49 562 800	51 413 856

The commitments amounts above are exclusive of Value Added Tax.

Commitment was previously reported inclusive of both capital and operational commitment. The capital commitment for last year was reported at R73 780 000 and operational was reported at R205 361 355. The capital commitment reported in prior period was based on approved budget. The revised amount of R51 413 856 is based on contractual commitment not approved budget. The operational commitment is no longer disclosed as it was not a requirement from GRAP standards.

Operating leases – as lessee (Buildings)

Minimum lease payments due		
- within one year	8 593 537	7 290 850
- in second to fifth year inclusive	10 803 292	14 474 716
	19 396 829	**21 765 566**

Operating lease payments represent rentals payable by the entity for Pikitup head office, Midrand Depot and printing machines.

Notes to the Financial Statements

Figures in Rand	2018	2017

28. Contingencies

The plaintiff is claiming for damages for injuries allegedly sustained at or near Orange farm garden site. The plaintiff is claiming compensation for pain suffered .The total amount claimed is R400 000. The entity is defending the matter. The pleadings in the matter are closed . The trial can be anticipated late in 2019 or the beginning of 2020.

The plaintiff is claiming monies for services rendered which it is alledged Pikitup has not paid . The total amount claimed is R333 790. The trial date has been applied for and it is expected that it will be set for the latter part of 2019 or early 2020.The likelihood of recovering legal costs should the entity succeed are remote.

The plaintiff is claiming that his former company contracted with the entity and alleges that the entity is in breach of the contract by failing to pay for the equipment purchased by the plaintiff in fulfilment of the contract . The said company is liquidated . The paintiff in this matter is not acting and therefore the matter has remained domant. The amount claimed is R10 000 000. The likelihood of recovering costs should the entity succeed are remote.

The entity is reviewing the arbitration award in favour of an employee where CCMA ruled that the employee was unfairly dismissed. The amount to be paid in terms of the arbitration award should the review fail is R2 838 333. The directive was provided and parties have filed their heads of arguments. The hearing date is allocated for 29th August 2018. The likelihood of recovering the costs from the applicants are remote.

The employee took the entity to SALGBC for unfair dismissal after termination of the employee's services. The amount to be paid should the matter be rules in favour of the employee is R2 824 452. The matter is part heard and will be goiong to CCMA on the 24th July 2018.The likelihood of recovering the costs from the applicants are remote.

The employee took the entity to CCMA for unfair dismissal after termination of the employee's services. The amount to be paid should the matter be rules in favour of the employee is R2 495 239. The directive was provided and the matter will be heard on the the 13th August 2018.The likelihood of recovering the costs from the applicants are remote.

An ex-employee took the entity to court for withholding annual leave and salary payments at the time of termination of service pending other disputes. The total amount to be paid amounts to R 966 645. The matter was settled in July 2018 and payment was made to the ex-employee.

The aggregate amount for claims are as follows:

- Claims for damages R400 000
- Claims for unpaid services R333 790
- Breach of contract R10 000 000
- Labour related R9 124 669

Notes to the Financial Statements

Figures in Rand	2018	2017

29. Related parties

Relationships	
Directors	Refer to directors' report note
Controlling entity	The City of Johannesburg Metropolitan Municipality
Other members of the group	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 Roodepoort City Theatre NPC Joburg Theatre SOC Ltd The Johannesburg Fresh Produce Market SOC Ltd The Johannesburg Zoo NPC Johannesburg Social Housing Company SOC Ltd
Associates	Refer to note 11

Related party balances

	2018	2017
Amounts included in Loans, Trade and other receivables regarding related parties		
Johannesburg Development Agency SOC Ltd	-	299 900
Amounts included in trade and other payables regarding related parties		
City of Johannesburg Property Company SOC Ltd	-	431 695
Johannesburg City Parks NPC	91 331	-
The Johannesburg Fresh Produce Market SOCLtd	-	189 160
	91 331	**620 855**
Loans accounts owing by related parties		
City of Johannesburg Metropolitan Municipality	1 099 378 602	1 454 279 090
Loan account owing to related parties		
City of Johannesburg Metropolitan Municipality	883 163 456	1 105 306 379
City of Johannesburg Metropolitan Municipality- (included in Payables from exchange transactions)	42 988 879	56 609 234
City of Johannesburg Metropolitan Municipality- Fleet Lease	74 338 891	116 113 484
	1 000 491 226	**1 278 029 097**

Notes to the Financial Statements

Figures in Rand	2018	2017

29. Related parties (continued)

Related party transactions

Sales to related parties		
City of Johannesburg Metropolitan Municipality	659 775 396	736 084 719
Johannesburg Social Housing Company SOC Ltd	1 001 735	491 255
Johannesburg Metropolitan Bus Services SOC Ltd	147 944	166 301
City Power Johannesburg SOC Ltd	1 086 684	1 322 579
Johannesburg Water SOC Ltd	1 237 428	1 004 469
Joburg Theatre SOC Ltd	225 021	168 973
Johannesburg City Parks NPC and Zoo	2 976 372	3 641 885
Johannesburg Development Agency SOC Ltd	-	263 070
Johannesburg Roads Agency SOC Ltd	1 224 023	3 012 811
The Johannesburg Fresh Produce Market SOC Ltd	18 397 481	12 061 041
	686 072 084	**758 217 103**
Purchases from related parties		
City of Johannesburg Metropolitan Municipality	84 425 672	77 119 979
Johannesburg Social Housing Company SOC Ltd	4 627 290	-
City Power Johannesburg SOC Ltd	4 129 171	2 884 456
City of Johannesburg Property Company SOC Ltd	290 000	378 681
Johannesburg Water SOC Ltd	6 960 762	8 505 389
Johannesburg City Parks NPC	114 943	-
The Johannesburg Fresh Produce Market SOC Ltd	27 870	189 160
	100 575 708	**89 077 665**
Other expenses paid to (received from) related parties		
City of Johannesburg Metropolitan Municipality - sweeping account interest received	(11 758 219)	(11 927 130)

The amounts above are exclusive of Value Added Tax.

30. Change in estimate

Property, plant and equipment

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

Robinson deep landfill site useful life changed from 5 to 4 years.

Ennerdale landfill site useful life changed from 7 to 10 years.

Marie louise landfill site changedfrom 3 to 1 year.

Goudkoppies landfill sites useful life changed from 9 to 10 years.

The impact of the change in estimate is the decrease in the annual depreciation charge by R585 685.

31. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Notes to the Financial Statements

Figures in Rand

31. Prior-year adjustments (continued)

Statement of financial position

2017

	As previously reported	Correction of error	Restated
Payables from exchange transactions	755 077 951	108 813 225	646 264 726
Amounts owed by SARS	(1 777 917)	1 777 917	-
Receivables from exchange transactions	963 536 861	(755 869 310)	207 667 551
	1 716 836 895	**(645 278 168)**	**853 932 277**

Statement of financial performance

2017

	As previously reported	Correction of error	Restated
Allowance for doubtful debts	105 740 101	(67 611 449)	38 125 652
General expenditure	-	(2 310)	-
Surplus for the year	**105 740 101**	**(67 613 759)**	**38 125 652**

Notes to the Financial Statements

31. Prior-year adjustments (continued)

The following prior period errors adjustments occurred:

Error

The prior year errors in the Statement of Financial Position relates to adjustments processed in the accounting records due to the indicator of impairment that was not evaluated in the previous financial year. The SARS prior year error relates to incorrect SARS liability that was recognised in the financial statements. The error on payables relates to the amount that was recognised twice in the accounting records.

Reclassifications

The following reclassifications adjustment occurred:

32. 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 wholy 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 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.

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 onan ongoing basis. The company is therefore exposed to credit risk.

The entity is not legally allowed to access loans or long term liability from the open market. All its loans are intercompany loans with the shareholder at the rate determined by the shareholder. The rate was 11.23% for current year and 10.86% for prior year and they are normally the same rate that the shareholder access the loans from the open market. These rates, at the entity level are not exposed to market risk or indicators.

33. Going concern

As at 30 June 2018, the entity had accumulated surplus of R 113 590 147 (2017: R69 610 222) and that the entity's total assets exceed its liabilities by R 156 592 955 (2017: R26 607 414).

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

Notes to the Financial Statements

Figures in Rand

34. Fruitless and wasteful expenditure

Reconciliation of fruitless and wasteful expenditure		
Opening balance	16 046 750	16 043 250
Fruitless and wasteful expenditure current year	-	3 500
Fruitless and wasteful expenditure prior year	346 946	-
	16 393 696	**16 046 750**

The fruitless and wasteful expenditure incurred in the current financial period relates to interests and penalties on PAYE short payments of settlements and abitrations, retrospective payments of employee settlements,death benefits and gratuity payments.

35. Irregular expenditure

Reconciliation of irregular expenditure		
Opening balance	580 845 668	349 433 227
Irregular expenditure current year	124 198 824	130 099 974
Irregular expenditure discovered in current year for prior period	25 040 993	101 312 467
	730 085 485	**580 845 668**

Details of irregular expenditure – current year	
Construction of weighbridges	5 774 400
Landfill operations and maintanance	7 146 000
Provision of security services	2 649 950
Street Cleaning for Jozi @ work	36 526 602
Supply of plant and machinery for cleaning of illegal dumping	8 963 604
Training	46 340
Research on bin pilot	1 228 070
Procurement of use of Cloud space	1 456
Procurement of fleet	24 303 356
Procurement of fleet - Yellow plant	37 559 046
	124 198 824

36. Procurement in terms of paragraph 32 of Supply Chain Management regulations

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.

Deviations approved by the Accounting Officer	Amounts
Recruitment	477 940
Security services	31 407 087
Landfill operations	45 133 327
	77 018 354

37. Taxation

The company is in a tax loss situation with a tax loss of R24,245,121 (2017:R198,461,119). The assesed loss and temporary difference results in a deffered tax asset. In terms of IAS 12 deferred tax asset is recognised for deductible temporary differences,unused tax losses and unused tax credits to the extend that taxable profit will be available against which temporary differences will be utilised. Management is of the view that no future taxable profit will be realised,hence no deferred tax asset is recognised.

Notes to the Financial Statements

Figures in Rand

38. Directors' emoluments

2018

	Emoluments
Mr Shongwe B (Chairperson)	474 673
Hattingh W	35 420
Buys R	68 443
Ms Bogatsu SR	289 174
Mr Brenner L	473 754
Dr Hanekom PE	315 695
Ms Kana NF	271 258
Mr Mathebula VL	48 000
Mr Mufana G	68 443
Mr Mayne CD	292 985
Prof Netswera FG	192 840
Dr Nyabeze WRR	271 256
Prof Snyman J	216 672
DK Adams	(4 418)
LJ Matshekga	(615)
	3 013 580

Executive Management

		Basic Salary	Medical Aid Contribution	Pension Fund Contribution	Travel Allowance	Cellphone allowance	Bonus	Leave	Total
Mr Dhlamini L	Managing Director	1 915 326	47 306	250 736	358 284	-	-	-	2 571 654
Mr Maharaj S	Chief Financial Officer	1 462 430	-	107 121	-	-	30 390	361 624	1 961 567
Ms Venter C	Chief Operating Officer	1 288 692	47 306	104 770	90 576	3 750	-	-	1 535 095
Ms Jack PN	Executive Director : Waste Minimisation Strategy and Programme	440 519	-	30 346	-	-	25 976	160 067	496 842
Mr Thekiso J	Executive Director Corporate Services	758 325	-	65 093	150 000	-	28 867	315 854	1 002 286
Mr Selepe LD	Chief Audit Executive	1 216 143	-	98 750	132 000	-	28 164	-	1 475 057

Notes to the Financial Statements

Figures in Rand

38. Directors' emoluments (continued)

Mr Dekker FJ	Company Secretary	687 486	-	52 021	17 285	-	28 594	161 439	785 388
		7 768 921	**94 612**	**708 837**	**748 145**	**3 750**	**979 536**	**161 439**	**9 827 889**

2017

	Travel Allowance	Committees fees
Mr Shongwe B (Chairperson)	-	96 730
Bp Adams DK	-	180 997
Mr Badela G	-	59 319
MS Bogatsu SR	-	333 772
Mr Brenner L	-	275 248
Dr Hanekom P	-	552 747
Ms Kana N	-	218 058
Mr Matshekga LJ	1 693	51 382
Mr Mayne C	-	209 882
Prof Netswera G	33 276	110 006
Dr Nyabeze WRR	5 380	47 464
Adv Rampai TD	-	260 935
Prof Snyman J	-	187 760
	-	54 084

Executive Management		Basic Salary	Medical Aid Contribution	Pension Fund Contribution	Travel Allowance	Cellphone Allowance	Acting Allowance	Accelerated Termination of Contract	Total
Mr Dhlamini L	Managing Director	297 813	7 740	39 461	59 714	-	-	-	404 728
Mr Maharaj S	Chief Financial Officer	1 654 144	-	121 385	-	-	65 212	-	1 840 741
Mr Venter C	Chief Operating Officer	603 988	19 355	-	37 740	3 750	-	-	664 833
Ms Jack PN	Executive director : Waste Minimisation Strategy and Programme	1 657 144	-	121 385	-	-	-	-	1 778 529
Mr Thekiso J	Executive Director: Corporate Services	1 416 328	-	125 720	300 000	-	-	-	1 842 048
Mr Selepe LD	Chief Audit Executive	1 141 032	-	93 250	132 000	-	-	-	1 366 282
Mr Dekker FJ	Company Secretary	1 384 410	-	104 044	36 000	-	-	-	1 524 454

Notes to the Financial Statements

Figures in Rand

38. Directors' emoluments (continued)

Ms Nair A	628 854	-	40 094	114 321	-	-	1 097 047	1 880 316
	8 783 713	**27 095**	**645 339**	**679 775**	**3 750**	**65 212**	**1 097 047**	**11 301 931**