Pikitup Johannesburg (Proprietary) Limited
Trading as Pikitup
Annual Financial Statements
for the year ended 30 June 2010

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.
DIRECTORS	Radebe Pumla (Chairperson) Zami Nkosi (Managing Director) Botha Anissia Kgomo Sethakgi Mashanda Thulisile Mashika Duncan Moeketsi Rammilo Nemukula Vuledzani Raghubir Sanjeev Ruiters Cornelius
REGISTERED OFFICE	Pikitup Building Corner Bertha & Juta Streets Braamfontein Johannesburg 2001
BUSINESS ADDRESS	Pikitup Building Corner Bertha & Juta Streets Braamfontein Johannesburg 2001
POSTAL ADDRESS	Private Bag X74 Braamfontein Johannesburg 2001
CONTROLLING ENTITY	The City of Johannesburg Metropolitan Municipality incorporated in South Africa
AUDITORS	The Auditor General of South Africa
SECRETARY	Bongie Memela
COMPANY REGISTRATION NUMBER	2000/029899/07

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ABBREVIATIONS

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
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
ME's	Municipal Entities
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
CJMM	City of Johannesburg Metropolitan Municipality

Board's Responsibilities and Approval

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

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP).

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

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

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

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

Pumla Radebe
Chairperson

Zami Nkosi
Managing director

Board's Report

The directors submit their report for the year ended 30 June 2010.

1. INCORPORATION

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

2. REVIEW OF ACTIVITIES

Main business and operations

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

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

Net deficit of the entity was R 225,457,516 (2009: surplus R 10,678,482), after taxation of R 89,742,138 (2009: R 6,363,535).

3. GOING CONCERN

We draw attention to the fact that at 30 June 2010, the entity had accumulated deficits of R (348,703,159) and that the entity's total liabilities exceed its assets by R (344,893,707).

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

The ability of the entity to continue as a going concern is dependent on a number of factors. The most significant of these is that the directors continue to procure funding for the ongoing operations for the entity and that the subordination agreement referred to in note 42 of these annual financial statements will remain in force.

4. SUBSEQUENT EVENTS

The directors are not aware of any matter or circumstance arising since the end of the financial year to date of this report, not otherwise dealt with in financial statements, which significantly affect the financial position of the company or the results of its operations that would require adjustments to or disclosure in the annual financial statements.

5. DIRECTORS' INTEREST IN CONTRACTS

None of the directors have any interest in any contracts entered into by the company

6. ACCOUNTING POLICIES

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

7. SHARE CAPITAL

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

According to the company's register at 30 June 2010 The City of Johannesburg Metropolitan Municipality held 100% of the ordinary share capital of the company.

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

Board's Report

8. BORROWING LIMITATIONS

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

9. DIVIDENDS

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

10. MANAGEMENT AGREEMENT

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

11. BOARD

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

Name	Nationality	Changes
Radebe Pumla (Chairperson)	South African	
Zami Nkosi (Managing Director)	Managing Director	
Botha Anissia	South African	
Kgomo Sethakgi	South African	
Mashanda Thulisile	South African	
Mashika Duncan	South African	Appointed 26 January 2010
Moeketsi Rammilo	South African	
Nemukula Vuledzani	South African	
Phaho David	South African	Resigned 26 January 2010
Raghubir Sanjeev	South African	
Ruiters Cornelius	South African	

12. SECRETARY

The secretary of the entity is Bongie Memela of:

Business address	Pikitup Building Corner Bertha & Juta Streets Braamfontein 2001
Postal address	Private Bag X74 Braamfontein 2017

Board's Report

13. CORPORATE GOVERNANCE

General

The board is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the board supports the highest standards of corporate governance and the ongoing development of best practice.

Board of directors

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

Chairperson and managing directors

The Chairperson is a non-executive and independent director.

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

Remuneration

The remuneration of the Managing directors is determined by the Shareholder.

Board meetings

The board meets atleast 4 times per year. In addition 3 special board meetings took place in the year under review.

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

Name	Board Meeting	Audit committee meeting	Finance Commitee Meetings	Human resources committee Meetings	Operations committee meetings
Ruiters Cornelius	5	-	-	-	3
Botha Anissia	5	-	-	2	-
Phaho David	4	-	-	2	2
Raghubir Sanjeev	3	-	-	-	2
Kgomo Sethakgi	4	-	-	3	-
Mashika Duncan	1	1	1	-	-
Moeketsi Rammilo	3	2	1	-	-
Radebe Pumla (Chairperson)	7	-	3	3	3
Zami Nkosi (Managing Director)	6	5	3	2	3
Nemukula Vuledzani	6	4	4	-	-
Mashanda Thulisile	7	5	4	-	-

Board's Report

Audit and risk committee

The Chairperson of the audit committee is Vuledzani C Nemukula and he is a non-executive director. Other members are Herman Moeketsi, Thulisile Mashanda and Duncan Mashika who was appointed on the 26 January 2010. The committee held 6 meetings during the 2009/10 financial year to review matters necessary to fulfill its role.

Independent members of the audit committee are Masesi Malope, Waldo Hattingh and Rudolf Buys who was appointed on 26 January 2010.

Internal audit

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

14. CONTROLLING ENTITY

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

15. INTEREST IN CONTROLLED ENTITIES

Details of the entity's investment in controlled entities are set out in note 12.

16. SPECIAL RESOLUTIONS

The Company did not pass any special resolutions.

17. BANKERS

Amalgamated Bank of South Africa Limited (ABSA Bank).

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

18. AUDITORS

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

Certificate by Secretary

In terms Section 268 G(d) of the Municipal Finance Management Act, Act 56 of 2003, and the Companies Act of South Africa, Act 61 of 1973, as amended, I certify that the entity has lodged with the Registrar all such returns as required by the Companies Act and that all such returns are true, correct and up to date.

Bongie Memela

Johannesburg
27 August 2010

Statement of Financial Position

Figures in Rand	Note(s)	2010	2009
ASSETS			
Current Assets			
Inventories	4	2,877,100	3,083,289
Loans to shareholders	5	102,569,529	117,081,624
Amount owed by SARS		13,712,403	-
Trade and other receivables	7	157,904,291	103,302,453
Non-current asset held for sale- Transferred to Investment in associates	39	-	2,377,650
Cash and cash equivalents	9	11,221	11,221
		277,074,544	**225,856,237**
Non-Current Assets			
Property, plant and equipment	10	230,944,659	239,780,476
Intangible assets	11	31,872,679	33,074,129
Investments in associates	12	3,350,277	-
Loans to shareholders	5	84,769,221	79,530,221
Deferred tax	14	-	89,742,138
		350,936,836	**442,126,964**
Total Assets		**628,011,380**	**667,983,201**
LIABILITIES			
Current Liabilities			
Loans from shareholders	5	201,569,813	27,546,918
Other financial liabilities	39	-	14,353,676
Current tax payable		-	44,126,397
Finance lease obligation	15	2,408,298	1,613,615
Operating lease liability	6	361,420	19,237
Trade and other payables	16	234,122,345	173,399,933
Provision	17	2,440,347	7,622,670
		440,902,223	**268,682,446**
Non-Current Liabilities			
Loans from shareholders	5	116,597,610	126,958,660
Finance lease obligation	15	1,181,169	3,589,467
Operating lease liability	6	92,726	-
Retirement benefit obligation	8	81,780,000	85,152,000
Provision	17	332,351,363	303,946,469
		532,002,868	**519,646,596**
Total Liabilities		**972,905,091**	**788,329,042**
Net Assets		**(344,893,711)**	**(120,345,841)**
NET ASSETS			
Share capital	19	1,000	1,000
Reserves			
Revaluation reserve	20	3,808,452	2,898,802
Accumulated deficit		(348,703,159)	(123,245,643)
Total Net Assets		**(344,893,707)**	**(120,345,841)**

Statement of Financial Performance

Figures in Rand	Note(s)	2010	2009
Revenue			
Service charges		1,053,506,053	1,055,147,812
Rental of facilities and equipment		3,560,903	1,428,180
Government grants & subsidies		15,417,158	9,842,292
Fair value adjusment		(11,704,594)	(12,286,932)
Miscellaneous other revenue		4,834,562	1,595,281
	21	**1,065,614,082**	**1,055,726,633**
Other income			
Discount received		-	65,857
Bad debts recovered		49,592	2,375,139
Recoveries- Insurance claim		648,142	-
Interest received		20,778,893	36,482,534
Income from equity accounted investments		62,978	-
		21,539,605	**38,923,530**
Expenses (Refer to page 11)		**(1,153,632,347)**	**(997,545,944)**
Operating (deficit) surplus	26	**(66,478,660)**	**97,104,219**
Finance costs	29	(69,236,718)	(79,851,882)
Loss from equity accounted investments		-	(210,320)
		(69,236,718)	**(80,062,202)**
(Deficit) surplus before taxation		**(135,715,378)**	**17,042,017**
Taxation	30	89,742,138	6,363,535
(Deficit) surplus for the year		**(225,457,516)**	**10,678,482**

STATEMENT OF FINANCIAL PERFORMANCE

Figures in Rand	Note(s)	2010	2009
Operating expenses			
Advertising		(694,340)	(846,638)
Assessment rates & municipal charges		4,845,045	22,675,779
Auditors remuneration	31	(984,371)	(1,073,619)
Bad debts		(4,197,734)	7,728,268
Bank charges		(130,105)	(120,501)
Cleaning		(419,503)	(522,161)
Commission paid		(751,820)	(792,653)
Computer expenses		(7,035,230)	(6,984,537)
Legal expenses		(2,920,416)	(1,937,628)
Consulting and professional fees 1		(17,034,820)	(15,129,666)
Consumables		(6,771,300)	(5,032,979)
Entertainment		(534,363)	(792,354)
Hire		(745,122)	(630,402)
Insurance		(1,216,833)	(1,883,847)
Conferences and seminars		(642,508)	(963,338)
Lease rentals on operating lease		(564,700)	(848,888)
Fleet		(552,146,340)	(457,456,792)
Marketing		(14,305,109)	(11,263,952)
Motor vehicle expenses		(109,745)	(46,748)
Petrol and oil		-	(59,310)
Postage		(485,514)	(620,639)
Printing and stationery		(841,806)	(331,464)
Repairs and maintenance		(13,717,158)	(15,825,025)
Security		(10,510,366)	(11,391,638)
Staff welfare		(2,451,164)	(2,627,673)
Subscriptions		(118,124)	(82,524)
Telephone and fax		(5,946,009)	(4,838,616)
Training		(4,724,785)	(7,657,753)
Travel - overseas		(872,205)	(1,425,232)
Refuse		(87,455)	(11,928)
Utilities		(9,568,278)	(27,005,145)
Sars penalty		(5,229,822)	(12,086,364)
Sundries		(67,310)	(209,076)
Safety Equipment		(663,935)	(46,880)
Cost of housing sold		(786,548)	(869,495)
Disposal fees		(12,638,557)	(9,810,205)
Books and publications		(976)	(209,643)
Payroll processing		(1,128,656)	(212,598)
Recruitment fees		(223,263)	(632,224)
Medical expenses		(185,900)	(434,904)
Veterinary department		-	(525)
Asset scrapped		-	(6,060,537)
Asset Scrapped		(2,237,690)	-
Employee costs		(428,011,732)	(379,947,201)
Depreciation, amortisation and impairments		(46,775,780)	(39,226,689)
		(1,153,632,347)	**(997,545,944)**

Statement of Changes in Net Assets

Figures in Rand	Note(s)	Share capital	Revaluation reserve	Accumulated deficit	Total equity
Opening balance as previously reported		1,000	2,701,052	(99,043,015)	(96,340,963)
Adjustments					
Prior year adjustments	38	-	-	(34,881,110)	(34,881,110)
Balance at 01 July 2008 as restated		**1,000**	**2,701,052**	**(133,924,125)**	**(131,222,073)**
Changes in net assets					
Surplus for the year		-	-	10,678,482	10,678,482
Donated/contributed PPE		-	197,750	-	197,750
Total changes		-	197,750	10,678,482	10,876,232
Opening balance as previously reported		1,000	2,898,802	(101,911,026)	(99,011,224)
Adjustments					
Prior year adjustments	38	-	-	(21,334,617)	(21,334,617)
Balance at 01 July 2009 as restated		**1,000**	**2,898,802**	**(123,245,643)**	**(120,345,841)**
Changes in net assets					
Deficit for the year		-	-	(225,457,516)	(225,457,516)
Donated/contributed PPE		-	909,650	-	909,650
Total changes		-	909,650	(225,457,516)	(224,547,866)
Balance at 30 June 2010		**1,000**	**3,808,452**	**(348,703,159)**	**(344,893,707)**

Pikitup Johannesburg (Proprietary) Limited
(Registration number 2000/029899/07)
Trading as Pikitup
Annual Financial Statements for the year ended 30 June 2010

Cash flow statement

Figures in Rand	Note(s)	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Sale of goods and services		894,638,069	1,070,454,561
Interest income		9,365,287	36,482,534
		904,003,356	1,106,937,095
Payments			
Suppliers		(931,441,942)	(1,045,217,355)
Finance costs		(32,443,373)	(29,291,305)
Tax paid	33	(57,838,800)	-
		(1,021,724,115)	(1,074,508,660)
Net cash flows from operating activities	32	**(117,720,759)**	**32,428,435**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	10	(32,206,640)	(24,397,200)
Proceeds from sale of property, plant and equipment	10	1,705,570	-
Purchase of other intangible assets	11	(6,782,027)	(31,861,752)
Net cash flows from investing activities		**(37,283,097)**	**(56,258,952)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of other financial liabilities		(14,353,676)	(19,326,533)
Repayment of shareholders loan		172,934,940	46,407,739
Finance lease payments		(1,613,615)	(3,252,189)
Net cash flows from financing activities		**156,967,649**	**23,829,017**
Net increase/(decrease) in cash and cash equivalents		**-**	**(1,500)**
Cash and cash equivalents at the beginning of the year		11,221	12,721
Cash and cash equivalents at the end of the year	9	**11,221**	**11,221**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board in accordance with the Municipal Finance Management Act (Act 56 of 2003).These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

Asset, Liabilities, revenue and expenses have not been offset except where offsetting is required by GRAP

Where the classification have been amended prior period comparatives have been amended

These accounting policies are consistent with the previous period, except for the changes set out in note 2 Changes in accounting policy

1.1 Significant judgements and sources of estimation uncertainty

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

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the entity for similar financial instruments.The discounting rates for the period under review is 9% (2009: 8.40%)

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.

Management used the higher of value-in-use and fair value less cost to sell to determine the recoverable amount of intangible assets with an indefinite useful life and identifying assets that may have been impaired.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 17 - Provisions.

Assumptions were used in determing the provision for rehabilitation of landfill sites. Landfill areas are rehabilitated over years and the assumption was made that the areas stay the same in size for a number of years.

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

The estimates are discounted at a pre-tax discount rate that reflect current market assessments of the time value of money.

The increase in the restoration provision due to passage of time is recognised as borrowing cost in the income statement

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

Accounting Policies

1.1 Significant judgements and sources of estimation uncertainty (continued)

Provisions are measured at the directors' 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.

A provision is recognised when:
- the company has a present obligation (legal or constructive) as a result of a past event;
-it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

Taxation

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

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

Useful lives of assets

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

Post retirement benefits

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

Effective interest rate

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

Allowance for doubtful debts

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

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

1.2 Property, plant and equipment

The cost of an item of property, plant and equipment is recognised as an asset when:
- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

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

Accounting Policies

1.2 Property, plant and equipment (continued)
discounts and rebates are deducted in arriving at the cost.

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

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

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

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

Item	Average useful life
Land	Indefinite
Buildings	10-20 years
Plant and machinery	6-10 years
Furniture and fixtures	10 years
Office equipment	6-10 years
IT equipment	6-10 years
Infrastructure	
• Goudkoppies	30 years
• Robinson deep	20 years
• Marie Louise	13 years
• Ennerdale	15 years
Bins and containers	6-10 years
Signage	6-10 years

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.

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

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

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

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

1.3 Intangible assets

An asset is identified as an intangible asset when it:
- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the entity or from other rights and obligations.

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

Intangible assets are initially recognised at cost.

Accounting Policies

1.3 Intangible assets (continued)

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

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

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

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

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

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

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

Item	Useful life
Computer software -SAP	4 years
Other computer software	15 years

1.4 Investments in associates

An investment in an associate is carried at cost less any accumulated impairment.

1.5 Financial instruments

Initial recognition and measurement

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

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

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

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

Loans to (from) economic entities

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

Loans to economic entities are classified as loans and receivables.

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

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

Accounting Policies

1.5 Financial instruments (continued)

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.

Trade and other receivables

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

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

Trade and other receivables are classified as loans and receivables.

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

Trade and other payables

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

Cash and cash equivalents

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

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

Bank overdraft and borrowings

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

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

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

1.6 Tax

Current tax assets and liabilities

In the event that tax is payable it is based on taxable surplus for the year. Taxable surplus differs from surplus as reported in the statement of financial performance because it excludes income and expenses that are taxable or tax

Accounting Policies

1.6 Tax (continued)

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).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable surplus will be available against which the unused tax losses and unused STC credits can be utilised.

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

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 other comprehensive income; or
- a business combination.

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

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.

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the Statement of Financial Performance on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the financial year in which termination takes place.

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 .

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

Accounting Policies

1.7 Leases (continued)
remaining balance of the liability.

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

Operating leases - lessee

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

1.8 Inventories

Inventories are initially measured at cost except where inventories are acquired at no cost, or for nominal consideration, then their costs are their fair value as at the date of acquisition.

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

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

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

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

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

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.

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 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, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.9 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.

1.10 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.

Accounting Policies

1.10 Employee benefits (continued)

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.

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.

Accounting Policies

1.10 Employee benefits (continued)

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.

1.11 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 .

1.12 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.

Accounting Policies

1.12 Revenue from non-exchange transactions (continued)

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.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

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

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

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

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

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.

Transfers

Accounting Policies

1.12 Revenue from non-exchange transactions (continued)

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Entity has complied with the Criteia, conditions or obligations embodied on the agreement. To the extent that the criteria conditions or obligations have not been met a liability is recognised.

1.13 Comparative figures

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

1.14 Unauthorised expenditure

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

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

1.15 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.

1.16 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), the public bearers act (Act No. 20 of 1998) or in contraventions of the Supply Chain Management Policy. Irregular expenditure is accounted for an an expenditure in the statement of financial performance and where recovered, it is subsequently accounted for as revenue.

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

2. CHANGES IN ACCOUNTING POLICY

The annual financial statements have been prepared in accordance with South African Statements of Generally Recognised Accounting Practice on a basis consistent with the prior year except for the adoption of the following new or revised standards.

Grap 23 - Revenue from non exchange transtions (Taxes and Transfers)

During the year, the entity changed its accounting policy with respect to the treatment of Goverment Grant. In order to comply with the treatment in Grap 23 - Revenue from non exchange transctions (Taxes and Transfers).

The aggregate effect of the changes in accounting policy on the annual financial statements for the year ended 30 June 2009 is as follows:

Statement of financial position

Property, plant and equipment		
Previously stated	-	218,445,865
Adjustment	-	21,334,613
	-	**239,780,478**

Statement of financial performance

Goverment grants		
Previously stated	-	3,941,818
Adjustment	-	21,334,613
	-	**25,276,431**

3. NEW STANDARDS AND INTERPRETATIONS

3.1 Standards and interpretations effective and adopted in the current year

In the current year, the entity has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 6: Consolidated and Separate Financial Statements

The effective date of the standard is for years beginning on or after 01 April 2009.

The entity has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

GRAP 7: Investments in Associates

The effective date of the standard is for years beginning on or after 01 April 2009.

The entity has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

GRAP 8: Interests in Joint Ventures

The effective date of the standard is for years beginning on or after 01 April 2009.

The entity has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

GRAP 9: Revenue from Exchange Transactions

The effective date of the standard is for years beginning on or after 01 April 2009.

The entity has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

GRAP 10: Financial Reporting in Hyperinflationary Economies

The effective date of the standard is for years beginning on or after 01 April 2009.

The entity has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

GRAP 11: Construction Contracts

The effective date of the standard is for years beginning on or after 01 April 2009.

The entity has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

GRAP 12: Inventories

The effective date of the standard is for years beginning on or after 01 April 2009.

The entity has adopted the standard for the first time in the 2010 annual financial statements.

Notes to the Annual Financial Statements

3. NEW STANDARDS AND INTERPRETATIONS (continued)

The impact of the standard is not material.

GRAP 13: Leases

The effective date of the standard is for years beginning on or after 01 April 2009.

The entity has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

GRAP 14: Events after the reporting date

The effective date of the standard is for years beginning on or after 01 April 2009.

The entity has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

GRAP 16: Investment Property

The effective date of the standard is for years beginning on or after 01 April 2009.

The entity has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

GRAP 17: Property, Plant and Equipment

The effective date of the standard is for years beginning on or after 01 April 2009.

The entity has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

GRAP 19: Provisions, Contingent Liabilities and Contingent Assets

The effective date of the standard is for years beginning on or after 01 April 2009.

The entity has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

GRAP 100: Non-current Assets Held for Sale and Discontinued Operations

The effective date of the standard is for years beginning on or after 01 April 2009.

The entity has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

GRAP 101: Agriculture

The effective date of the standard is for years beginning on or after 01 April 2009.

The entity has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

3. NEW STANDARDS AND INTERPRETATIONS (continued)

GRAP 102: Intangible Assets

The effective date of the standard is for years beginning on or after 01 April 2009.

The entity has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

IPSAS 21: Impairment of Non Cash-Generating Assets

The effective date of the standard is for years beginning on or after 01 April 2009.

The entity has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

IPSAS 20: Related Party Disclosure

The effective date of the standard is for years beginning on or after 01 April 2009.

The entity has adopted the standard for the first time in the 2010 annual financial statements.

The impact of the standard is not material.

3.2 Standards and Interpretations early adopted

Grap 23 - Revenue from Non-exchange Transtions (Taxes and Transfers)

Grap 24 - Presentation of budget information

Grap 25 - Employee Benefits

3.3 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 01 July 2010 or later periods:

GRAP 18: Segment Reporting

It is unlikely that the standard will have a material impact on the entity's annual financial statements.

GRAP 103: Heritage Assets

The entity expects to adopt the standard for the first time in the 2011 annual financial statements.

It is unlikely that the standard will have a material impact on the entity's annual financial statements.

GRAP 21: Impairment of non-cash-generating assets

The entity expects to adopt the standard for the first time in the 2011 annual financial statements.

It is unlikely that the standard will have a material impact on the entity's annual financial statements.

GRAP 26: Impairment of cash-generating assets

The entity expects to adopt the standard for the first time in the 2011 annual financial statements.

It is unlikely that the standard will have a material impact on the entity's annual financial statements.

Notes to the Annual Financial Statements

Figures in Rand

3. NEW STANDARDS AND INTERPRETATIONS (continued)

GRAP 104: Financial Instruments

The entity expects to adopt the standard for the first time in the 2012 annual financial statements.

It is unlikely that the amendment will have a material impact on the entity's annual financial statements.

4. INVENTORIES

Equipment stock	131,501	616,710
Bin Liners	449,141	688,990
Protective clothing	1,188,159	355,856
Consumable stock	831,853	959,240
Compost stock	276,446	462,493
	2,877,100	**3,083,289**

5. LOANS TO/FROM SHAREHOLDERS

City of Johannesburg Metropolitan Municipality - Notional loans	84,769,221	79,530,221
Terms and conditions		
City of Johannesburg Metropolitan Municipality - Conduit Mirror loans	(3,022,612)	(5,626,621)
Terms and conditions		
City of Johannesburg Metropolitan Municipality - No Interest bearing	(500,000)	(2,500,000)
Terms and conditions		
City of Johannesburg Metropolitan Municipality - Unsecured	(168,185,933)	43,090,682
Terms and conditions		
City of Johannesburg Metropolitan Municipality - Unsecured Other loans	28,037,992	42,979,842
Terms and conditions		
City of Johannesburg Metropolitan Municipality - Capex Loans	(146,458,878)	(146,378,957)
Terms and conditions		
City of Johannesburg Metropolitan Municipality - Sweeping account	74,531,537	31,011,100
Terms and conditions		
	(130,828,673)	**42,106,267**

Non-current assets	84,769,221	79,530,221
Current assets	102,569,529	117,081,624
Non-current liabilities	(116,597,610)	(126,958,660)
Current liabilities	(201,569,813)	(27,546,918)
	(130,828,673)	**42,106,267**

Credit quality of loans to shareholders

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

Loans to shareholders past due but not impaired

There are no loans to shareholders that are past due and not impaired. all past due loans were considered for impairment and were subsequently impaired. Refer note below.

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

5. LOANS TO/FROM SHAREHOLDERS (continued)

Loans to shareholders impaired

As of 30 June 2010, loans to shareholders of R 2,115,321 (2009: R 1,512,532) were impaired and provided for.

The ageing of these loans is as follows:

Over 6 months	2,115,321	1,512,532

Reconciliation of provision for impairment of loans to shareholders

Opening balance	(1,627,355)	(968,629)
Provision for impairment	-	55,000
Unwinding of discount	(211,245)	(713,726)
	(1,838,600)	**(1,627,355)**

The creation and release of provision for impaired receivables have been included in operating expenses in the statement of financial performance . Unwind of discount is included in the statement of financial performance (note 17). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

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

Notional loans

Loans at beginning of the year	79,530,221	75,387,221
Advances	5,239,000	4,143,000
	84,769,221	**79,530,221**

Conduit mirror loans

Loans at beginning of the year	(5,626,621)	(7,869,998)
Repayments	2,604,008	2,243,377
	(3,022,613)	**(5,626,621)**

Conduit mirror loan is payable over 32 quartely instalments at an interest rate of 15% per annum.

No interest bearing

Loans at beginning of the year	(2,500,000)	(4,500,000)
Repayments	2,000,000	2,000,000
	(500,000)	**(2,500,000)**

Unsecured

In respect of operating expenditure	(168,185,933)	43,090,682

The terms of payments vary ranging between 12% to 14 % interest rate per annum and the payment terms ranging between 30 and 40 quartely instalments.

Unsecured other loans

In respect of operating expenditure	28,512,940	42,979,842

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

5. LOANS TO/FROM SHAREHOLDERS (continued)

The terms of payment vary between 12% to 14% interest rate per annum and the payment terms ranging between 30 and 40 quartely instalment.

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

5. LOANS TO/FROM SHAREHOLDERS (continued)

Capex loans

Loans at beginning of the year	(146,378,955)	(156,408,646)
Receipts	(23,601,499)	(9,789,408)
Repayments	23,521,579	19,819,099
	(146,458,875)	**(146,378,955)**

The terms of payments between 12% to 14% interest rate per annum and the payment terms ranging between 30 and 40 quartely instalment.

Sweeping account

Opening balance for the year	31,011,100	174,203,684
Movement for the year	43,520,437	(143,192,584)
	74,531,537	**31,011,100**

6. OPERATING LEASE LIABILITY (SMOOTHING EFFECT)

Non-current liabilities	(92,726)	-
Current liabilities	(361,420)	(19,237)
	(454,146)	**(19,237)**

Operating lease liability represents rental income received by the company in respect of advertising on litter bins. The lease payments are receivable monthly and lease payments are straightlined over a period of 5 years. The rental is receivable in installments of R303 208 per month with the last installment due on the 31st of July 2012.

7. TRADE AND OTHER RECEIVABLES

Trade debtors	170,320,728	114,054,714
Sundry debtor	14,650,636	9,715,257
Prepaid expenses	-	4,077
Vat accrued refundable	3,326,012	3,608,675
Provision for doubtful debts	(32,127,714)	(34,549,734)
Bank errors	1	14,529
VAT	638,241	9,200,804
Related party debtors	1,101,781	1,259,525
Adjustment to fair value at amortised cost	(5,394)	(5,394)
	157,904,291	**103,302,453**

The entity's management considers that all the above trade and other receivables that are not impaired for each of the reporting dates under review are of good quality. The entity continously monitors defaulted customers and other counter parties identified either individualy or by group and incorporates this information into its credit risk controls.

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

7. TRADE AND OTHER RECEIVABLES (continued)

Trade and other receivables impaired

As of 30 June 2010, trade and other receivables of R 157,904,291 (2009: R 103,302,453).

The amount of the provision was R 32,127,714 as of 30 June 2010 (2009: R (34,549,734)).

The ageing of these doubtful debts is as follows:

3 to 6 months	4,862,243	5,228,794
Over 6 months	27,265,471	29,320,940

Reconciliation of provision for impairment of trade and other receivables

Opening balance	34,549,734	50,357,853
Provision for impairment	32,127,714	34,549,734
Unused amounts reversed	(34,549,734)	(50,357,853)
	32,127,714	**34,549,734**

The creation and release of provision for impaired trade and other receivables have been included in operating expenses in the Statement of Financial Performance. Reversed amounts are included in Bad debt in the Statement of Financial Performance. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

The maximum exposure to credit risk at the reporting date is as follows: R 138 193 014 (2009: R 79 504 980. The company does not hold any collateral as security.

8. RETIREMENT BENEFITS

8.1Defined benefit plan

Post-retirement liability		
Post-Retirement Medical Aid Plan	(11,160,000)	(8,910,000)
Post-Retirement Housing Subsidy Plan	(123,000)	(116,000)
Retirement Gratuity Plan	(70,497,000)	(76,126,000)
	(81,780,000)	**(85,152,000)**

8.1.1Post retirement medical aid plan

Pikitup Johannesburg (Proprietary) Limited has obligations to subsidise medical aid contributions in respect of certain qualifying staff and pensioners and their surviving spouses. Only pensioners and employees who were aged 50 or older and were members of Lamaf (previously called Jomed) and Munimed medical schemes on 1 July 2003.

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 (Proprietary) Limited who are entitled to benefits that relate to their service with Pikitup Johannesburg (Proprietary) Limited since the company's establishement. This amount was determined at 1 July 2003 and has been crystallised in the form of a notional loan account which earned interest of R 911,000 (2009: R911 000) and against which the company may claim benefit payments made. This loan does not constitute an asset and in terms of IAS 19 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. Pensioners continue on the option they belonged to on the day of their retirement.

Notes to the Annual Financial Statements

8. RETIREMENT BENEFITS (continued)

Amounts recognised in the Statement of financial position

The fair value of plan assets includes:

Movements for the year

Figures in Rand	2010	2009
Opening balance	(8,910,000)	(8,508,000)
Net expense recognised in the statement of financial performance	(2,250,000)	(402,000)
	(11,160,000)	**(8,910,000)**

Net expense recognised in the statement of financial performance

Figures in Rand	2010	2009
Past service cost	(235,000)	(235,000)
Interest cost	(749,000)	(803,000)
Actuarial (gains) losses	(1,299,000)	515,000
Benefits paid	33,000	121,000
	(2,250,000)	**(402,000)**

Notional loan account

Figures in Rand	2010	2009
Opening balance	8,910,000	9,637,000
Interest received	601,000	911,000
Payments against account	-	(1,638,000)
Balance at end of year	**9,511,000**	**8,910,000**

Key assumptions used

Assumptions used on last valuation on 30 June 2010.

	2010	2009
Discount rates used	9.00 %	8.40 %
Expected rate of return on assets	9.00 %	6.80 %

Other assumptions.

8.1.2Post retirement housing subsidy plan

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

The above liability is unfunded. However, The City of Johannesburg Metropolitan Municipality has undertaken to cover such portion of the liability for the staff of Pikitup Johannesburg (Proprietary) Limited who are entitled to benefits that relate to their service with the The City of Johannesburg Metropolitan Municipality since the company's establishment. This amount was determined at 1 July 2003 and has been crystallised in the form of a notional loan account which earned interest of R 13 000 (2009: R 13,000) and against which the company may claim benefit payments made. This loan does not constitute an asset and in terms of IAS 19 cannot be offset against the liability.

Amounts recognised in the Statement of financial position

The fair value of plan assets includes:

Movements for the year

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

8. RETIREMENT BENEFITS (continued)

Opening balance	(116,000)	(112,000)
Net expense recognised in the statement of financial performance	(7,000)	(4,000)
	(123,000)	**(116,000)**

Net expense recognised in the statement of financial performance

Current service cost	(2,000)	(1,000)
Interest cost	(10,000)	(11,000)
Actuarial (gains) losses	5,000	8,000
	(7,000)	**(4,000)**

Notional loan account

Opening balance	116,000	135,000
Interest received	-	13,000
Payments against account	-	(32,000)
Other	(116,000)	-
Balance at end of year	**-**	**116,000**

Key assumptions used

Assumptions used on last valuation on 30 June 2010.

Discount rates used	9.00 %	8.40 %
Expected rate of return on assets	9.00 %	8.40 %

Other assumptions.

8.1.3Post retirement gratuity plan

Pikitup Johannesburg (Proprietary) Limited provides gratuities on retirement or prior death in respect of certain qualifying staff members who have service with The City of Johannesburg Metropolitan Municipality or Pikitup Johannesburg (Proprietary) Limited when they were not members of one of the retirement funds and who meet certain service requirements in terms of The City of Johannesburg Metropolitan Municipality's conditions of employment. The gratuity amount is based on 1 month's salary per year of non-retirement funding service.

The above liability is unfunded. However, The City of Johannesburg Metropolitan Municipality has undertaken to cover such portion of the liability for the staff of Pikitup Johannesburg (Proprietary) Limited who are entitled to benefits that relates to their service with the The City of Johannesburg Metropolitan Municipality since the company's establishment. This amount was determined at 1 July 2003 and has been crystallised in the form of a notional loan account which earned interest of R 6 117,000 (2009: R 6 117 000) and against which the company may claim benefit payments, made. This loan does not constitute an plan asset and in terms of IAS 19 cannot be offset against the liability.

The plan is a post-retirement gratuity benefit plan.

Amounts recognised in the Statement of financial position

The fair value of plan assets includes:

Movements for the year

Opening balance	(76,126,000)	(67,616,000)
Net expense recognised in the statement of financial performance	5,629,000	(8,510,000)

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

8. RETIREMENT BENEFITS (continued)

	(70,497,000)	**(76,126,000)**

Net expense recognised in the statement of financial performance

Interest cost	(6,396,000)	(6,424,000)
Actuarial (gains) losses	12,025,000	(2,086,000)
	5,629,000	**(8,510,000)**

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

8. RETIREMENT BENEFITS (continued)

Notional loan account

Opening balance	70,504,000	64,387,000
Interest received	4,755,000	6,117,000
Balance at end of year	**75,259,000**	**70,504,000**

Key assumptions used

Assumptions used on last valuation on 30 June 2010.

Discount rates used	9.00 %	8.40 %
Expected rate of return on assets	9.00 %	8.40 %
Expected increase in salaries	5.90 %	6.30 %

Other assumptions.

8.2Defined contribution plan

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

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

9. CASH AND CASH EQUIVALENTS

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

Cash and cash equivalents consist of:

Cash on hand	11,221	11,221

10. PROPERTY, PLANT AND EQUIPMENT

	2010			2009		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Land	3,972,399	-	3,972,399	3,972,399	-	3,972,399
Buildings	139,213,536	(61,266,173)	77,947,363	128,123,335	(61,861,438)	66,261,897
Plant and machinery	31,937,651	(26,365,869)	5,571,782	32,459,381	(21,626,383)	10,832,998
Furniture and fixtures	7,636,476	(4,265,275)	3,371,201	7,332,980	(3,624,927)	3,708,053
Office equipment	8,389,723	(5,675,441)	2,714,282	7,727,815	(5,280,792)	2,447,023
IT equipment	18,935,669	(11,082,443)	7,853,226	18,804,921	(9,922,402)	8,882,519
Infrastructure	179,549,930	(91,792,538)	87,757,392	179,413,302	(89,572,627)	89,840,675
Bins and containers	149,451,327	(109,626,719)	39,824,608	140,224,220	(88,355,544)	51,868,676
Signage	4,366,241	(2,433,835)	1,932,406	4,106,277	(2,140,041)	1,966,236
Total	**543,452,952**	**(312,508,293)**	**230,944,659**	**522,164,630**	**(282,384,154)**	**239,780,476**

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

10. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of property, plant and equipment - 2010

	Opening balance	Additions	Disposals	Depreciation	Total
Land	3,972,399	-	-	-	3,972,399
Buildings	66,261,897	16,876,372	-	(5,190,906)	77,947,363
Plant and machinery	10,832,998	-	(2,153,575)	(3,107,641)	5,571,782
Furniture and fixtures	3,708,053	336,101	-	(672,953)	3,371,201
Office equipment	2,447,023	684,456	(705)	(416,492)	2,714,282
IT equipment	8,882,519	193,441	-	(1,222,734)	7,853,226
Infrastructure	89,840,675	2,272,434	-	(4,355,717)	87,757,392
Bins and containers	51,868,676	11,587,322	(95,857)	(23,535,533)	39,824,608
Signage	1,966,236	256,514	-	(290,344)	1,932,406
	239,780,476	**32,206,640**	**(2,250,137)**	**(38,792,320)**	**230,944,659**

Reconciliation of property, plant and equipment - 2009

	Opening balance	Additions	Foreign exchange movements	Depreciation	Total
Land	3,972,399	-	-	-	3,972,399
Buildings	70,727,559	6,141,262	(5,517,221)	(5,089,703)	66,261,897
Plant and machinery	9,460,642	4,191,788	-	(2,819,432)	10,832,998
Furniture and fixtures	2,870,176	1,398,839	-	(560,962)	3,708,053
Office equipment	2,044,113	754,002	-	(351,092)	2,447,023
IT equipment	9,159,994	1,381,839	(543,316)	(1,115,998)	8,882,519
Infrastructure	37,887,698	59,052,529	(1,714,381)	(5,385,171)	89,840,675
Bins and containers	74,747,645	544,858	-	(23,423,827)	51,868,676
Signage	2,089,566	142,320	-	(265,650)	1,966,236
	212,959,792	**73,607,437**	**(7,774,918)**	**(39,011,835)**	**239,780,476**

Compensation received for losses on property, plant and equipment – included in operating profit.

IT equipment	648,142	-

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

	2010			2009		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Building	12,550,000	(10,876,667)	1,673,333	12,550,000	(9,621,667)	2,928,333

Assets subject to finance lease (Net carrying amount)

Buildings	1,673,333	2,928,333

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

11. INTANGIBLE ASSETS

	2010			2009		
	Cost / Valuation	Accumulated amortisation	Carrying value	Cost / Valuation	Accumulated amortisation	Carrying value
Computer software	40,500,629	(8,627,950)	31,872,679	33,719,271	(645,142)	33,074,129

Reconciliation of intangible assets - 2010

	Opening balance	Additions	Amortisation	Total
Computer software	33,074,129	6,782,027	(7,983,477)	31,872,679

Reconciliation of intangible assets - 2009

	Opening balance	Additions	Amortisation	Total
Computer software	1,263,207	31,861,752	(50,830)	33,074,129

12. INVESTMENTS IN ASSOCIATES

Name of entity	Listed / Unlisted	% holding 2010	% holding 2009	Carrying amount 2010	Carrying amount 2009
Fried shelf 128 (Pty) Ltd		50.00 %	50.00 %	3,350,277	-

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

Movements in carrying value

	2010	2009
Share of surplus/(deficit)	(315,842)	-
Share in revaluation reserve	3,848,451	-
Cost of acquisition	32,500	-
Other movements	(214,832)	-
	3,350,277	**-**

Associates with different reporting dates

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

13. FINANCIAL ASSETS BY CATEGORY

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

2010

	Loans and receivables	Total
Loans to shareholders	187,338,750	187,338,750
Investment of associates	3,350,277	3,350,277
Trade and other receivables	157,904,291	157,904,291
	348,593,318	**348,593,318**

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

13. FINANCIAL ASSETS BY CATEGORY (continued)

2009

	Loans and receivables	Available-for-sale	Total
Loans to shareholders	196,611,845	-	196,611,845
Trade and other receivables	103,302,453	-	103,302,453
Non current asset held for sale	-	2,377,650	2,377,650
	299,914,298	**2,377,650**	**302,291,948**

14. DEFERRED TAX

Deffered tax asset / (liability)

	2010	2009
Property, Plant and Equipment & Intangibles	-	89,742,138

Deffered tax asset / (liability)

	2010	2009
At beginning of the year	89,742,138	68,680,870
Temporary difference on revaluation of property	-	4,216,268
Originating temporary difference on tangible fixed assets	-	3,093,418
Movement in temporary timing differences	-	(529,150)
Temporary difference on retirement benefits	-	2,782,005
Income received in advance	-	(414,625)
Leases	-	(8,560,768)
Other movements	(89,742,138)	20,474,120
	-	**89,742,138**

Deferred Tax Summary

	2010	2009
Deferred tax assets	-	89,742,138

15. FINANCE LEASE OBLIGATION

	2010	2009
Minimum lease payments due		
- within one year	3,935,149	3,577,408
- in second to fifth year inclusive	1,352,707	5,287,856
	5,287,856	8,865,264
less: future finance charges	(1,698,389)	(3,662,182)
Present value of minimum lease payments	**3,589,467**	**5,203,082**

	2010	2009
Present value of minimum lease payments due		
- within one year	2,408,298	1,613,615
- in second to fifth year inclusive	1,181,169	3,589,467
	3,589,467	**5,203,082**

	2010	2009
Current liabilities	2,408,298	1,613,615
Non-current liabilities	1,181,169	3,589,467
	3,589,467	**5,203,082**

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

16. TRADE AND OTHER PAYABLES

Trade payables	169,494,197	107,205,401
Payments received in advance	-	7,720,480
Accrued leave pay	28,900,245	14,754,989
Sundry Creditors	32,425,690	38,937,433
Deposits	-	1,253,052
Conditional grants received	-	178,250
Vat accrued on building lease	142,607	159,456
Skill development levy rebate	-	1,636,004
Related party creditor	3,159,606	1,554,868
	234,122,345	**173,399,933**

17. PROVISION

Reconciliation of provision - 2010

	Opening Balance	Additions	Utilised during the year	Unwinding of interest	Total
Escalation on contracts	7,622,670	2,866,006	(8,048,329)	-	2,440,347
Environmental rehabilitation: Closed landfill site	109,153,347	-	(10,897,066)	13,811,356	112,067,637
Environmental rehabilitation: Open landfill sites	194,793,122	7,155,360	-	18,335,244	220,283,726
	311,569,139	**10,021,366**	**(18,945,395)**	**32,146,600**	**334,791,710**

Reconciliation of provision - 2009

	Opening Balance	Additions	Utilised during the year	Unwinding of interest	Total
Escalation on contracts	5,991,598	4,729,693	(3,098,621)	-	7,622,670
Environmental rehabilitation: Closed landfill site	79,795,657	21,130,758	-	8,226,932	109,153,347
Environmental rehabilitation: Open landfill sites	133,447,379	49,190,167	(1,602,849)	13,758,425	194,793,122
	219,234,634	**75,050,618**	**(4,701,470)**	**21,985,357**	**311,569,139**

Non-current liabilities	332,351,363	303,946,469
Current liabilities	2,440,347	7,622,670
	334,791,710	**311,569,139**

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

18. FINANCIAL LIABILITIES BY CATEGORY

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

2010

	Financial liabilities at amortised cost	Total
Loans from shareholders	318,167,423	318,167,423
Trade and other payables	234,122,345	234,122,345

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

18. FINANCIAL LIABILITIES BY CATEGORY (continued)

	552,289,768	**552,289,768**

2009

	Financial liabilities at amortised cost	Total
Loans from shareholders	157,505,578	157,505,578
Trade and other payables	173,399,933	173,399,933
	330,905,511	**330,905,511**

19. SHARE CAPITAL

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

20. REVALUATION RESERVE

Opening balance	2,898,802	2,701,052
Change during the year	909,650	197,750
	3,808,452	**2,898,802**

21. REVENUE

Service charges	1,053,506,053	1,055,147,812
Rental income	3,560,903	1,428,180
Government grants	15,417,158	9,842,292
Fair value adjustments	(11,704,594)	(12,286,932)
Sundry revenue	4,834,562	1,595,281
	1,065,614,082	**1,055,726,633**

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

Service charges	1,053,506,053	1,055,147,812
Rental income	3,560,903	1,428,180
Miscellaneous other revenue	4,834,562	1,595,281
	1,061,901,518	**1,058,171,273**

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

Government grants	15,417,158	9,842,292
Fair value adjustments	(11,704,594)	(12,286,932)
	3,712,564	**(2,444,640)**

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

22. SERVICE CHARGES

Service charges	206,987,053	248,465,812
Service fee in lieu of refuse removal	846,519,000	806,682,000
	1,053,506,053	**1,055,147,812**

23. GOVERNMENT GRANTS AND SUBSIDIES

Municipal infrastructure grants	15,417,158	9,842,292

24. OTHER REVENUE

Discount received	-	65,857
Bad debts recovered	49,592	2,375,139
Insurance proceeds	648,142	-
	697,734	**2,440,996**

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

25. GENERAL EXPENSES

Advertising	694,340	846,638
Assessment rates & municipal charges	(4,845,045)	(22,675,779)
Auditors remuneration	984,371	1,073,619
Bank charges	130,105	120,501
Cleaning	419,503	522,161
Commission paid	751,820	792,653
Computer expenses	7,035,230	6,984,537
Consulting and professional fees	19,955,236	17,067,294
Consumables	6,771,300	5,032,979
Entertainment	534,363	792,354
Hire	745,122	630,402
Insurance	1,216,833	1,883,847
Conferences and seminars	642,508	963,338
Lease rentals	564,700	848,888
Fleet	552,146,340	457,456,792
Marketing	14,305,109	11,263,952
Motor vehicle expenses	109,745	46,748
Fuel and oil	-	59,310
Postage and courier	485,514	620,639
Printing and stationery	841,806	331,464
Security (Guarding of municipal property)	10,510,366	11,391,638
Staff welfare	2,451,164	2,627,673
Subscriptions and membership fees	118,124	82,524
Telephone and fax	5,946,009	4,838,616
Training	4,724,785	7,657,753
Travel - overseas	872,205	1,425,232
Refuse	87,455	11,928
Gas	551,696	336,932
Utilities - Other	9,016,582	26,668,213
Irregular, fruitless and wasteful expenditure	5,229,822	12,086,364
Laboratory charges	67,310	209,076
Disposal fees - Landfills	12,638,557	9,810,205
Payroll processing	1,128,656	212,598
Settlement costs	223,263	632,224
Post retirement expenses	185,900	434,904
Veterinary department	-	525
Venue expenses	-	6,060,537
Other expenses	2,237,690	-
	659,478,484	**569,149,279**

26. OPERATING (DEFICIT) SURPLUS

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

Operating lease charges		
Premises		
• Contractual amounts	564,700	848,888

Amortisation on intangible assets	7,983,476	50,830
Depreciation on property, plant and equipment	38,792,304	39,175,859
Employee costs	428,011,732	379,947,201

Notes to the Annual Financial Statements

Figures in Rand		2010	2009

27. EMPLOYEE RELATED COSTS

Basic salaries		281,385,792	238,686,239
Hostel charges		3,544,921	2,550,003
Provident fund contributions		25,627	29,859
Uniforms and protective clothing		4,063,751	3,281,302
Medical examinations		1,005,355	43,608
Housing benefits and allowances		2,055,305	2,860,034
Overtime payments		24,726,349	27,148,633
Bonus		16,372,720	17,789,752
Hostel recoveries		(246,620)	(259,040)
UIF		2,570,104	2,393,458
WCA		2,200,540	2,295,201
SDL		2,363,017	2,526,126
Leave pay provision charge		14,728,797	(959,887)
Other allowances	8	287,058	585,334
Bargaining council levies		114,647	109,152
Gratuities		9,763,758	1,578,063
Unfunded liabilities		(10,526,000)	1,662,900
Post-employment benefits - Pension - Defined contribution plan	8	33,449,960	30,421,163
Acting allowances		987,089	996,828
Casual Locomotions		556,358	654,031
Permanent locomotion		15,500,317	13,858,116
Casual services		23,082,887	31,696,326
		428,011,732	**379,947,201**

28. DEPRECIATION AND AMORTISATION

Property, plant and equipment	38,792,304	39,175,859
Intangible assets	7,983,476	50,830
	46,775,780	**39,226,689**

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

29. FINANCE COSTS

Shareholders loan account	15,621,752	16,432,922
interest on fair value adjustments of expenditure	2,668,477	23,682,652
Finance leases	1,963,793	2,009,661
Interest unwinding on rehabilitation of landfill	32,146,600	21,985,357
Fair value adjustments on payables	1,978,268	4,892,568
Other interest paid	14,857,828	10,848,722
	69,236,718	**79,851,882**

30. TAXATION

Major components of the tax expense

Current		
Current tax 1	-	27,424,803
Deferred		
Deferred tax 2	89,742,138	(21,061,268)
	89,742,138	**6,363,535**

Reconciliation of the tax expense

Reconciliation between accounting surplus and tax expense.

Accounting (deficit) surplus	(135,715,378)	17,042,017
Tax at the applicable tax rate of 28% (2009: 28%)	(38,000,306)	2,969,573
Tax effect of adjustments on taxable income		
Temporary differences	14,630,693	21,061,268
Permenant differences	4,724,004	3,393,962
	(18,645,609)	**27,424,803**

31. AUDITORS' REMUNERATION

Fees	984,371	1,073,619

32. CASH (USED IN) GENERATED FROM OPERATIONS

(Deficit) surplus	(225,457,516)	10,678,482
Adjustments for:		
Depreciation and amortisation	46,775,780	39,226,689
Interest unwinding	32,146,600	(43,116,115)
Adjustment on infrastructure	-	(47,659,880)
Income from equity accounted investments	(62,978)	210,320
Fair value adjustments	(7,988,386)	(5,434,801)
Finance costs - Finance leases	1,963,793	2,009,661
Finance cost other	(12,986,119)	48,550,916
Debt impairment	4,197,734	(7,728,268)
Movements in operating lease assets and accruals	434,909	(76,950)
Movements in retirement benefit assets and liabilities	(3,372,000)	8,915,295
Movements in provisions	23,222,571	92,334,505
Movement in tax receivable and payable	(57,838,800)	6,363,535
Annual charge for deferred tax	89,663,282	-

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

32. CASH (USED IN) GENERATED FROM OPERATIONS (continued)

Other non-cash items	(11,826,168)	-
Inventories	206,189	(1,891,390)
Trade and other receivables	(54,601,838)	(58,995,763)
Consumer debtors	(4,197,734)	7,728,268
Deficit on asset scrapped	2,250,137	6,060,544
Investment in associates	(3,350,277)	(12,579)
Non-current asset held for sale- Transferred to Investment in associates	2,377,650	12,569
Trade and other payables	60,722,412	(24,746,603)
	(117,720,759)	**32,428,435**

33. TAX PAID

Balance at beginning of the year	(44,126,397)	(16,701,594)
Current tax for the year recognised in surplus or deficit	-	(27,424,803)
Balance at end of the year	(13,712,403)	44,126,397
	(57,838,800)	**-**

34. COMMITMENTS

Commitments in respect of capital expenditure:

Authorised and not yet contracted for		
• Property, plant and equipment	22,200,000	-
• Infrastructure	24,000,000	-
	46,200,000	**-**

Authorised and contracted for		
• Property, plant and equipment	5,000,000	34,554,000
• Infrastructure	-	6,000,000
	5,000,000	**40,554,000**

This expenditure will be financed from:		
External Loans	27,200,000	21,544,000
Government Grants	24,000,000	19,010,000
	51,200,000	**40,554,000**

Operating leases - as lessee (Fleet)

Minimum lease payments due		
- within one year	177,945,396	203,015,566
- in second to fifth year inclusive	249,008	220,183,479
	178,194,404	**423,199,045**

Operating leases – as lessor (income)

Minimum lease payments due		
- within one year	3,425,730	56,680
- in second to fifth year inclusive	4,010,019	-
	7,435,749	**56,680**

35. CONTINGENCIES

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

Public Liability claim against the Company, the court has ruled in favour of the plantif. It is not possible to estimate the exepected amount.

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

36. RELATED PARTIES

Relationships	
Controlling entity	The City of Johannesburg Metropolitan Municipality
Other members of the group	City Housing Company (Pty) Ltd
	City of Johannesburg Property Company (Pty) Ltd
	City of Johanneburg Metropolitan Municipality
	City Power Johannesburg (Pty) Ltd
	Johannesburg City Parks
	Johannesburg Development Agency (Pty) Ltd
	Johannesburg Metropolitan Bus Services (Pty) Ltd
	Johannesburg Roads Agency (Pty) Ltd
	Johannesburg Tourism Company
	Johannesburg Water (Pty) Ltd
	Metropolitan Trading Company (Pty) Ltd
	Pikitup Johannesburg (Pty) Ltd
	Roodepoort City Theatre
	The Johannesburg Civic Theatre (Pty) Ltd
	The Johannesburg Fresh Produce Market (Pty) Ltd
	The Johannesburg Zoo
	Fried shelf 128 (Pty) Ltd
	Greater Newtown Development Company (Pty) Ltd
	Constitutional Hill Development Company (Pty) Ltd
	Joshco JV
Joint ventures	Refer to note
	City Housing Company (Pty) Ltd
	City of Johannesburg Property Company (Pty) Ltd
	City of Johanneburg Metropolitan Municipality
	City Power Johannesburg (Pty) Ltd
	Johannesburg City Parks
	Johannesburg Development Agency (Pty) Ltd
	Johannesburg Metropolitan Bus Services (Pty) Ltd
	Johannesburg Roads Agency (Pty) Ltd
	Johannesburg Social Housing Company (Pty) Ltd
	Johannesburg Tourism Company
	Johannesburg Water (Pty) Ltd
	Metropolitan Trading Company (Pty) Ltd
	Pikitup Johannesburg (Pty) Ltd
	Roodepoort City Theatre
	The Johannesburg Civic Theatre (Pty) Ltd
	The Johannesburg Fresh Produce Market (Pty) Ltd
	The Johannesburg Zoo
	Fried shelf 128 (Pty) Ltd
	Greater Newtown Development Company (Pty) Ltd
	Constitutional Hill Development Company (Pty) Ltd
	Joshco JV
Municipal Entities	Directors remuneration-Annexure H

Related party balances

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

	2010	2009
City of Johannesburg Metropolitan Municipality	330,356	426,392
Johannesburg Social Housing Company (Pty) Ltd	-	161,902
Johannesburg Metropolitan Bus Services (Pty) Ltd	22,803	20,420
City Power Johannesburg (Pty) Ltd	3,653	36,709
Johannesburg Water (Pty) Ltd	1,089	275,105
The Johannesburg Zoo	-	22,168
Metropolitan Trading Company (Pty) Ltd	-	38,045

Notes to the Annual Financial Statements

Figures in Rand	2010	2009
36. RELATED PARTIES (continued)		
The Johannesburg Civic Theatre (Pty) Ltd	36,312	4,805
Johannesburg City Parks	39,768	225,370
Johannesburg Development Agency (Pty) Ltd	-	12,555
Johannesburg Roads Agency (Pty) Ltd	30,330	-
City Housing Company (Pty) Ltd	-	36,054
	464,311	**1,259,525**
Amounts included in Loans, Trade and other payables regarding related parties		
City of Johannesburg Metropolitan Municipality	73,555	163,101
Johannesburg Social Housing Company (Pty) Ltd	2,827,308	1,104,799
City Power Johannesburg (Pty) Ltd	-	100,540
Johannesburg Water (Pty) Ltd	222,684	96,343
Johannesburg City Parks	36,059	67,132
Johannesburg Development Agency (Pty) Ltd	-	22,953
	3,159,606	**1,554,868**
Loans accounts owing by related parties		
City of Johannesburg Metropolitan Municipality	187,791,324	196,611,845
Loan account owing to related parties		
City of Johannesburg Metropolitan Municipality	318,167,423	154,505,578

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

37. CHANGE IN ESTIMATE

Property, plant and equipment

The useful life of Infrastructure was estimated in 2009 to be between 7 and 36 years. In the current period management have revised their estimate to between 15 and 30 years.

Intangibles assets

The useful life of the computer software was estimated in 2009 to be 3 years. In the current period management have revised their estimate to 4 years.

38. PRIOR PERIOD ERRORS

Retained earnings were incorrectly stated due to expenditure that were not accounted for and the reversal of revenue billed.

Statement of financial position		
PIKITUP - Accumulated surplus	(21,334,613)	(32,994,875)
PIKITUP - Trade and other receivables	-	2,357,648
PIKITUP - Trade and other payables	-	(2,261,640)
PIKITUP - Vat accrued	-	(96,008)
	-	(1,886,235)
	(21,334,613)	**(34,881,110)**

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

38. PRIOR PERIOD ERRORS (continued)

Statement of financial performance		
PIKITUP - Revenue	21,334,613	16,154,572
PIKITUP - Expenditure	-	16,840,303
	21,334,613	**32,994,875**

39. COMPARATIVE FIGURES

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

The effects of the reclassification are as follows:

Statement of financial position		
Borrowings - RMB loan	-	14,353,676
Investment in asscociate-classified as Asset held for sale in prior year	3,350,277	2,377,650
Prior period adjustment - Grap 23 adoption	21,334,613	-

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

40. 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 Municipilatity. Risk management is carried out by a central treasury department within the Metro Municipality (company treasury) under policies approved by the directors. Company treasury identifies and evaluates financial risks in close co-operation with the company's operating units. The directors provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk.

Liquidity risk

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

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, company treasury maintains flexibility in funding by maintaining availability under committed credit lines. The City of Johannesburg Metropolitan Municipality provides liquidity to the company on an ongoing basis. The City of Johannesburg Metropolitan Municipality has subordinated their claim against future surplusses until such time the company's assets exceeds its liabilities.

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

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

At 30 June 2010	Not later than one month	Later than month and not later than three months	Later than three months and not later than one year	Later than one year
Shareholders loans	-	174,501,391	27,068,422	116,597,610
Trade and other payables	234,122,345	-	-	-
Trade and other receivables	-	157,904,291	-	-

At 30 June 2009	Not later than one month	later than one month and not later than three months	Later than three months and not later one year	Later than one year
Shareholder loans	-	6,886,730	20,660,188	126,958,660
Trade and other payables	173,399,933	-	-	-
Trade and other receivables	-	103,302,453	-	-

Credit risk

Financial assets exposed to credit risk at year end were as follows:

Credit risk consists mainly of cash deposits, cash equivalents, and trade receivables. The company only deposits

Notes to the Annual Financial Statements

40. RISK MANAGEMENT (continued)

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 evaluated credit risk relating to customers on an ongoing basis. The entity services the widespread public of the metropolitan area. The company is therefore exposed to credit risk. The entity is exposed to credit risk as a result of the following: transactions entered into with the public on extended payment terms and long term loans with the City of Johannesburg Metropolitan Municipality. These customers may not be able to produce cash on demand and the entity manages these risks by independant checks on the credit quality of debtors and giving long term loans only to City of Johannesburg Metropolitan Municipality in terms of approved policy and credit terms. No changes occurred in the management of these risks from the prior year

41. GOING CONCERN

We draw attention to the fact that at 30 June 2010, the entity had accumulated deficits of R (348,703,159) and that the entity's total liabilities exceed its assets by R (344,893,707).

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

The ability of the entity to continue as a going concern is dependent on a number of factors. The most significant of these is that the directors continue to procure funding for the ongoing operations for the entity and that the subordination agreement referred to in note 44 of these annual financial statements will remain in force for so long as it takes to restore the solvency of the entity.

42. SUBORDINATION AGREEMENT

CJMM has agreed to assist the entity by subordinating, subject to certain terms and conditions, it's claims against the entity in favour of, and for the benefit of the creditors of the entity to the value of R 318,167,423. Note that this subordination agreement may effect the terms of repayment of the interest bearing loan from the shareholder.

After year end the subordination agreement with CJMM in favour of and for the benefit of the creditors of the entity has been extended to a value of R 318,167,423.

Notes to the Annual Financial Statements

Figures in Rand	2010	2009

43. FRUITLESS AND WASTEFUL EXPENDITURE

Reconciliation of fruitless and wasteful expenditure		
Unauthorised expenditure current year	5,229,821	44,682
Approved by Council or condoned	(5,229,821)	(44,682)
	-	-

Penalties and interest to SARS occured as a result of non rendition of IRP6

44. IRREGULAR EXPENDITURE

Reconciliation of irregular expenditure		
Unauthorised expenditure current year	-	12,041,682
Approved by Council or condoned	-	(12,041,682)
	-	-

45. ACTUAL OPERATING EXPENDITURE VERSUS BUDGETED OPERATING EXPENDITURE

Refer to Appendix B for the comparison of actual operating expenditure versus budgeted expenditure.

46. ACTUAL CAPITAL EXPENDITURE VERSUS BUDGETED CAPITAL EXPENDITURE

Refer to Appendix C for the comparison of actual capital expenditure versus budgeted expenditure.