





### ABBREVIATIONS

|       |                                                            |
|-------|------------------------------------------------------------|
| AFS   | Annual Financial Statements                                |
| AGSA  | Auditor-General South Africa                               |
| BBBEE | Broad-Based Black Economic Empowerment                     |
| CEO   | Chief Executive Officer                                    |
| CFO   | Chief Financial Officer                                    |
| COO   | Chief Operations Officer                                   |
| CSI   | Corporate Social Investment                                |
| DoT   | Department of Transport                                    |
| GAAP  | Generally Accepted Accounting Practices                    |
| HRD   | Human Resource Development                                 |
| HRM   | Human Resource Management                                  |
| IA    | Internal Audit                                             |
| IAS   | International Accounting Standard                          |
| ICT   | Information Communication Technology                       |
| MEC   | Member of the Executive Council                            |
| MTC   | Mayibuye Transport Corporation                             |
| MTEF  | Medium Term Expenditure Framework                          |
| OHSA  | Occupational Health and Safety Act (No.85 of 1993)         |
| PFMA  | Public Finance Management Act                              |
| PAA   | Public Audit Act of South Africa 2004 (Act No. 25 of 2004) |
| PGDP  | Provincial Growth and Development Plan                     |
| PrDP  | Professional Driving Permit                                |
| SCOPA | Standing Committee on Public Accounts                      |
| SLA   | Service Level Agreement                                    |
| TETA  | Transport Education Training Authority                     |
| WSP   | Workplace Skills Plan                                      |



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## 2019/20 HIGHLIGHTS

**R152m**

Budget allocation by  
the Department of  
Transport



**1,6m**

passengers serviced  
in 2019/20



**R24,4m**

in revenue generated  
by route operations

**R3,9m**

from private hire



**849**

average passenger  
trips per week



**R10,4m**

for the procurement  
of 5 new buses

**R28,3m**

total revenue  
in the year under  
review



**0**

fatalities



**59%**

of expenditure went to suppliers  
who are B-BBEE Levels 1, 2 and 3

**Audit**

Unqualified audit  
opinion



**77 drivers**

with valid drivers'  
licences and PrDP



# SEC ONE

GENERAL  
INFORMATION



The Corporation is continuously seized with an ongoing improvement in its operational efficiencies in order to ensure that it expands its footprint and efficacy which should lead to greater access and mobility for rural and township commuters.

Acting Chief Operations Officer,  
Ms. Phumza Somyo

## ABOUT MAYIBUYE TRANSPORT CORPORATION (MTC)

The principal purpose of the Mayibuye Transport Corporation is to provide safe, reliable and affordable public transport to predominantly rural areas of the Eastern Cape. This strategic intent is expanded by the necessity to be self-sustainable in accordance the National Land Transport Act.

The Corporation is governed by the Corporations Transitional Provisions (Eastern Cape) Act 12 of 1995 with the objective to plan and finance or to establish undertakings for the transportation of passengers at reasonable rates along designated routes and per set timetables. It is listed in the Public Finance Management Act (PFMA) as a Schedule 3D provincial public entity under the jurisdiction of the Department of Transport. The institutional environment of good governance is prescribed by the Constitution of South Africa, 1996; the Public Finance Management Act, 1999 and the Protocol on Corporate Governance and/or the King Code IV on Corporate Governance.

Through the provision of public transportation, the MTC assists in advancing the values of human dignity, equality and freedom, whilst ensuring the realization of the economic and social advancement of citizens by contributing to the overall economic growth of the province. The success of the MTC is deeply rooted in its human capital and the underpinning corporate strategy. The MTC has redesigned and strengthened its business model as a transport Corporation, whilst at the same time being compliant with the PFMA. Through its understanding of the importance of collaboration and partnerships, the organisation continues to deliver services in many marginalised and under-served rural communities of the Eastern Cape. These services transform lives and give hope to many people. Beyond its transport operations, the MTC acts as an implementing agent in artisan development programmes, assisting government to advance the achievement of the National Skills Development Strategy.



### Vision

The vision of the MTC is “To be the Public Transporter of Choice



### Mission

It is the mission of the MTC to “Provide a safe, reliable, affordable public bus transport service that is responsive to its environment”.

### Values

The MTC’s values are the cornerstone of its organisational culture and its way of doing the business of public transport. The MTC is guided by and committed to the following values:

**Batho-Pele (Sotho for “People First”):** Service orientated organisation which strives for excellence in service delivery and is committed to continuous service delivery improvement for the achievement of a better-life-for-all whilst including all citizens through services and programmes.

**Integrity:** Work ethically, honestly and transparently.

**Consultation:** Create an enabling environment for community and stakeholder participation.

**Innovation:** Strive towards radical and revolutionary changes in thinking, services, processes or organisation.

**Accountability:** Act honourably and take ownership of our actions and the outcomes thereof.

## Legislative and Other Mandates

The MTC is registered as a Corporation in terms of the Corporations Transitional Provisions Act 12 of 1995 and a Schedule 3D organisation in terms of the Public Finance Management Act (PFMA). The MTC is considered a public entity and its shareholder is the Department of Transport in the Eastern Cape. The MTC’s mandate is to render an effective and efficient public transport service primarily for workers to industries and other places of employment in the adjacent South African urban areas.

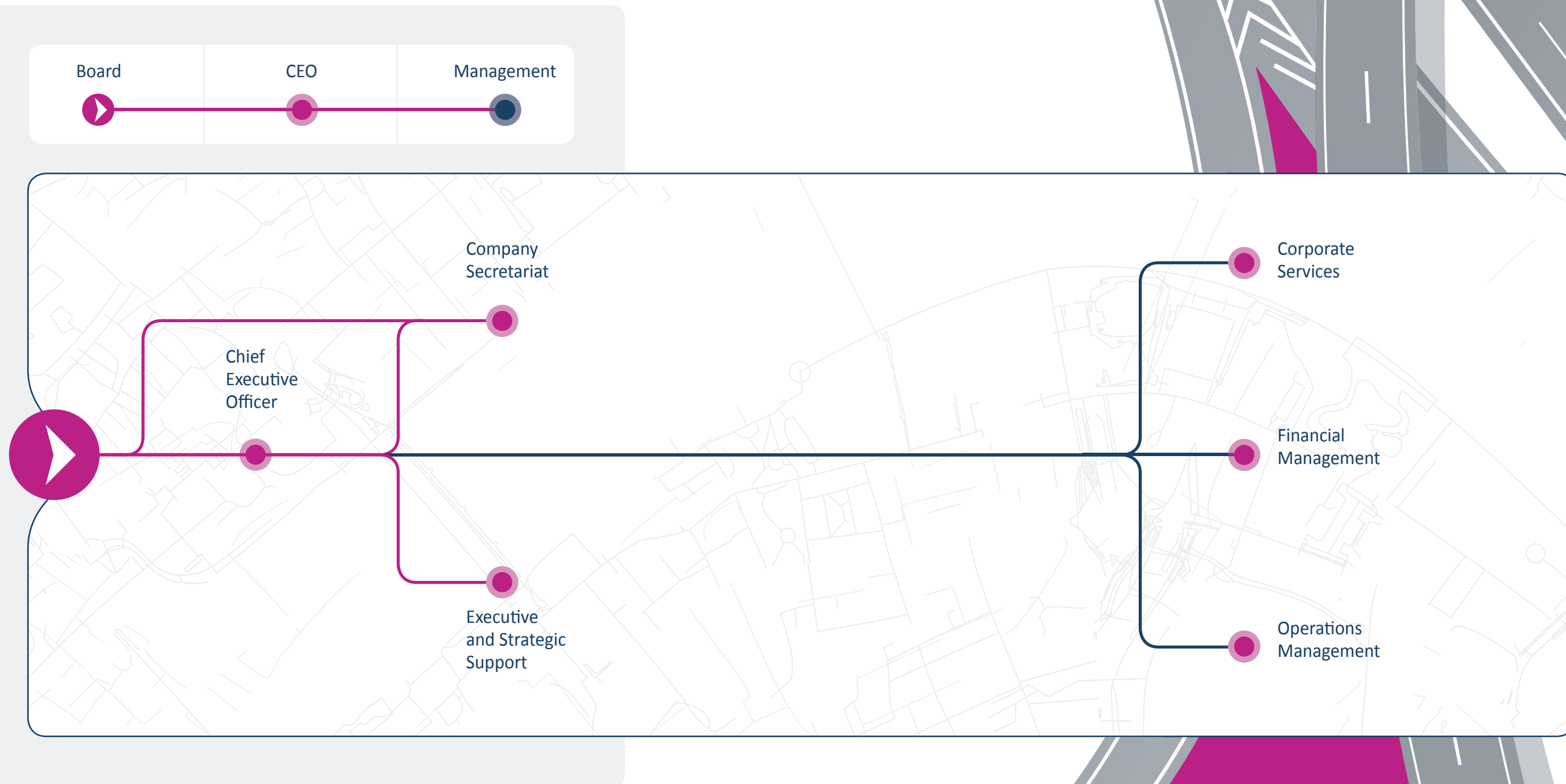
At present, the MTC receives a subsidy in the form of a grant-in-aid to cover the operating expenses of the Corporation. The principal purpose of the Mayibuye Transport Corporation is to provide safe, reliable and affordable public transport to predominantly rural areas of the Eastern Cape. This strategic intent is expanded by the necessity to be self-sustainable in accordance the National Land Transport Act.

Government has approved a “Protocol on Corporate Governance in the Public Sector”, which is to be read in conjunction with the King IV Report. The protocol is applicable to all public entities listed in Schedule 2, 3B and D of the PFMA. It is intended to provide guidance on how to achieve the socio-political-economic objectives of government; good governance in the public sector; freedom to manage and effective accountability of both financial and non-financial matters. The MTC regards good corporate governance as integral to good performance.

It is critical for the MTC to fulfil its mandate in a manner that is consistent with best practices and regarding accountability, transparency, fairness and responsibility. For this reason, the MTC subscribes to the principles of good governance as laid down by the King IV Report and the Protocol on Good Governance in the Public Sector. The MTC undertakes to maintain effective governance and the highest standard of ethical business operations.

The MTC executes its mandate in accordance with its constitutive documents and applicable legislation as reflected in the Corporate Plan. Its Board exercises its fiduciary duties in pursuance of strategic objectives as set out in the Corporate Plan. Further, the Board ensures that targets are met, monitored and reported on a regular basis.

## ORGANISATIONAL STRUCTURE



## Statement of Responsibility and Confirmation of the Accuracy of the Annual Report

To the best of our knowledge and belief, we confirm the following:

All information and amounts disclosed in the annual report is consistent with the annual financial statements audited by the Auditor General.

The annual report is complete, accurate and is free from any omissions.

The annual report has been prepared in accordance with the guidelines on the annual report as issued by National Treasury.

The Annual Financial Statements (Sec. 6) have been prepared in accordance with the GRAP standards applicable to the public entity.

The accounting authority is responsible for the preparation of the annual financial statements and for the judgements made in this information.

The accounting authority is responsible for establishing, and implementing a system of internal control to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements.

The external auditors are engaged to express an independent opinion on the annual financial statements.

In our opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the public entity for the financial year ended 31 March 2020.

Yours faithfully



**Acting Chief Executive Officer**

Mr. K. Gazi CA(SA)

Date: 30 October 2020



**Chairperson of the Board**

Adv. A. Mini

Date: 30 October 2020

# SEC TWO

PERFORMANCE  
INFORMATION

The MTC has identified the development of a capable and fit-for-purpose organisation to lie at the epicentre of a responsive bus services operator.

Board Chairperson,  
Adv. Andile Mini



## MAYIBUYE BOARD MEMBERS



**Adv. A Mini**  
Chairperson of the Board

**Committees:**  
Governance, Finance & Investment,  
Operations & Engineering



**Rev. L Mantini**  
Deputy Chairperson

**Committees:** Governance,  
Finance & Investment, Human  
Resources & Remuneration



**Dr N Khewu**

**Committees:**  
Governance,  
Operations & Engineering,  
Human Resources &  
Remuneration



**Mr M Metuse**

**Committees:**  
Governance, Finance &  
Investment, Human  
Resources & Remuneration



**Mr G Qotywa**

**Committees:**  
Human Resources &  
Remuneration,  
Operations & Engineering,  
Audit & Risk



**Mr L Sisilana**

**Committees:**  
Governance,  
Operations & Engineering



**Ms N Pietersen CA(SA)**

**Committees:**  
Governance,  
Audit & Risk, Finance  
& Investment



**Major General (Retired)  
TM Khumalo**

**Committees:**  
Audit & Risk,  
Operations & Engineering



**Mr R Surajbali**

**Committees:**  
Finance & Investment,  
Human Resources &  
Remuneration



**Adv. Unarine Tshikovhi**

Company secretary

## CHAIRPERSON'S FOREWORD

The period under review provided an ideal platform for the Board of Directors to fully-immense itself in the Corporation's affairs. This first full year at the helm of the MTC has provided valuable insights for the Board collective. These insights will form critical inputs in the inspired execution of the new five-year strategy cycle. The 2019/20 reporting period was also crucial in exposing the Board to the organisational culture at MTC while identifying opportunities to build a formidable socio-economic instrument for government.

As such, during the review period, the Board was concerned with the building of the MTC's internal efficiencies in order to effect a maximum development impact. The Board is careful to conduct its business and oversight obligations in a manner which promotes the financial health of the Corporation in its quest for energised and robust mandate delivery. In this regard, the Board has identified the development of a capable and fit-for-purpose organisation to lie at the epicenter of a responsive bus services operator. The development of a world-class Corporation which should aid the MTC to better respond to the rapidly changing technological environment which has a direct impact on the Corporation's ability to deliver services.

A world-class Corporation requires a strict adherence to high levels of corporate governance. Good corporate governance principles are important for the success of the MTC business. The Board commits itself to this task and it unashamedly applies the fundamental principles of good governance such as transparency, integrity, accountability and responsibility in all its dealings with and on behalf of the Corporation.

### ORGANISATIONAL DEVELOPMENT

As a result, the Board is agitating management toward the adoption of an organisational paradigm which prioritises the development and retention of staff with the requisite technical acumen in order to effect the desired operational efficiencies. The Corporation has thus engaged the services of the Government Technical Advisory Centre (GTAC) to help the MTC develop a responsive organisational design which supports the delivery of the core business.



### CAPITALISATION

Equally, the Board continues to drive conversations with the shareholder for the capitalisation of the MTC business. The MTC has significant liquidity challenges which threaten its viability. These conversations are ongoing, and I am pleased that the shareholder recognises the need to build the financial capacity of the Corporation. Capitalisation will prove crucial in augmenting the capacity of the MTC's ageing fleet and it should help bring the Corporation to a net profitable position.

### EXPENDITURE MANAGEMENT

In its engagements with management, the Board has impressed the need to stem the tide of rising operational expenditure which is characterised by high repair and maintenance costs. These cost centres are influenced by the underdeveloped road infrastructure in which the MTC fleets operates on. These road conditions accelerate wear and tear on buses leading to higher than expected operational expenditure. The Corporation will continue to lobby the shareholder for improvements on the rural roads within which the majority of the MTC's operations take place.

### MANDATE DELIVERY

The Board recognises and welcomes the R152 million budget allocation made by the Department of Transport in the 2019/20 financial year. This appropriation allowed the Corporation to bring its services to 1,659 million passengers in the period under review. These rural and township commuters benefitted from an average 849 passenger trips a week. By the end of the reporting period, 52 buses were operational out of the fleet of 88. I am pleased with the procurement of an additional five new buses which will help the private hire business. The private hire business contributed R3,9 million out of the R28,3 million in own revenue in 2019/20. Route operations accounted for R24,4 million of this amount. This work was handled in a financially astute manner resulting in a fifth consecutive unqualified audit opinion for the MTC. While this is an admirable track record, the Board has set management the goal of delivering a clean audit outcome in the coming year.

**R152m**  
Budget allocation by  
the Department of  
Transport



**1,6m**  
passengers serviced  
in the 2019/20



**R24,4m**  
in revenue generated  
by route operations

## PARTNERSHIPS

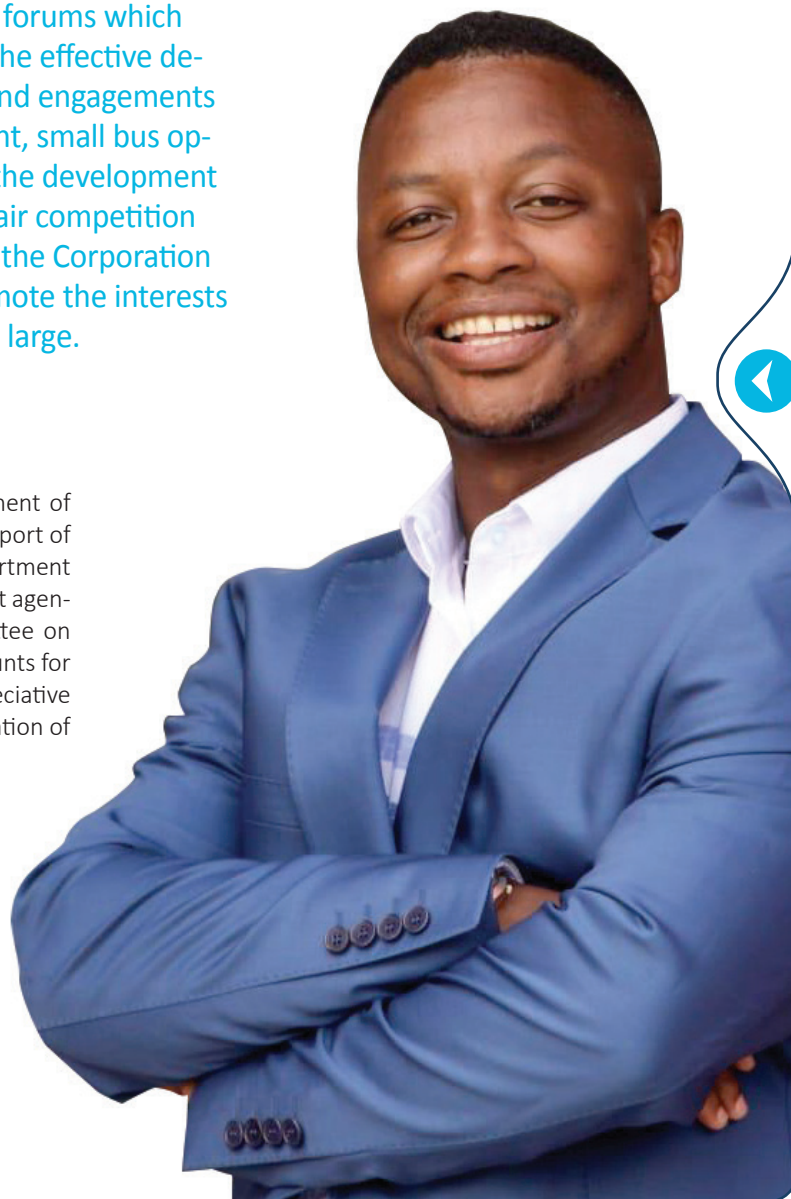
The Board is engaging various partners and forums which will provide a crucial support structure for the effective delivery of the MTC's core business. Forums and engagements with commuter representatives, government, small bus operators and the taxi industry are central to the development of a collaborative culture which promotes fair competition and mutual respect. The Board encourages the Corporation to actively participate in actions which promote the interests of the business and those of the industry at large.

## APPRECIATION

The Board is thankful for the support of the Department of Transport in the delivery of the MTC mandate. The support of the MEC and the senior management team of the department has been vital in the execution of the MTC development agenda. My appreciation extends to the Portfolio Committee on Transport and the Standing Committee on Public Accounts for their supportive oversight role. The Board is also appreciative of the management team for their diligent implementation of the MTC's stated objectives.



Advocate Andile Mini  
Mayibuye Transport Corporation  
**Chairperson of the Board of Directors**



## MAYIBUYE EXECUTIVE TEAM



Khanyisa Gazi CA(SA)  
Acting Chief Executive Officer



Angel Mhlambi CA(SA)  
Acting Chief Financial Officer



Phumza Somyo  
Acting Chief Operations Officer

## ACTING CHIEF EXECUTIVE OFFICER'S REPORT

Leading the Mayibuye Transport Corporation over the last two financial years has been a daunting yet rewarding commission which requires incisive and decisive leadership acumen. The MTC assignment requires a leadership team which knows which levers it needs to pull in order to provide basic access and mobility to millions of rural and township commuters. Similarly, steering the Corporation toward its intended strategic destination requires all hands on deck with human capital which is geared for an accelerated and enhanced socio-economic impact.

The presence of the MTC service is a crucial socio-economic driver and enabler which opens up exciting socio-economic opportunities for those who reside in underprivileged communities. Every year, the MTC fleet traverses millions of kilometres negotiating what is often underdeveloped road infrastructure in order to ensure access for disadvantaged commuters. The Corporation discharges its mandate despite rural road infrastructure which leads to rising repair and maintenance costs.

While a business of the state which must deliver shareholder value, the MTC is aware that as a development vehicle it has to strike a balance between its financial sustainability and the development agenda. As such, the Corporation is cognisant that the desired and most useful dividend for the shareholder is a sustainable and consistent provision of a safe and reliable bus passenger service. In addition, the Corporation is committed to provide an affordable bus service which acts as an enabler rather than prove a hindrance to mobility. In this regard, I am pleased with the MTC's ongoing safety track record. In the 2019/20 financial year no fatalities were recorded in the commission of bus operations.

This is testament to the inherent commitment of MTC's 260 team members to the provision of an effective and efficient bus service offering. Spread across its head office in East London and four depots in Reeston, Zwelitsha, Alice and Queenstown, the dedication of the Corporation's people resulted in 1,659 million passengers being ferried to their destinations of vocation during the review period. They carried out an average 849 passenger trips per week in the 2019/20 financial year.



### ORGANISATIONAL DESIGN

The consistent and guaranteed discharge of the MTC mandate therefore rests on the attraction and retention of the best talent with the disposition to manage the technical nuances of bus operations. As such, the Corporation is engaged in an ongoing drive to ensure that its people keep abreast with technological changes and innovations which impact core service delivery areas. In practice, this means human resources should be engaged in continuous professional development in order to provide real and impactful solutions which help reduce spiraling operational expenditure. A decision to review the organisational structure has been confirmed. The process should commence in the new financial year. The new organisational design should improve the efficacy of the Corporation while improving its profitability. There is also a dire need to fill critical posts at executive and senior management level in order to bring certainty and stability to operations. However, this remains a challenge due to ongoing liquidity challenges and budgetary constraints.

### FINANCIAL REVIEW

In this regard, I am pleased with the revised appropriation of R152 million by the Department of Transport (DoT) for the 2019/20 financial year which allowed the Corporation to provide an essential bus transportation service. This figure is made up of a R121 million main appropriation as well as an additional R31 million allocation during the review period.

The Corporation has delivered by attaining a fifth consecutive unqualified audit opinion from the Auditor-General demonstrating a commitment to sensible fiscal management and discipline. This financial management posture should provide further impetus for the ongoing capitalisation conversations with the shareholder.

Grant income for the 2019/20 financial year of R120,997,000 was allocated by the shareholder for operating activities and capital investment. There was also an additional grant of R31,405,300 received during the year. A grant of R981,171 in a form of a reimbursement was also received from the Transport Education Training Authority (TETA). This took the total grant received for the year to R153,383,471. Actual own revenue including other income was R29,101,047.



### R120,9m

Grant income for operating activities and capital

### R31,4m

Additional grant received during the year under review



### R29,1m

Actual revenue generated in 2019/20

## OPERATIONAL EFFICIENCIES

There is however, an urgent need to reign in operational expenditure which is driven by high repair and maintenance costs. This is largely a result of the challenging rural terrain in which the MTC fleet operates. The underdeveloped road infrastructure in our service geographies accelerates wear and tear on the fleet leading to high maintenance and repair costs. By the end of the 2019/20 financial year, an average of 52 buses were operational which represented a marked improvement from the 47 operational buses in the first quarter of the financial year.

This was largely a result of buses which are idle at the depots or with service providers because of mechanical defects. However, it is noteworthy that the department extended a further R5,1 million in 2019/20 to assist with repair and maintenance costs. An additional five new buses were procured at a cost of R10,4 million during the period under review in order to augment an ageing fleet. These new buses are earmarked to service the private hire business as well as local route demands where the need arises.

In order to improve operational efficiencies, the Corporation has taken the preparatory steps for a transition to a customer-friendly cashless ridership ticketing system. This system should support revenue protection and collection. The system will have a capability for integration to the public transport network where commuters can use a variety of technology options available such as bank cards and mobile phones. This system will complement the fleet management which is expected to improve driver behavior as well as operational efficacy. The fleet management system will also support the maintenance of the MTC's proud safety record in which no fatalities were recorded in 2019/20 out of 32 minor accidents. In addition, the Corporation also disposed of six buses in the period under review due to high mileage and age.

**849 passenger trips per week recorded**



**52 buses**  
buses on average were operational



**R10,4m**  
for the procurement of 5 new buses in 2019/20

5 new buses procured in 2019/20



**R28,3m**

own generated revenue in 2019/20

R24,4 m from passenger revenue  
R3,9m from private hire

**No fatalities recorded in 2019/20**



Transition to a customer-friendly cashless ridership ticketing system

**6 buses**

Disposed of six buses in the period under review due to high mileage and age

## OPERATIONAL HIGHLIGHTS

Total revenue in the 2019/20 financial year was R28,3 million. This number was made up of R24,4 million from passenger revenue and R3,9 million from the private hire business. An average 52 buses were operational by the end of the financial year. An average 849 passenger trips per week were recorded in the period under review. As the MTC's augments its operational efficiencies, the number of passenger trips recorded should see a steady rise.

Total operational expenditure was R49 million in 2019/20. The introduction of the fleet management system in the 2018/19 reporting period should lead to a decrease in expenditure by the 2020/21 financial year. In this regard, the fleet management system was crucial to improvement in driver behaviour evidenced in the 2019/20 financial year. This was a result of a diligent monitoring of the fleet movement which picked up deviations such as harsh braking, cornering and acceleration as well as speeding.

Operational expenditure was made up of R16,9 million in repair and maintenance costs, R19,66 million of fuel costs, R2,99 million tyre costs, R2,37 million in licences and permits, R4,85 million in insurance and R3,1 million in finance lease for 40 buses among the major cost items.

The Corporation strictly monitors the roadworthiness of its fleet as well as ensuring that its drivers have valid driver licences as well as a Professional Driving Permit (PrDP). In the period under review, the MTC had 77 drivers with drivers licences and PrDP's in line with legislation.

The Corporation also ensured that its facilities remain safe working spaces for its people and contractors. There is a security services provider on site which oversees infrastructure and human resources at the four depots. An underground environmental well testing and monitoring was conducted at Reeston depot as it is the only depot with an underground fuel tank.

## STRATEGIC PARTNERSHIPS

The MTC also cultivates a number of strategic partnerships which are a central component of its mandate delivery function. These partnerships complement the MTC's activities and they invariably lead to an ease of doing business. The MTC participates in various platforms which include other industry players such as taxi associations and commuter forums in order to find sustainable solutions to identified challenges. These engagements are central to the constitution of a culture of co-existence between partners and competitors.

## FUTURE OUTLOOK

The Corporation looks forward to the full implementation of the fleet management system and the cashless ridership ticketing system. These systems should support improved revenue generation in order to improve liquidity and financial sustainability. These systems should also result in a marked reduction in operational expenditure particularly the exorbitant repair and maintenance costs. The organisational design process which will commence in 2020/21 should also enhance the full potential of the MTC's human resources.

## APPRECIATION

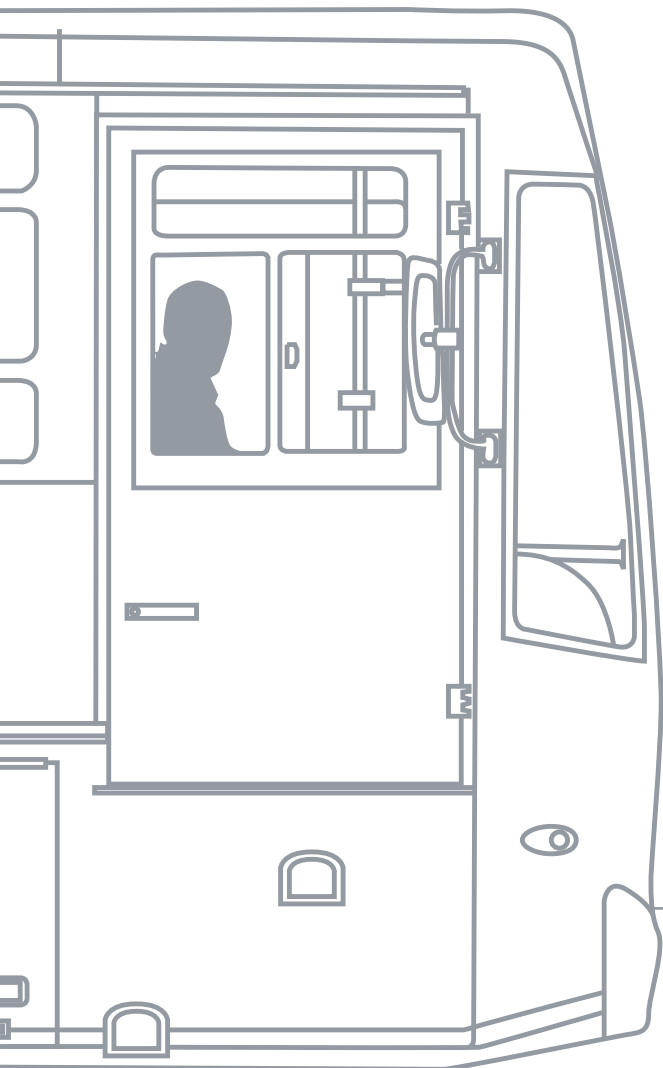
I am grateful to the leadership and oversight function provided by the MTC Board in the 2019/20 financial year. Their collective wisdom has been crucial in ensuring that the Corporation continues to deliver on its mandate of providing a safe, reliable and affordable public transport service. I am equally grateful to the DoT for its ongoing support which ensures that the MTC has the resources to effect its stated objectives. I extend my appreciation to the Corporation's partners who provide an invaluable support system. To the MTC management team and the entire staff, I thank you for your continued diligence in the execution of the Corporation's mandate.

Khanyisa Gazi CA(SA)  
Mayibuye Transport Corporation  
**Acting Chief Executive Officer**



## ACTING CHIEF FINANCIAL OFFICER'S REPORT

The 2019/20 reporting period emphasised the need to consolidate the MTC's development attitude through the prudent management of financial and human resources entrusted to the Corporation. The diligent pursuit and implementation of the MTC's financial management policies, systems and processes forms a central pillar in the development of a responsive and financially astute public bus service.



The corporate finance function is a critical enabler and support instrument for the effective discharge of the Corporations mandate delivery function. Inspired financial management provides the requisite tools to support a well-oiled operational machinery as well as providing the necessary apparatus which allows the Corporation's human capital to deliver the desired development outcomes.

While the MTC is classified as a Schedule 3D entity of the state which is required to generate a profit, it is cognisant of its unique position which requires a careful balancing act be maintained between its financial sustainability and the development agenda. This balancing act is particularly relevant in an environment of continuing fiscal constraints characterised by a shrinking economy, increasing unemployment and downgrades to the country's sovereign credit ratings.

These effects have a domino effect which has led to cuts in public expenditure as well as budget cuts. These cuts in spending have spiralled down to provincial entities such as the MTC and this requires the Corporation to use its available yet limited resources in a manner which promotes fair and equitable access to public transportation particularly for those in the rural hinterland. As such, the Corporation is inclined to exercise extreme caution on cost-containment measures to ensure that the business remains sustainable and viable. The Corporation is thus aware that its efficacy will be measured not only on its financial management acumen, but primarily on the delivery of real and sustainable access to a safe and reliable bus service for those on the margins of society.

In addition, corporate finance ensures the provision of systematic financial management systems designed to coordinate the Corporation's budget and resource requirements. Such activities include ensuring compliance with regulatory laws and regulations which are required to facilitate the funding of the MTC as well as to take appropriate steps to ensure that expenditure occurs within the approved budget and to prevent overspending of the budget.

Systematic financial management systems also entail the maintenance of a procurement system that is fair, equitable, transparent, competitive and cost-effective. It also ensures that effective and appropriate steps are taken to prevent unauthorised, irregular or fruitless and wasteful expenditure.

### FINANCIAL MANAGEMENT

I am therefore pleased to report that the MTC received an unqualified audit opinion from the Auditor-General South Africa in the 2019/20 financial year. This audit outcome is indicative of an organisation which knows which levers it needs to pull in order to deliver shareholder value. The judicious management of financial resources should provide the business case for additional capitalisation from the shareholder in order to shore up the balance sheet. The much-needed capitalisation should prove crucial in supporting an expanded public bus service transportation offering.

In this regard, I am equally pleased to report that the Corporation successfully prepared and submitted the Annual Financial Statements in compliance with the Generally Accepted Accounting Practice (GRAP) as legislated, utilising only the capable team within the Corporation. This has been successfully completed by the finance team under strict regulations due to the COVID-19 pandemic.

This made the audit an almost completely virtual experience with minimal physical engagements throughout. This type of audit was new and not planned for by the Corporation. This has proved that the Corporation is ready to move into the Fourth Industrial Revolution in which technological advancements dictate an overhaul in the manner in which the world conducts business.

### FINANCIAL OVERVIEW

The Corporation was pleased with the R121 million budget allocation it received from the Department of Transport (DoT) in the 2019/20 financial year. This figure was increased by a further R31 million later in the year. Own budgeted revenue was set at R40 million.

The Corporation commenced the 2019/20 financial year with a funding shortfall as well as a net unfavourable position of R6,6 million. The operating cash balance was R2,6 million at the beginning of the year which emphasised the need to meet the revenue budget as well as a focus on expenditure management.

There was an increase in total employee costs from R72 million in 2018/19 to R77,8 million in 2019/20. Operating expenses

also increased by R6 million from R43 million in 2018/19 to R49 million in 2019/20. Finance costs decreased from R3,3 million in the previous financial year to R3,1 million in 2019/20, lease rentals on operating lease increased to R2,7 million from R2,4 million in 2018/19 while administrative expenses increased to R25,7 million from the reported R22 million in 2018/19.

### Unqualified audit opinion 2019/20



**R152m budget allocation**

**R121m**

initial allocation

**R31m**

additional allocation later in the year

**R200k**

decrease in finance costs

These figures demonstrate the immediate focus on curtailing operational expenditure in order to address sustainability concerns. The MTC is confident that the fleet management system which was introduced in 2018/19 will yield the desired results with anticipated improvements in cost-containment measures and in revenue generation. The organisation expects this improvement to be evidenced by a general reduction in fuel and maintenance costs, as well as improved driver behaviour. From an employee cost perspective, the Corporation intends to reign in human capital spending by filling only critical vacancies which should lead to more robust operational efficiencies and revenue collection.

Furthermore, cost containment measures will prove vital in the current scenario in which the Corporation is unable to meet its revenue targets. Costs should therefore be managed against available revenue.

Repairs and maintenance costs as a component of operating expenditure remain significantly high. A contributing factor to high maintenance costs are the poor road conditions the MTC fleet operates on. As such, the Corporation has submitted all the routes it operates to the DoT so that they can be prioritised for maintenance and improvement in order to reduce repair costs on accelerated wear and tear.

#### OPERATIONAL EFFICIENCIES

The Corporation is also focussed on building its internal efficiencies such that it is able to manage the proportion of own revenue versus grant allocation to a desirable position. The Corporation intends to improve the ratio between own generated income versus grant funding to 72 (grant funding):28 (own revenue).

I am delighted to report that in the 2019/20 financial year the shareholder has supported the Corporation's capitalisation requests. The shareholder is convinced that the further capitalisation of the business should form the basis for improved operational performance and in the financial position of the business.

Through the shareholder's support, the Corporation has added an additional five new buses to its fleet. This addition should result in a net positive effect on revenue generation. On an operational level, this will enable the Corporation to op-

erate all scheduled trips. This will also build up spare capacity for the MTC which will be utilised to improve its private hire business for improved revenue generation.

#### IRREGULAR EXPENDITURE

There was no recorded increase in irregular expenditure from the previous financial year. During the review period, irregular expenditure was R1,8 million. This relates to contracts and transactions that the MTC was unable to avoid but was in the process of mitigating. A total of 59% of expenditure went to suppliers who are B-BBEE Levels 1, 2 and 3 which account for majority Black-owned businesses.



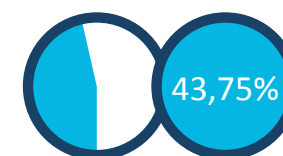
**59% of expenditure went to suppliers who are B-BBEE Levels 1, 2 and 3 which account for majority Black-owned businesses.**

#### GENERAL FINANCIAL REVIEW OF THE MTC

The total budget allocation to the Corporation by the Eastern Cape Department of Transport (ECDoT) for the 2019/20 financial year amounted to R152,402,300. The Corporation budgeted for own generated revenue an amount of R40,332,000. The total income was allocated as follows:

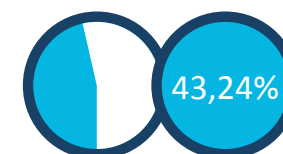
**R84,315,618**

Good & Services



**R83,346,516**

Cost of Employment



**R25,072,167**

Capital Expenditure



**R192,734,300 (100%)**

Grant income for the 2019/20 financial year of R120,997,000 was allocated by the ECDoT for operating activities and capital investment. There was also an additional grant of R31,405,300 received during the year. A grant of R981,171 in a form of a reimbursement was also received from the Transport Education Training Authority (TETA). This took the total grant received for the year to R153,383,471. Actual own revenue was R29,101,047.

#### Budget Adjustment

The Corporation was requested by the Eastern Cape Provincial Treasury to surrender R36,6 million at the end of the 2015/16 financial year. This amount was utilised for the acquisition of buses. The request for the surrender was due to administrative processes that were not adequately followed by the ECDoT in transferring the funds to the Corporation and delays by the Corporation in rolling out the procurement process for buses. The total amount devoted was R36,610,000 over the financial years as follows; having devoted R4m (2016/17), R10,870m (2017/18), R10,870m (2018/19) and R10,870m (2019/20).

The table below depicts the movement in the budget for the year under review:

| Details                             | Amount "R"         |
|-------------------------------------|--------------------|
| Allocation including devoted amount | 131,867,000        |
| Less: Amount devoted                | 10,870,000         |
| <b>Main Appropriation</b>           | <b>120,997,000</b> |
| Add: Additional Allocation          | 31,405,300         |
| <b>Revised Appropriation</b>        | <b>152,402,300</b> |

The R120,997,000 main appropriation is net of the R10,870,000 that was devoted. The Corporation made a plea to the Department of Transport for the allocation of additional funding to assist the Corporation's cash flows toward the end of the third and fourth quarter of the financial year. The additional appropriation reduced the impact that devoted funds had on the Corporation cash flows.

#### Revenue Management

The revenue of the Corporation was received as follows:

| Details      | Amount "R"         |
|--------------|--------------------|
| Grant-in-Aid | 152,402,300        |
| Teta Grant   | 981,171            |
| <b>Total</b> | <b>153,383,471</b> |

The total grant allocated for the 2019/20 financial year was received in total during the financial year.

| Economic Classification        | Actual "R"        | Budget "R"        | Variance "R"      | %            |
|--------------------------------|-------------------|-------------------|-------------------|--------------|
| Passenger Revenue              | 24,442,338        | 36,295,052        | 11,852,714        | 32.66        |
| Private Hire Revenue           | 3,938,331         | 4,036,948         | 98,617            | 2.44         |
| Other Income                   | 144,999           | -                 | - 144,999         | -100         |
| Interest received – investment | 575,378           | -                 | - 575,378         | -100         |
| <b>Total</b>                   | <b>29,101,046</b> | <b>40,332,000</b> | <b>11,230,954</b> | <b>27.85</b> |

- The Corporation collected less than expected in casual passenger revenue due to the following factors:
- The Corporation had targeted to increase the total own generated revenue by a total of R11,852,714.50 in the 2019/20 financial year. This was to be done by ensuring that all routes and duties are operated.
- The relationship between the taxi associations and the Corporation had improved from the previous financial years due to the improved interaction of the executives, the Department of Transport, taxi association leadership and the commuter forum.
- The organisation had aimed to also leverage on this relationship to increase revenue. The Corporation envisaged that there would be a decrease in private hire in the 2019/20 financial year due to the increase in competition and the demand for newer buses by the market. The Corporation has however continued to market the services for various other events to meet the revenue target.
- During the year, the MTC was unable to undertake all its planned trips due to a shortage of operating buses. The fleet was constantly being repaired as confirmed by the increase in repairs and maintenance costs. Buses kept breaking down due to the terrains in road which they travel on.
- Also due to the sudden outbreak of the COVID-19 pandemic which resulted in a national lockdown towards the end of March 2020, revenue targets were also affected.

The Corporation continues to work on the improvement of revenue collection and utilising all its available resources to improve the control environment in the collection of Revenue

from Casual Passengers. The Corporation is planning to introduce a cashless ridership ticketing system in all its buses for the collection of revenue. This will also contribute to revenue protection. The focus going forward will be the improvement of the service offering to attract and retain passengers.

#### SPENDING TRENDS OF THE MTC

The table below presents the Corporation's expenditure against its budget for the year under review. The reasons for the material variances are provided in the sections of the report below which address the relevant economic classifications.



| Economic Classification | Actual "R"         | Budget "R"         | Variance "R"     | %           |
|-------------------------|--------------------|--------------------|------------------|-------------|
| Good & Services         | 81,045,534         | 84,315,618         | 3,270,084        | 3.88        |
| Cost Of Employment      | 77,833,005         | 83,346,516         | 5,513,511        | 6.62        |
| Capital Expenditure     | 25,717,257         | 25,072,167         | - 645,090        | -2.57       |
| <b>Total</b>            | <b>184,595,796</b> | <b>192,734,300</b> | <b>8,138,504</b> | <b>4.22</b> |

The Corporation incurred a total expenditure of R184,595,796 for the financial year against a budget of R192,734,300. There was under-expenditure of R8,138,504 (4.22%). The figures above exclude depreciation, which is a non-cash amount of R18,253,850. The depreciation amount is not funded and the impact of that is that the Corporation cannot make a provision for the replacement of the buses and other assets when they become due for replacement. Throughout the year, the Corporation managed the expenditure within the available resources as there was under-collection of revenue as reflected above to the extent of R11,230,954. The Corporation applied very strict measures on curbing expenditure by mostly focusing on expenditure hindering the operations.

#### Operating Expenditure

| Economic Classification          | Actual "R"        | Budget "R"        | Variance "R"     | %           |
|----------------------------------|-------------------|-------------------|------------------|-------------|
| Operating Expenses               | 49,424,727        | 55,202,879        | 5,778,152        | 10.47       |
| Administrative Expenses          | 25,796,104        | 23,619,244        | - 2,176,860      | -9.22       |
| Lease Rentals on Operating Lease | 2,723,945         | 2,770,271         | 46,326           | 1.70        |
| Finance Lease                    | 3,100,758         | 2,723,224         | - 377,534        | -12.18      |
| <b>Total</b>                     | <b>81,045,534</b> | <b>84,315,618</b> | <b>3,270,084</b> | <b>3.88</b> |

The Corporation has closely managed its expenditure budget which has resulted in the under-expenditure on the goods and services budget of the Corporation of 3.88%. This was done to minimise the impact of the revenue targets that were not met by the Corporation in the year under review. The operating costs of the Corporation remain high due to the high maintenance costs on buses and fuel consumption thereof. The contributing factor to high maintenance costs is a contributed by the poor state of the roads within which the Corporation buses operate.

#### Cost of Employment

| Economic Classification | Actual "R"        | Budget "R"        | Variance "R"     | %           |
|-------------------------|-------------------|-------------------|------------------|-------------|
| Cost of Employment      | 77,833,005        | 83,346,516        | 5,513,511        | 6.62        |
| Performance Bonus       | -                 | -                 | -                | -           |
| <b>Total</b>            | <b>77,833,005</b> | <b>83,346,516</b> | <b>5,513,511</b> | <b>6.62</b> |

The Corporation was within its budget in terms of the Cost of Employment estimate. The budget has been strictly maintained and controls have improved in the management of overtime expenditure which was a challenge in the previous financial years. The underspending is a result of the budgeted posts that became vacant and posts not filled during the review period. This has however had some negative impact on the workload for the existing employees. The Cost of Employment had some pressures on the payment of a settlement of the former Senior Manager: Human Resources; former Chief Operations Officer and the backpay payment relating to salary increases that was not effected for the former Chief Executive Office.

Capital Expenditure

The total allocation in the budget for the year under review was utilised as follows:

| Classification                     | Actual "R" | Budget "R" | Variance "R" | %     |
|------------------------------------|------------|------------|--------------|-------|
| Buildings (Upgrades and Additions) | 474,840    | 520,000    | 45,160       | 8.68  |
| Workshop Equipment                 | 83,491     | 260,000    | 176,509      | 67.89 |
| Office Equipment                   | 234,878    | 675,316    | 440,438      | 65.22 |
| Office Furniture                   | 167,571    | 225,600    | 58,029       | 25.72 |
| Buses (Leased & Acquired)          | 24,756,477 | 23,051,251 | - 1,705,226  | -7.40 |
| Ancillary Vehicles                 | -          | 190,000    | 190,000      | 100   |
| Intangible Assets                  | -          | 150,000    | 150,000      | 100   |
| Total                              | 25,717,257 | 25,072,167 | - 645,090    | -2.57 |

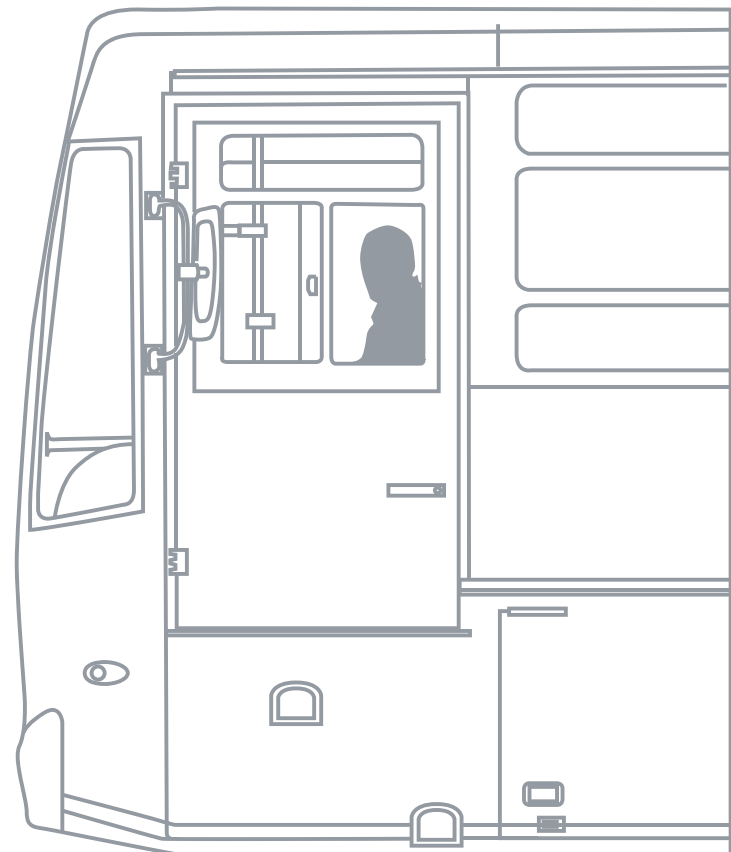
The Corporation spent a total of R25,717,257 of the R25,072,167 capital budget in the current year. The MTC has added an additional five new buses to its fleet which was acquired through a National Treasury contract. These buses were delivered by the supplier by the end of the financial year. The instalments on the finance lease were not adequately budgeted for in the year under review. This has resulted in overspending of R645,090 (2.57%) in capital expenditure for the year.

R25,717,257

total spent by the corporation  
of its R25,072,167 capital budget

5 new buses

were added to the fleet.



Discontinued activities/activities to be discontinued

There were no business activities planned to be discontinued in the foreseeable future in the 2019/20 financial year.

Requests for rollover of funds

There was no roll-over request for the 2019/20 financial year as the Corporation was in a net deficit position. This was because accruals and commitments at the end of the financial year exceeded available cash after deduction of accruals.

| Details                                   | Amount (Audited) |
|-------------------------------------------|------------------|
| Cash balance as at 31 March 2020          | 15 172 127       |
| Less: Payables from exchange transactions | (27,396,872)     |
| Less: Unspent conditional grant           | (6,530,396)      |
| Add back: Accrued Leave Pay               | 3,880,089        |
| Less: Commitments                         | -                |
| Total                                     | (14,875,052)     |
| Add: Receivables                          | 1 724 059        |
| Net cash position                         | (13,150,993)     |

This, therefore, means that the Corporation must fund prior year commitments with the funding for the 2020/21 financial year to the extent of R13,150,993. This will put strain on the 2020/21 budget allocation.

Supply Chain Management

There were no unsolicited bids approved during the review period. Management has implemented mechanisms to prevent irregular transactions. Such mechanisms include check-lists and procedures to identify requests prior to the initiation of transactions.

There is currently insufficient human capital within the Supply Chain Management unit. Due to financial constraints, vacancies within this unit could not be filled during the period under review.

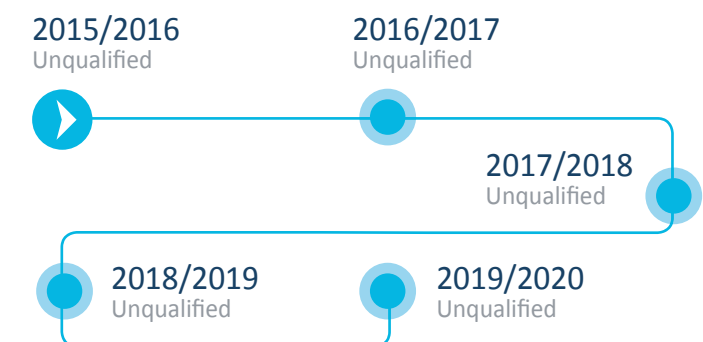
Audit report matters

The Corporation received an unqualified audit opinion in the period under review. This is a retention of the prior year audit outcome with findings on compliance. In terms of the usefulness and reliability of the reported performance information, the Auditor General did not have any material findings for previous years including the current financial year. The preservation of an unqualified opinion is earmarked as the base for obtaining a clean audit in the future.

The findings on compliance relate to irregular expenditure, fruitless and wasteful expenditure.

The Corporation incurred irregular expenditure in the year under review. This relates to contracts and transactions that the Corporation was not able to avoid but was in the process of mitigating. This also relates to the continuing contracts that need Provincial Treasury approval for condonation. Fruitless and wasteful expenditure incurred during the financial year related to traffic fine penalties and interest charges due to the late payment of suppliers. Due to financial constraints experienced by the Corporation during the financial year, it has been proven to be difficult to honour payments as and when they became due. This has been raised as a going concern matter in the audit report by the Auditor General office.

The table below reflects the trend in audit outcomes for the past five years:



The Corporation has focused its efforts on obtaining a clean audit report in the 2020/21 financial year.

### Emphasis of Matter

Other than the above-mentioned compliance matters, an emphasis of matter was also raised on the restatement of corresponding figures for the 31 March 2019 financial statements.

### Events after the reporting date

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the annual financial statements are authorised for issue. Two types of events can be identified:

- a) Those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- b) Those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

In the financial statements, attention was drawn on subsequent events including the possible effects of the implications of the COVID-19 pandemic on the Corporation's future operational performance and cash flows as well as the disruption caused by an unprotected strike undertaken by employees of the Corporation in the month of September 2020. These events were highlighted as having a significant impact on the Corporation's ability to generate its revenue as per its budget.

### Outlook/ plans for the future to address financial challenges

The Corporation plans to establish vendor partnerships for ease of buying bus tickets. This should reduce loss of revenue. The Corporation is planning to introduce a cashless ridership ticketing system in all its buses for the collection of revenue. This should ensure that the Corporation doesn't handle cash on the buses and at the depots going forward which should also contribute to revenue protection.

With the addition of the five new buses to the fleet, the Corporation will increase its private hire revenue and utilise these buses on other identified routes to increase passenger revenue.

Through ECDOT, the Corporation has contracted a service provider to perform the review of the organisational structure. This is expected to improve the operational and cost effectiveness of the Corporation. The core focus of the exercise is on the following aspects:

- review the organisational structure of the Corporation to ensure it is right-sized for its operations and administrative requirements
- Review the operating model of the engineering function of the Corporation (explore the possibility of a public private partnership in the provision of Bus Maintenance Services)

The Corporation recognises the importance of an optimal investment on buses into the Corporation's asset base and of ensuring that the investment maintained in working capital is kept to a minimum. The Corporation is currently reviewing the value of the inventory held at its stores. This is meant to reduce the value held to a level which would allow for the MTC to operate efficiently without over-committing resources to slow-moving inventory items.

The need to focus on bus maintenance in order to reduce out of order buses, and in turn improve the service delivery of the organisation has been recognised. In addition, a strategy to this end has been adopted and implemented which includes entering into maintenance contracts. This process will continue in the new financial year with funds being allocated for the ongoing maintenance of the buses.



Angel Mhlambi-Nqikashe CA(SA)  
Mayibuye Transport Corporation  
**Acting Chief Financial Officer**



## ACTING CHIEF OPERATIONS OFFICER'S REVIEW

The provision of a safe, reliable and efficient public transport system remains a fundamental pillar of the developmental state. The development of an effective public transport system network and ecosystem is a vital stimulant which drives robust economic activity and access to the mainstream economy particularly for those in underserved rural communities. By its nature, public transportation is a transformative tool which bridges the rural-urban divide by bringing those on the fringes of society into the formal economy. On a daily basis, public transportation ensures the participation by thousands of rural and township folk in economic activity which invariably leads to improved income generation opportunities and sustainable livelihoods.

This transformative and developmental posture is best encapsulated in the 1,659 million passengers who took advantage of the Mayibuye Transport Corporation bus service in the 2019/20 financial year. These are individuals whose economic prospects would otherwise be significantly curtailed in the absence of the MTC public bus service. In essence, the continued existence of the MTC service is non-negotiable. The Corporation is therefore continuously seized with an ongoing improvement in its operational efficiencies in order to ensure that it expands its footprint and efficacy which should lead to greater access and mobility for rural and township commuters.

At the core of the MTC service offering is an innate commitment to the development of a safe and reliable fleet which is poised to deliver the desired socio-economic impact. The Corporation is acutely aware that its success lies in the development and maintenance of an adequate fleet capacity, improved condition of its fleet and on the quality of its service. All these efforts are geared toward delivering an enhanced customer experience which positions and entrenches the MTC as the preferred bus services operator.

### PARTNERSHIPS

The Corporation is equally cognisant of the fact that the attainment of the MTC vision will be the result of a collaborative approach which involves the development and maintenance of strategic alliances. As such, the MTC is continuously engaged with industry partners to ensure that it keeps abreast of developments in the industry. In particular, relations with the taxi industry remain sound. There are continuing engagements on various forums with other industry operators with the intention of building a responsive and empowering public transportation service.

### OPERATIONAL EFFICIENCIES

The Corporation is committed to an ongoing improvement in its fleet capacity which should allow the MTC to operate all its scheduled trips. During the period under review, 59% of buses were operational. This anomaly is being addressed with a stringent focus on regular maintenance and repairs of the MTC fleet in order to ensure that bus availability is assured to commuters. In addition, the MTC is investigating various methods to further improve efficiencies and its technical capabilities. Furthermore, a systematic route analysis exercise is being conducted to observe the performance of routes.

During the review period, strategic interventions were implemented which resulted in an improvement in the number of operational buses to 52 by the last quarter of the 2019/20 financial year. This represented a steady improvement from the 47 operational buses out of a fleet of 88 buses in the first quarter of the financial year. Fleet capacity was largely affected by buses which remained out of service at the MTC depots or at various service providers with mechanical defects.

Similarly, fiscal constraints meant that no upgrades could be done at the MTC depots. Only day to day corrective maintenance of facilities was conducted. There are no plans to close or downgrade the Corporation's facilities.

### CUSTOMER RETENTION

The Corporation is pleased with the additional grant injection of R5,1 million received from the Department of Transport which went toward the repair and maintenance of the MTC fleet. In an effort to improve revenue generation and capacity, five new buses were procured in the 2019/20 financial year. These buses will be used mainly for the private hire business as well as on local trips should the need arise.

These efforts are geared to recover passengers who were forced to use alternative transport due to the non-availability of buses. The envisaged improvement in fleet capacity will prove a central cog in the development of a loyal customer base and it should also lead to the retention of existing customers while attracting new ones. The Corporation is confident that the impact of these improvements should be felt in the new financial year.

Despite the prevailing challenges, the MTC is pleased that in 2019/20, 97% of trips departed on time and there were a minimal number of complaints received.

### SAFETY RECORD

The Corporation's commitment to passenger safety led to the disposal of six buses in the period under review due to high mileage and age. The MTC is equally pleased with its admirable safety record. In 2019/20, no fatalities were recorded. The number of minor accidents decreased from 38 in the 2018/19 financial year to 32 in 2019/20.

## Operational Performance

### REVENUE COLLECTION

In 2019/20, the Corporation recorded total revenue of R28,3 million constituted of R24,4 million from route revenue as well as R3,9 million from the private hire business. A total of 1,659 million passengers were transported during the review period. An average of 52 buses out of a fleet of 88 were operational by the end of the reporting period. One duty was close in 2019/20 due to inadequate customer numbers. Average passenger trips were recorded at 849 per week versus a planned 1,109 passenger trips a week. This was a result of a non-operational fleet and inadequate technical capacity at the MTC facilities

However, it is worth noting that the majority of allocated MTC routes are in rural areas which are characterised by poor road infrastructure. This factor is a significant contributor to the breakdowns in the MTC fleet. Bad weather conditions damages road infrastructure resulting in inaccessibility and a subsequent suspension of services in affected areas.

### FLEET MANAGEMENT AND MAINTENANCE

In the 2019/20 financial year, total operational expenditure was R45.721m. The introduction of the fleet management system in the previous financial year is yielding the requisite impact. The system is meant to lead to a general improvement in driver behaviour through the consistent monitoring of the fleet's movement. In 2019/20 the system was critical in picking up various deviations committed by drivers. These deviations included speeding, harsh braking, cornering and acceleration. The system has provided a detailed awareness of the fleet's movement and driver behaviour.

The reports received from the system were analysed and the necessary consequence management actions were taken against violators.

**R28,3m total revenue**



**R24,4m**

from route revenue

**R3,9m**

from the private hire business



**1,659m**

passengers transported 2019/20

5 new buses procured  
in 2019/20



6 buses disposed due to  
high mileage and age



Average 52 buses  
operational



849 average passenger trips per week  
97% of trips departed on time

77 drivers with valid drivers'  
licences and PrDPs



### TRAFFIC MANAGEMENT

The Corporation places particular emphasis on efficient traffic management which ensures that route performance and the scheduling of buses is carried out consistently. The MTC also continues to ensure that all its buses have valid roadworthy certificates and operating licenses and that drivers are in possession of valid driver licences as well as a Professional Driving Permit (PrDP). There is also continuous monitoring of the revenue collection system and a management of the implementation of fare increases. In the 2019/20 financial year, the MTC had a total of 77 drivers with valid drivers' licences and PrDPs as required by the National Road Traffic Act.

### SECURITY AND ENVIRONMENTAL MANAGEMENT

The Corporation is committed to ensuring that its depots are safe working spaces which encourage the development of a dedicated and able cadre of employee. As a result, the Corporation has engaged the services of a security services provider in order to protect its human capital.

The security service provider is charged with ensuring the safety of workers, visitors, buses, infrastructure and contractors. An underground environmental well testing and monitoring was conducted at Reeston depot as it is the only depot with an underground fuel tank.



### FACILITIES AND BUILDING MAINTENANCE

There was no funding to perform major maintenance on infrastructure in the period under review. The MTC's facilities are in a fair condition. However, they are in need of an urgent and comprehensive capital overhaul before they deteriorate further as they have been deferred for a long time. The re-vamping of the Zwelitsha and Reeston depots requires capital funding to align infrastructure with the required standards.

The Buffalo City Metropolitan Municipality has a proposed project to develop the North West Expressway together with the Mdantsane Arterial and their associated access roads. The proposed project is at an Environmental Impact Assessment stage. The proposed project will greatly improve the traffic flow as it is an access to many industrial and residential areas including the bus depot.

### FUTURE OUTLOOK

**The Corporation's future plans also entail the introduction of programmes, systems and processes which seek to improve the customer value proposition.**

As such, the MTC is in a process of introducing a customer-friendly cashless ridership ticketing system which will also contribute to the improvement of revenue collection. The cashless ridership solution will ensure a move away from a dependence on human intervention to automated processes. The system will have a capability for integration to the public transport network where commuters can use a variety of technology options available, namely, bank cards, mobile phones and EMV cards. Loading of the cards will also be done at kiosks and on an online app.

Finally, the MTC will continuously endeavour to add value to the lives of commuters and other stakeholders well into the future in order to effect a definitive development impact.

Phumza Somyo  
Mayibuye Transport Corporation  
**Acting Chief Operations Officer**

## PERFORMANCE OF THE CORPORATION AGAINST PREDETERMINED OBJECTIVES

### AUDITOR'S REPORT: PREDETERMINED OBJECTIVES

The AGSA currently performs the necessary audit procedures on the performance information to provide a reasonable assurance in the form of an audit conclusion. Refer to page X of this report which forms part of the Report of the Auditor General to the Eastern Cape Provincial Legislature, published as Part E: Financial Information.

### Strategic Outcome-Oriented Goals

The strategic objectives that the MTC were in pursuit of for the 2019-20 performance cycle are as follows:

| Strategic Goal                                                                                                                  | #   | Strategic Objective                                                                                        |
|---------------------------------------------------------------------------------------------------------------------------------|-----|------------------------------------------------------------------------------------------------------------|
| 1. Ensure accessible, reliable, safe and affordable public bus transport services that satisfy the needs of our customers       | 1.1 | Increase number of passengers transported from 1 735 049 per annum to 1 911 993 per annum by 31 March 2021 |
|                                                                                                                                 | 1.2 | Increase the customer satisfaction rating from 80% to 85% by 31 March 2021                                 |
| 2. To be a catalyst to the Eastern Cape Developmental Priorities through the provision of a viable public bus transport service | 2.1 | Reduce dependency on grant from 78% to 75% by 31 March 2021                                                |
| 3. Develop the MTC into a fit-for-purpose public transport provider                                                             | 3.1 | Uphold good governance by adhering to the King IV principles by 31 March 2021                              |



## STRATEGIC GOAL: 1

Ensure accessible, reliable, safe and affordable public bus transport services that satisfy the needs of our customers

**Strategic objective: 1.1 Increase the number of passengers transported from 1 735 049 per annum to 2 688 168 per annum by 31 March 2020**

| Measurable objective                                                                      | Performance indicator                       | Annual target | Actual    | Deviation | Reason for deviation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|-------------------------------------------------------------------------------------------|---------------------------------------------|---------------|-----------|-----------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Ensure that at least 1 911 993 people per annum use the MTC bus services by 31 March 2020 | Number of passengers transported            | 1 911 993     | 1 647 535 | 264 45    | The target was not achieved. Throughout the financial year, the MTC had challenges in obtaining the required number of operational buses in order to meet the set passenger target. The challenge of off the road buses was as a result of mechanical defects. The entity lacked the required technical skills to repair these buses and get them back on the road as soon as possible, additionally financial constraints resulted in delays in obtaining the required parts nor expediting the process of getting the buses fixed externally. This impacted the entities ability to deliver on its mandate and resulted in the MTC leaving its commuters destitute. The MTC was strung for cash and could not service its commuters, though some are solely dependant on our bus services. Apart from this, during the first quarter of the year we had National Elections on 8 May 2019 resulting in the MTC being unable to operate on that day. The estimated number of passengers that would have been transported was 6 500. From 20 June till 29 June 2019 the MTC's ticketing system was updated by the service provider which resulted in the inability of MTC being able to record the passengers and revenue generated for all customers who possess a store valued card. The estimated loss in passenger numbers was 1 500 passengers per day, for the 8 days the system was down. In the last quarter of the year a National Lockdown was instated commencing on 27 March 2020 due to the Coronavirus pandemic, which resulted in a loss of 3 operating days." |
| Maintain a rate of zero fatal accidents caused by the MTC                                 | Number of fatal accidents caused by the MTC | 0             | 0         | 0         | Not applicable. Target Achieved.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |

**Strategic objective: 1.2 Increase the customer satisfaction rating from 85% to 90% by 31 March 2020**

| Measurable objective                                                 | Performance indicator                                                | Annual target | Actual | Deviation | Reason for deviation                                                                                                                                                                                                                                            |
|----------------------------------------------------------------------|----------------------------------------------------------------------|---------------|--------|-----------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Ensure a minimum customer satisfaction level of 85% by 31 March 2020 | Ensure a minimum customer satisfaction level of 85% by 31 March 2020 | 85,00         | 63,80  | 21,20     | The target was not achieved. This was mainly due to lower buses being operated during the financial year as there were a number of buses off the road during any given quarter. This therefore greatly affected the MTC's ability to render a reliable service. |
| Maintain a rate of zero fatal accidents caused by the MTC            | Number of fatal accidents caused by the MTC                          | 0             | 0      | 0         | Not applicable. Target Achieved.                                                                                                                                                                                                                                |

## STRATEGIC GOAL: 2

**To be a catalyst to the Eastern Cape Developmental Priorities through the provision of a viable public bus transport service**

**Strategic objective: 2.1 Reduce dependency on grant from 76% to 72% by 31 March 2020**

| Measurable objective                                                                                        | Performance indicator                                                  | Annual target | Actual      | Deviation | Reason for deviation                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|-------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------|---------------|-------------|-----------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Reduce reliance ratio of subsidy to own generated income from 80:20 to 74:26 by 31 March 2020               | Grant versus Own Income Ratio                                          | 74.26         | 83.37:16.63 | 9,37      | "The target was not achieved. The MTC had experienced challenges with regards to the required number of operational buses. Lack of technical skills within the engineering division has resulted in a large number of non-operational buses. This has a negative impact in the entities ability to collect revenue. In the last quarter of the year a National Lockdown due to COVID-19 pandemic commenced with effect from 27 March 2020. This resulted in MTC not operating for 3 days and loss of revenue. " |
| Development of MTC restructuring document                                                                   | Board approved restructuring plan                                      | 1             | 0           | 1         | The target was not achieved. The restructuring plan was done and submitted to the Board on 17 March 2020 in its Special Board meeting, unfortunately the plan was not approved as there are some issues that the Board required further information on.                                                                                                                                                                                                                                                         |
| Ensure that each of the 12 core digital systems are on average available 37 hours per week by 31 March 2020 | Average number of hours per week each core digital system is available | 37            | 146         | -109      | The target was overachieved, as a result of stability of our service providers infrastructure.                                                                                                                                                                                                                                                                                                                                                                                                                  |

## STRATEGIC GOAL: 3

Develop the MTC into a fit-for-purpose public transport provider

Strategic objective: 3.1 Increase the King IV application rating from AA to AAA by 31 March 2020

| Measurable objective                                                                                                                         | Performance indicator                                                                              | Annual target    | Actual           | Deviation | Reason for deviation                                                                                                                                                                                                                                                                                      |
|----------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------|------------------|------------------|-----------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Demonstrate successful, responsible and accountable corporate governance by gaining a high level King IV application rating by 31 March 2020 | King IV Application Rating                                                                         | High Application | High Application | 0         | Not applicable. Target Achieved.                                                                                                                                                                                                                                                                          |
| Resolve all findings that affect the 18/19 audit outcome by 31 March 2020                                                                    | Number of unresolved findings that affect the prior year audit outcome                             | 0                | 2                | 2         | The target was not achieved. The items not yet performed refer to the actions that were to be taken as a result of the outcome of the investigations undertaken by Internal Audit with respect to the incurrence of irregular expenditure and fruitless and wasteful expenditure incurred in prior years. |
| Reduce 1 of the 11 Strategic Risks to an acceptable level by 31 March 2020                                                                   | Number of Strategic Risks reduced to an acceptable level                                           | 1                | 0                | 1         | The target was not achieved. There is currently no Chief Risk Officer to coordinate the risk function, monitor the implementation of risk action plans as well as to prepare all the required documentation at the MTC.                                                                                   |
| Develop a capable workforce by completing 50 training initiatives in accordance with the CEO approved workplace skills plan by 31 March 2020 | Number of training initiatives completed in accordance with the CEO approved workplace skills plan | 50               | 179              | -129      | The target was overachieved. There were more funds available to accommodate more trainings than was planned for in the AOP.                                                                                                                                                                               |
| Develop an organisational redesign project by 31 March 2020 in aid of reducing costs and increasing efficiency                               | Board approved organisational redesign                                                             | 1                | 0                | 1         | The target was not achieved due to insufficient time to finalize the development and consultation with other stakeholders on the plan as a result of the National Lockdown due to COVID-19 pandemic.                                                                                                      |

| Measurable objective                                                                                                               | Performance indicator                                                        | Annual target | Actual | Deviation | Reason for deviation                                                                                                                                                                                                                         |
|------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------|---------------|--------|-----------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Maintain the number of interns enrolled in the TETA funded internship program at 21 by 31 March 2020                               | Number of Interns enrolled in the TETA Internship Programme                  | 21            | 19     | 2         | The target was not achieved due to insufficient funding obtained from TETA.                                                                                                                                                                  |
| Develop a capable workforce by promoting 20 learners from year 2 to year 3 of the 3-year apprenticeship programme by 31 March 2020 | Number of learners enrolled in year 3 of the 3-year apprenticeship programme | 20            | 0      | 20        | The target was not achieved. An application to fund 20 learners in the Apprenticeship Programme was submitted to TETA. Unfortunately, the request was unsuccessful, therefore the entity was unable to deliver on this performance indicator |

# SEC THREE

HUMAN  
RESOURCES  
REPORT

The consistent and guaranteed discharge of the MTC mandate rests on the attraction and retention of the best talent with the disposition to manage the technical nuances of bus operations

Acting Chief Executive Officer,  
Khanyisa Gazi CA(SA)



## INTRODUCTION

In support of the Corporation's vision of being a public transport partner of choice, the human resource division responds by providing an internal enabling environment and support service to other programmes within the MTC. This includes guidance people management as a business resource, managing recruitment, retention of valuable employees, promoting a labour-friendly environment, coordinating employee benefits, employee wellness and human capital development through vigorous training initiatives. This is aimed at increasing the overall value to the organisation.

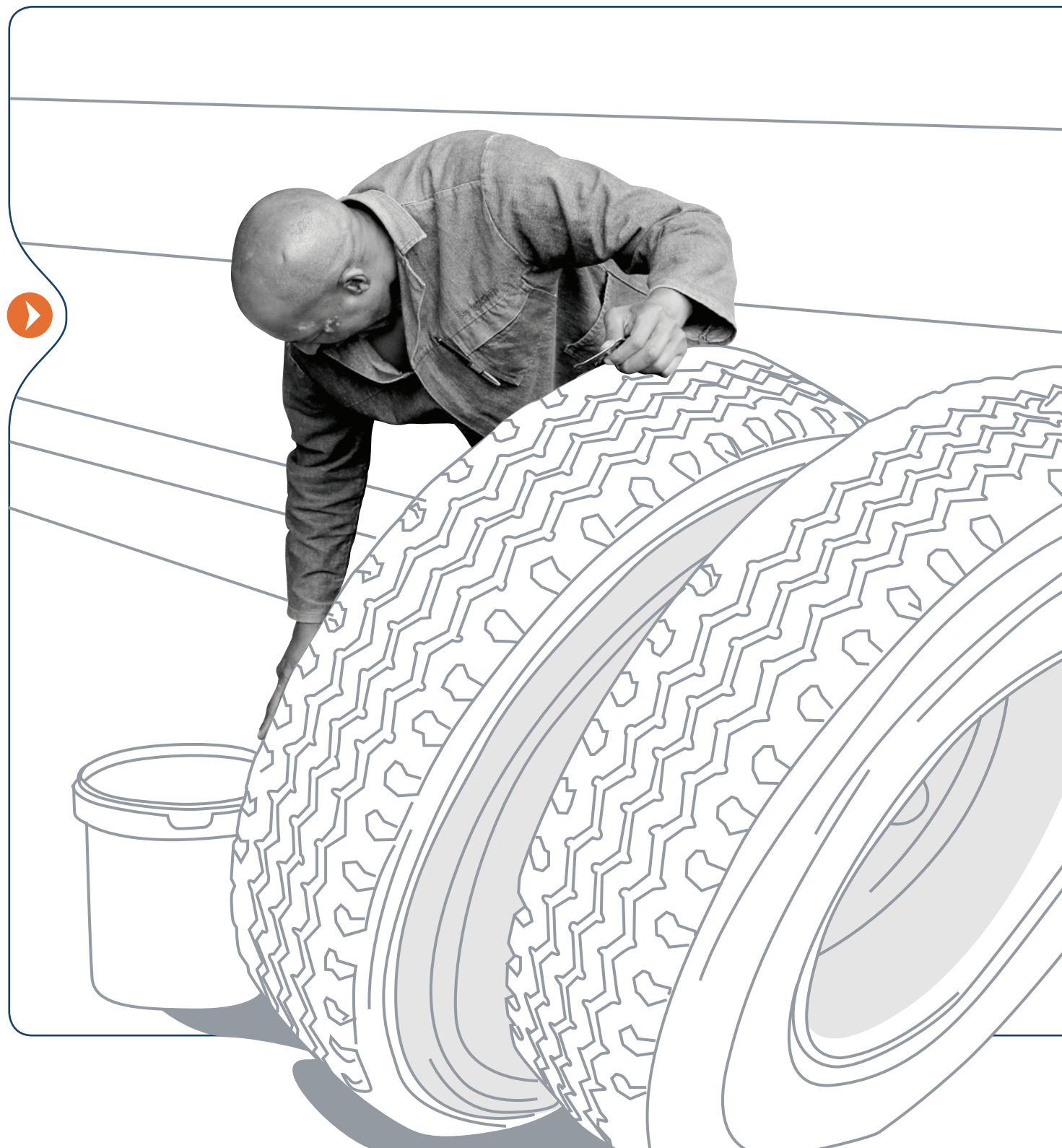
### Key Interventions

During the period under review the Corporation completed and submitted a Workplace Skills Plan for the 2019/20 financial year. A total of 50 employees to be trained as per the WSP was submitted to the Transport Education Training Authority (TETA).

There is an overachievement of the annual target by a total number of 131 with 181 employees trained by the end of the fourth quarter. The reason for the over-achievement is that the AOP target was set before TETA approved a higher budget for training, as well as funds in the fourth quarter made available due to a change of scope on the planned PMS training which has now been deferred to the next financial year.

The MTC has had no new intake of interns and it was still hosting the 19 that was recruited in the previous financial year as part of its workplace experience programme.

The Corporation also supports the personal and academic development of staff through the provision of study loans. These loans are converted to bursaries on successful completion of the academic programme and the candidate is reimbursed in full. Thirteen employees benefited from the program in the year under review.



### Workforce Planning

In order to continuously align the needs and priorities of the organisation, 14 appointments were made in the period under review. There were other executives and senior management positions whose recruitment was put on hold due to financial constraints experienced by the Corporation.

### Employee Performance Management

The Performance Management and Development System (PMDS) is a driver for change. It identifies the internal and external customers and their expectations and how to align team and individual performance plans to meet these expectations. Despite the existing performance management culture and systems challenges, managers are instrumental in effectively implementing the PMDS in order to improve individual performance and in driving service delivery. The MTC seeks to manage the performance of its employees towards the achievement of its organisational objectives. The organisational objectives are clearly defined within the approved Corporate Plan and Annual Operational Plan. The departmental and individual key performance areas deliverables and standards are formulated to align with the delivery of organisational objectives.

The PMDS involves developing a performance plan and agreement, performance monitoring, performance assessments and managing the outcomes of assessments.

### Employee Wellness Programme

The integrated employee health and wellness program implementation framework takes cognisance of the reality of HIV/AIDS and TB, chronic diseases, occupational injuries and disease, environmental and quality management as some of the main challenges facing South Africa today. It seeks to represent an integrated, needs driven, participative and holistic approach to employee health and wellness within MTC. This framework recognises the importance of individual health, wellness and safety and its linkages to organisational wellness, environmental sustainability, quality management and productivity within the Corporation.

### Human Resource Management Highlights

The Corporation made the following critical appointments in the 2019/20 financial year.

| Office of the CEO | Office of the COO      | Corporate services |
|-------------------|------------------------|--------------------|
| Company Secretary | Depot Manager          | Senior Manager HRM |
|                   | Semi-Skilled Mechanics |                    |

### Initiatives

Two semi-skilled mechanics completed their training and are now certified artisans.

The MTC continues to support employees who go on maternity leave by compensating them with four months' full pay. Wellness supports employees through its wellness programs.

## HR CHALLENGES FACED BY THE MTC

### Conducive Work Environment

Creating a work environment that boosts employee morale and improves performance continues to be a challenge. Business growth is directly proportional to employee contribution and ownership of tasks at work. To create an environment that increases employee morale and elicits strong employee performance, human resources staff must be fully involved in the business. They need to be cognisant of the areas of the business which need improvement through skills development, training and mentoring.

### Succession Planning

The MTC is continuously improving its succession planning processes. To prevent adjustment issues, the human resources function needs to be proactive in succession planning. It must identify, groom, provide exposure and add work responsibilities to key employees. Business continuity is one of the primary requirements for an organisation and an ongoing challenge for human resources.

### Managing talent

The MTC is in a process of strengthening its talent management apparatus. A critical component is the retention of critical skills such as artisans.

### Performance management

There is a performance management system in place which is governed by a clear policy. Employees are aware of their performance responsibilities. The performance management system is linked to the award of performance bonuses.

### Legal Issues

The Corporation currently has three matters referred to the Labour Court and two matters that have been referred to the Commission for Conciliation Mediation and Arbitration (CCMA). These matters have a total contingent liability of R5,885,020.

### Human capital constraints

There are identified critical positions that could not be filled due to non-availability of funds. The positions include those of the: Corporate Services Executive, Chief Risk Officer, Divisional Manager Engineering, and Executive in the Office of the CEO. Low staff moral also contributes to absenteeism due to instability within the organisation.

### Future HR plans /goals

The organisation intends to prepare a human resource inventory of the organisation's employees, a job analysis, assessing future demand, assessing future supply, establishing a recruit-

ment plan, hiring, educating, appraising, compensating, and scheduling employees.

The plan is to ensure the best fit between employees and jobs while avoiding manpower shortages and surpluses. The Corporation also plans to conduct an analysis of the present labour supply, forecasting labour demand, balancing labour demand and supply and supporting organisational goals.

Furthermore, the MTC plans to drive paperless processes within its systems. Another focus area is the employment of females in strategic positions to balance equity in the organisation.

## HUMAN RESOURCE OVERSIGHT STATISTICS

### 2.1 Personnel Cost by programme 1 April 2019 to 31 March 2020\*

| Programme               | Total Expenditure for the entity (R'000) | Personnel Expenditure (R'000) | Personnel exp. as a % of total exp. (R'000) | No. of employees | Average personnel cost per employee (R'000) |
|-------------------------|------------------------------------------|-------------------------------|---------------------------------------------|------------------|---------------------------------------------|
| 1. Office of the CEO    | 12 496                                   | 4 417                         | 35%                                         | 5                | 883                                         |
| 2. Financial Management | 20 122                                   | 14 213                        | 71%                                         | 33               | 431                                         |
| 3. Corporate Services   | 14 344                                   | 9 089                         | 63%                                         | 17               | 535                                         |
| 4. Operations           | 137 634                                  | 50 114                        | 36%                                         | 205              | 244                                         |
| <b>Total</b>            | <b>184 596</b>                           | <b>77 833</b>                 | <b>42%</b>                                  | <b>260</b>       | <b>299</b>                                  |

### 2.2 Personnel cost by salary band 1 April 2019 to 31 March 2020\*

| Programme              | Personnel Expenditure | % of personnel exp. to total personnel cost | No. of employees | Average personnel cost per employee (R'000) |
|------------------------|-----------------------|---------------------------------------------|------------------|---------------------------------------------|
| Top Management         | 4 781 528,00          | 0,06                                        | 2                | 2 390 764,00                                |
| Senior Management      | 6 605 928,00          | 0,08                                        | 6                | 1 100 988,00                                |
| Professional qualified | 16 795 909,00         | 0,22                                        | 9                | 1 866 212,11                                |
| Skilled                | 35 523 078,00         | 0,46                                        | 129              | 275 372,70                                  |
| Semi-skilled           | 9 214 014,00          | 0,12                                        | 57               | 161 649,37                                  |
| Unskilled              | 4 912 548,00          | 0,06                                        | 57               | 86 185,05                                   |
| <b>Total</b>           | <b>77 833 005,00</b>  | <b>100</b>                                  | <b>260</b>       | <b>5 881 171,23</b>                         |

### 2.3 Performance Rewards

No performance rewards for the 2019/2020 performance year have been paid.

### 2.4 Training Costs

| Programme               | Personnel Expenditure (R'000) | Training Expenditure (R'000) | Training Expenditure as a % of Personnel Expenditure | No. of employees trained | Ave training cost per employee (R'000) |
|-------------------------|-------------------------------|------------------------------|------------------------------------------------------|--------------------------|----------------------------------------|
| 1. Office of the CEO    | 3 571 903,00                  | 333 3353                     | 0,09                                                 | 1                        | 3 335                                  |
| 2. Financial Management | 8 528 969,00                  | 23 490                       | 0,28                                                 | 13                       | 1 806,92                               |
| 3. Corporate Services   | 7 976 187,59                  | 16 785                       | 0,21                                                 | 6                        | 2 797,05                               |
| 4. Operations           | 57 755 945,41                 | 183 511                      | 0,32                                                 | 161                      | 1 139,82                               |
| <b>Total</b>            | <b>77 833 005,00</b>          | <b>227 121</b>               | <b>0,90</b>                                          | <b>181</b>               | <b>9 078,79</b>                        |

### 2.5 Employment and vacancies per Department

| Programme               | 2019/2020 No. of Employees | 2019/2020 Approved Posts | 2019/2020 No. of Employees within the establishment* | 2019/2020 Vacancies | % of vacancies | Employees additional to the establishment |
|-------------------------|----------------------------|--------------------------|------------------------------------------------------|---------------------|----------------|-------------------------------------------|
| 1. Office of the CEO    | 5                          | 10                       | 5                                                    | 5                   | 50%            | 0                                         |
| 2. Financial Management | 33                         | 42                       | 33                                                   | 9                   | 7.8%           | 0                                         |
| 3. Corporate Services   | 17                         | 25                       | 17                                                   | 8                   | 6.8%           | 0                                         |
| 4. Operations           | 205                        | 273                      | 205                                                  | 68                  | 7.5%           | 44                                        |
| <b>Total</b>            | <b>260</b>                 | <b>350</b>               | <b>260</b>                                           | <b>90</b>           | <b>27.1%</b>   | <b>44</b>                                 |

### 2.6 Employment and vacancies per level

| Programme              | 2019/2020 No. of Employees | 2019/2020 Approved Posts | 2019/2020 No. of Employees within the establishment* | 2019/2020 Vacancies | % of vacancies | Employees additional to the establishment |
|------------------------|----------------------------|--------------------------|------------------------------------------------------|---------------------|----------------|-------------------------------------------|
| Top Management         | 2                          | 5                        | 2                                                    | 3                   | 3.33%          | 0                                         |
| Senior Management      | 6                          | 9                        | 6                                                    | 3                   | 3.33%          | 0                                         |
| Professional qualified | 9                          | 9                        | 9                                                    | 0                   | 0%             | 0                                         |
| Skilled                | 129                        | 145                      | 129                                                  | 16                  | 18%            | 0                                         |
| Semi-skilled           | 57                         | 112                      | 57                                                   | 55                  | 6.1%           | 0                                         |
| Unskilled              | 57                         | 70                       | 57                                                   | 13                  | 14%            | 44                                        |
| <b>Total</b>           | <b>260</b>                 | <b>350</b>               | <b>260</b>                                           | <b>90</b>           | <b>45%</b>     | <b>44</b>                                 |

### 2.7 Employment changes

| Programme              | Employment at beginning of period* | Appointments | Terminations | Employment at end of the period |
|------------------------|------------------------------------|--------------|--------------|---------------------------------|
| Top Management         | 2                                  | 1            | 2            | 1                               |
| Senior Management      | 6                                  | 2            | 0            | 8                               |
| Professional qualified | 9                                  | 0            | 0            | 9                               |
| Skilled                | 129                                | 1            | 9            | 121                             |
| Semi-skilled           | 57                                 | 9            | 10           | 56                              |
| Unskilled              | 57                                 | 0            | 4            | 53                              |
| <b>Total</b>           | <b>260</b>                         | <b>12</b>    | <b>25</b>    | <b>248</b>                      |

### 2.8 Reasons for staff leaving

| Reason             | Number    | % of total no. of staff leaving |
|--------------------|-----------|---------------------------------|
| Dismissal          | 5         | 16%                             |
| Resignation        | 11        | 34%                             |
| Death              | 2         | 6%                              |
| Expiry of contract | 12        | 37%                             |
| Retirement         | 1         | 3%                              |
| Ill health         | 0         | 0%                              |
| Other              | 1         | 3%                              |
| <b>Total</b>       | <b>32</b> | <b>100%</b>                     |

Resigned  
11 people

34%

Contract expired  
12 people

37%

### 2.9 Labour Relations: Misconduct and disciplinary action

| Nature of Disciplinary Action | Number    |
|-------------------------------|-----------|
| Verbal Warning                | 0         |
| Written Warning               | 14        |
| Final Written warning         | 4         |
| Dismissal                     | 5         |
| <b>Total</b>                  | <b>23</b> |

2.10 Equity target and eploymeny equity status

| Levels                 | Male    |        |          |        |         |        |         |        |
|------------------------|---------|--------|----------|--------|---------|--------|---------|--------|
|                        | African |        | Coloured |        | Indian  |        | White   |        |
|                        | Current | Target | Current  | Target | Current | Target | Current | Target |
| Top Management         | 2       | 0      | 0        | 0      | 0       | 0      | 0       | 0      |
| Senior Management      | 2       | 2      | 0        | 0      | 0       | 0      | 1       | 0      |
| Professional qualified | 2       | 2      | 0        | 1      | 0       | 0      | 0       | 1      |
| Skilled                | 114     | 7      | 1        | 0      | 0       | 0      | 0       | 0      |
| Semi-skilled           | 31      | 4      | 0        | 0      | 0       | 0      | 0       | 0      |
| Unskilled              | 31      | 10     | 0        | 0      | 0       | 0      | 1       | 0      |
| TOTAL                  | 153     | 25     | 1        | 1      | 0       | 0      | 2       | 1      |

| Levels                 | Female  |        |          |        |         |        |         |        |
|------------------------|---------|--------|----------|--------|---------|--------|---------|--------|
|                        | African |        | Coloured |        | Indian  |        | White   |        |
|                        | Current | Target | Current  | Target | Current | Target | Current | Target |
| Top Management         | 0       | 0      | 0        | 0      | 0       | 0      | 0       | 0      |
| Senior Management      | 3       | 2      | 0        | 0      | 0       | 0      | 0       | 0      |
| Professional qualified | 7       | 10     | 0        | 2      | 0       | 2      | 0       | 0      |
| Skilled                | 14      | 30     | 0        | 0      | 0       | 0      | 1       | 0      |
| Semi-skilled           | 26      | 30     | 0        | 5      | 0       | 0      | 0       | 5      |
| Unskilled              | 24      | 50     | 1        | 0      | 0       | 0      | 0       | 0      |
| TOTAL                  | 74      | 122    | 1        | 7      | 0       | 2      | 1       | 5      |

153 males  
African (current)



74 females  
African (current)



| Levels                 | Disabled |        |         |        |
|------------------------|----------|--------|---------|--------|
|                        | Male     |        | Female  |        |
|                        | Current  | Target | Current | Target |
| Top Management         | 0        | 0      | 0       | 0      |
| Senior Management      | 0        | 0      | 0       | 1      |
| Professional qualified | 0        | 1      | 0       | 0      |
| Skilled                | 1        | 0      | 0       | 0      |
| Semi-skilled           | 0        | 0      | 0       | 0      |
| Unskilled              | 0        | 0      | 0       | 0      |
| TOTAL                  | 1        | 1      | 0       | 1      |



# SEC FOUR

GOVERNANCE

The Board is unreservedly committed to applying the fundamental principles of good governance – transparency, integrity, accountability and responsibility – in all dealings by, in respect and on behalf of the Corporation.

Company Secretary,  
Adv. Unarine Tshikovhi



# Introduction

Corporate governance embodies processes and systems by which public entities are directed, controlled and held to account. In addition to legislative requirements based on a public entity’s enabling legislation and corporate governance in respect to public entities is applied through the precepts of the Public Finance Management Act (PFMA) and run in tandem with the principles contained in the King IV Report on Corporate Governance. The Eastern Cape Provincial Legislature, the executive and the accounting authority of the public entity are responsible for corporate governance.

## Portfolio Committee

The entity appeared before the Committee to deliberate on the analysis on its Quarterly Performance Reports, Budget, and Annual Performance Plan. During the sittings the entity further provided progress reports on the implementation of the Committee’s resolutions.

The MTC appeared before the portfolio Committee as well as the Standing Committee on Public accounts (SCOPA) on the following dates:

- 24 July 2019 - Portfolio Committee
- 20 November 2019- Portfolio Committee
- 28 Jube 2020- SCOPA

## Executive Authority

The MTC is compliant with all laws and regulations relevant to its areas of operation. As a public entity the Corporation is committed to providing the shareholder with all relevant performance and organisational information to allow for effective monitoring, evaluation and oversight. To this end, it has ensured that all reports due for submission to the shareholder

and other authorities have been developed thoroughly and submitted timeously.

### Accounting Authority

The Board members of the Mayibuye Transport Corporation represent the Corporation’s system of corporate governance and it is ultimately accountable and responsible for the performance and affairs of the Corporation. Good corporate governance is regarded as critical to the success of the business of the Corporation. The Board is unreservedly committed to applying the fundamental principles of good governance – transparency, integrity, accountability and responsibility – in all dealings by, in respect and on behalf of the Corporation. The Board embraces the principles of good governance as set out in the King Code of Governance for South Africa and the King Code of Governance Principles (known collectively as “King IV”), and seeks to comply with the Public Finance Management Act (PFMA), Act No 1 of 1999, and the National Treasury Regulations, as amended.

The current Board assumed office on 1 February 2019. The Board comprises nine board members who are appointed by the MEC responsible for Transport. The Board reports to the executive authority on performance in relation to its mandate and targets agreed upon with the executive authority in the Shareholders Compact.

In addition, all reports submitted to the legislature and other stakeholders are submitted through the executive authority (shareholder).

## Board Charter

The MTC’s Board Charter defines the governance parameters within which the Board exists, sets out specific responsibilities to be discharged by the Board collectively, as well as certain roles and responsibilities incumbent upon directors as individuals. The Board Charter further serves to ensure that all Board members, the employees of the Corporation and other stakeholders are aware of the duties and responsibilities of the Board as well as the basis upon which it interacts with management to give effect to its obligations.

## Board Composition

The Board is appointed by the executive authority and shall comprise of a maximum number of 12 non-executive directors. In determining the optimum composition of the Board, the executive authority sought to ensure that it collectively contains the appropriate skills, experience and mix of personalities appropriate to the strategic direction of the Corporation and necessary to secure its sound performance.

The Board is led by an independent non-executive chairperson who, inter alia, presides over meetings of the Board and is responsible for ensuring the integrity and effectiveness of the Board governance process. The role of the charter is critical to good governance as defined in the Board Charter.

The Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) are permanent invitees in all the board meetings. Irrespective of a director’s special expertise or knowledge all members of the Board recognise that they are collectively responsible to the executive authority for the performance of the Corporation. The Board Charter sets out the broad governance principles and parameters within which the Board operates, and it constitutes an integral part of setting out the composition and meeting procedures for the Board.

| Board member            | Appointment date | Qualifications                                                                                                                                                                                                                                                                                                                              |
|-------------------------|------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Adv A Mini              | February 2019    | LLB (Bachelor of Laws); Certificate in Municipal Finance Management.                                                                                                                                                                                                                                                                        |
| Rev L Mantini           | February 2019    | Bachelor of Theology (Honours)                                                                                                                                                                                                                                                                                                              |
| Ms N Pietersen          | February 2019    | Masters in Business Administration (MBA); CA(SA); B. Com (Accounting) Honours/CTA; B. Com (Accounting);                                                                                                                                                                                                                                     |
| Mr G Qotywa             | February 2019    | MBA (Gordon Institute of Business Science); MA in Environment & Society (University of Pretoria); BA (Hons), BA (Ed) (University of Transkei); Programme for Leadership Development (PLD) (Harvard Business School); International Programme for Development Evaluation Training (IPDET) (Carleton University); Certified Director (IoDSA). |
| Dr N Khewu              | February 2019    | PhD in Education; Masters in Philosophy: Applied Ethics (Environmental Ethics); Bachelor of Technology: Education Management; Diploma in Psychology; Secondary Education Diploma (English and History).                                                                                                                                     |
| Mr M Metuse             | February 2019    | Bachelor of Social Science; Programme in Project Management                                                                                                                                                                                                                                                                                 |
| Maj Gen Ret. T. Khumalo | February 2019    | Qualified Military Pilot. Served in the South African Air Force almost 20 years. Trained in the Soviet Union (Speak, read and write Russian). Completed Executive National Security Programme and Joint Senior Command Staff Programme.                                                                                                     |
| Mr L Sisilana           | February 2019    | Bachelor of Personnel Management; Current Studies (MBA)                                                                                                                                                                                                                                                                                     |
| Mr R Surajbali          | February 2019    | Master’s Degree in Public Administration, Post Graduate Diploma in Public Management and Administration, National Diploma in Public Administration, Post Graduate Certificate- Executive Development Programme                                                                                                                              |

Board Meeting Attendance

| Board member            | Board meetings (8) | Special board meetings (8) | *Adhoc board seissions (8) |
|-------------------------|--------------------|----------------------------|----------------------------|
| Adv A Mini              | 8                  | 8                          | 8                          |
| Rev L Mantini           | 8                  | 6                          | 8                          |
| Ms N Pietersen          | 8                  | 7                          | 7                          |
| Mr G Qotywa             | 6                  | 7                          | 7                          |
| Dr N Khewu              | 7                  | 7                          | 7                          |
| Mr M Metuse             | 8                  | 6                          | 8                          |
| Maj Gen Ret. T. Khumalo | 6                  | 7                          | 8                          |
| Mr L Sisilana           | 5                  | 6                          | 1                          |
| Mr R Surajbali          | 8                  | 5                          | 4                          |

\*Ad Hoc meetings are categorised as meetings held with stakeholders, policy review workshops, and strategic plan session

Board Committees

The effectiveness of the board is assured by the work of five duly constituted Board committees which assist the Board with its performance of tasks to comply with the principles of good governance.

Chaired by independent, non-executive directors, these committees streamline and enhance decision-making by providing more detailed attention to matters within their terms of reference.

They also assist the Board in meeting its oversight responsibilities and ensuring the integrity of financial and other controls. Board committees meet before Board meetings to review matters and to take appropriate decisions. Committee meetings are regulated in terms of an approved calendar and deliberations are minuted and implemented once they have been deliberated upon and ratified by the Board.

Governance Committee

The Governance Committee provides leadership, guidance, advice, coordination and Integration to the Board Committees

and management, in the execution of their tasks of developing Policies, Strategies, and Plans. The Governance Committee of the Board, in line with its terms of reference, makes appropriate recommendations to the Board on strategic transversal issues. It scrutinises items on the Board agenda. It also identifies Board development opportunities.

Furthermore, the purpose of the Governance Committee is to carry out the responsibilities delegated by the Board of Directors of the Mayibuye Transport Corporation and shall act on urgent issues between board meetings.

Audit and Risk Management Committee

This Committee assists the Board in discharging its duties relating to the safeguarding of assets, the operation of adequate systems, control processes and the preparation of accurate financial reporting and statements in compliance with all applicable legal requirements and accounting standards. The committee provides a forum for discussing business risks and control issues for developing relevant recommendations for consideration by the Board and approval or final decision.

Finance and Investment Committee

The Finance and Investment Committee provides leadership in the development of the MTC finance and investment policies, strategies and plans. The Finance and Investment Committee also provides governance direction and advice to management on finance and investment opportunities for the MTC. This committee also considers all significant tenders and makes recommendations to the Board for approval and award.

Operations and Engineering Committee

The Operations and Engineering Committee provides leadership in the development of the MTC operations and engineering strategies and plans. The Operations and Engineering Committee provides governance direction, guidance and advice to management on industry operations and engineering norms, standards and new technological innovations. The committee also monitors progress in the achievement of the core operations.

Human Resources and Remuneration Committee

The Committee considers human resource and labour related matters in respect of personnel and corporate services issues including communication, administration and marketing.

The Committee is also charged with recommending the remuneration of the Chief Executive Officer, the review of the remuneration of members of the executive management, and the non-executive board members’ fees and/or honoraria.

Board Committee composition

| Board member            | Governance | Audit & Risk | Finance & Investment | Operations & Engineering | Human Resources & Remuneration |
|-------------------------|------------|--------------|----------------------|--------------------------|--------------------------------|
| Adv A Mini              | ●          |              | ●                    | ●                        |                                |
| Rev L Mantini           | ●          |              | ●                    |                          | ●                              |
| Ms N Pietersen          | ●          | ●            | ●                    |                          |                                |
| Mr G Qotywa             |            | ●            |                      | ●                        | ●                              |
| Dr N Khewu              | ●          |              |                      | ●                        | ●                              |
| Mr M Metuse             | ●          |              | ●                    |                          | ●                              |
| Maj Gen Ret. T. Khumalo |            | ●            |                      | ●                        |                                |
| Mr L Sisilana           | ●          |              |                      | ●                        |                                |
| Mr R Surajbali          |            |              | ●                    |                          | ●                              |

Board Committee Attendance

| Board member            | Governance (4) | Audit & Risk (9) | Finance & Investment (4) | Operations & Engineering (6) | Human Resources & Remuneration (4) |
|-------------------------|----------------|------------------|--------------------------|------------------------------|------------------------------------|
| Adv A Mini              | 4              |                  | 4                        | 6                            |                                    |
| Rev L Mantini           | 4              |                  | 4                        |                              | 3                                  |
| Ms N Pietersen          | 4              | 9                | 4                        |                              |                                    |
| Mr G Qotywa             |                | 9                |                          | 4                            | 4                                  |
| Dr N Khewu              | 4              |                  |                          | 6                            | 4                                  |
| Mr M Metuse             | 4              |                  | 4                        |                              | 4                                  |
| Maj Gen Ret. T. Khumalo |                | 9                |                          | 6                            |                                    |
| Mr L Sisilana           | 3              |                  |                          | 3                            |                                    |
| Mr R Surajbali          |                |                  | 4                        |                              | 4                                  |
| Mrs T Cumming*          |                | 7                |                          |                              |                                    |
| Mrs N. Mnconywa*        |                | 9                |                          |                              |                                    |
| Dr S Bosire*            |                | 9                |                          |                              |                                    |

\*Mrs T Cummings, Mrs N Mnconywa & Dr S Bosire are external Audit & Risk Committee members.

## Responsibilities

The Corporation's philosophy of leadership is based on the principle of providing effective leadership based on ethical foundation. In this regard, it has two focus areas, firstly it is responsible for determining the Corporation's strategic direction and consequently its ultimate performance. Secondly, it is responsible for the strategic control of the Corporation. The Board requires management to execute strategic decisions effectively and as per legislations and the legitimate expectations of the stakeholders. The Board maintains that it has done everything necessary to fulfil its role set out in its charter. The Board had specifically:

- Acted as the focal point for, and custodian of, corporate governance by managing its relationships with management and other stakeholders of the Corporation along sound corporate governance principles.
- Appreciated that strategy, risk, performance and sustainability are inseparable and gave effect to this by:
  - Contributing to and approving the Corporate Plan 2020-2025;
  - Satisfying it that the strategy and operational plans do not give rise to risks that have not been thoroughly assessed by management;
  - Identifying key performance and risk areas, and monitoring the Corporation's performance against agreed objectives (including the assessment of the evaluation of the performance of executive management in terms of defined objectives and applicable public service and public transport industry standards) ensuring that the strategy will result in sustainable outcomes;
  - Providing effective leadership on an ethical foundation;
  - Ensuring that the Corporation's ethics are managed effectively;
  - Retaining full and effective control over the Corporation, and monitoring management's implementation of the strategic plans and financial objectives as defined by the Board;
  - Defining levels of delegation of authority to Board sub-committees and management and continually monitoring the exercise of delegated powers;
  - Ensuring that a comprehensive system of policies and procedures is in place and that appropriate governance structures exist to ensure the smooth, efficient and prudent stewardship of the Corporation;

- Ensuring compliance by the Corporation with all relevant laws and regulations, audit and accounting principles, the Corporation's code of conduct, and such other principles as may have been established by the Board from time to time;
- Ensuring that the Corporation has an effective and independent Audit and Risk Committee;
- Ensuring that there is an effective risk-based internal audit;
- Being responsible for Information Communication Technology (ICT) governance;
- Being responsible for the governance of risk and regularly reviewing and evaluating risks to the Corporation and ensuring the existence of comprehensive, appropriate internal controls to mitigate against such risks;
- Acting in the best interests of the Corporation by ensuring that individual director:
  - o Adhere to legal standards of conduct;
  - o Are permitted to take independent advice about their duties following an agreed procedure; and
  - o Disclose real or perceived conflicts to the Board and dealing with them accordingly;
- Exercising objective judgement on the business affairs of the Corporation, independent from management but with sufficient management information to enable a proper and informed assessment to be made;
- Ensuring that the Corporation is and is seen to be a responsible corporate citizen by having regard to not only the financial aspects of the business of the Corporation but also the impact that the business operations have on the environment and the society within which it operates;
- Identifying and monitoring non-financial aspects relevant to the business of the Corporation;
- Ensuring the integrity of the Corporation's Annual Report;
- Evaluating the performance of the Chief Executive Officer;
- Together with the CEO evaluating the performance of the Board Secretary; and
- Reviewing and evaluating the adequacy of the Board Charter.

In terms of the Board's oversight function, the Board Chairperson and the Chief Executive Officer held bilateral meetings at least once each month.

## Remuneration of the Board

The remuneration of the Board members as approved by the Member of Executive Council is benchmarked against fees paid by other public entities in the Eastern Cape Province. The Board members are remunerated at a flat rate for board meetings and hourly rates for committee meetings. They are reimbursed for kilometres travelled in terms of the MTC's subsistence and travel policy. Board members do not claim for preparation fees and do not receive retention allowances.

|                                     | Other benefits* | Members' fees    | Total            |
|-------------------------------------|-----------------|------------------|------------------|
| Adv. A Mini ( Board Chairperson)    | 265,657         | 682,361          | 948,018          |
| Rev. L Mantini (Deputy Chairperson) | 11,947          | 412,039          | 423,986          |
| Mr. T Khumalo                       | 12,704          | 266,233          | 278,937          |
| Dr. N Khewu                         | 5,255           | 378,952          | 384,207          |
| Ms. N Pietersen                     | 6,189           | 315,777          | 321,966          |
| Mr. M Metuse                        | 32,405          | 448,278          | 480,683          |
| Mr. G Qotywa                        | 20,381          | 306,276          | 326,657          |
|                                     | <b>354,538</b>  | <b>2,809,916</b> | <b>3,164,454</b> |

\* Other benefits comprise re-imbursive travel allowance and subsistence

\*Mr L Sisilana & Mr R Surajbali were not remunerated by the MTC as they are secondments from the Department of Transport and Provincial Treasury within the Eastern Cape

## Fraud and Corruption

The Corporation considers fraud risk and controls as an objective of internal control activities. Fraud is perceived to be potential internal control failures. The Corporation deems fraud risk monitoring as positive cost due to the benefit of protecting revenue and/or recouping losses. The MTC is committed to mitigating the risk of Fraud and has an Anti-Fraud Policy approved by the Board which guides its fraud risk management initiatives. The concepts incorporated in the Anti-Fraud Policy were developed to detect and prevent fraud and to implement effectively and homogeneously the policies and objectives set by management. The policy conveys the expectations of the Board and executive management regarding fraud risk and control.

An independent firm, Deloitte, administered the Whistleblowing Hotline on behalf of the MTC. Any cases of actual, suspected or alleged fraud was reported by Deloitte to the Chief Risk

Officer (for staff up to management level), the CEO for senior management and the Audit and Risk Committee and Board for cases involving the CEO.

Findings were reported to Management, the Audit and Risk Committee as well as the Board. No fraud related findings have been made. In addition, Deloitte was appointed to conduct a forensic investigation of the MTC senior and executive management. Significant strides have been made by the MTC in dealing with the related findings.

### Code of Conduct

The MTC's Code of Conduct is designed to communicate the expected standards of business conduct to management and other employees, who are required to comply with applicable laws and regulations wherever the MTC operates. The code specifically prohibits any illegal acts or violation of the law as well as any unethical business dealings. Contravention of the code is subject to disciplinary action including dismissal wherever employees have been informed of such code of business and, wherever appropriate, criminal prosecution. The process followed for the Breach of the code of conduct is as follows:

- Where violation or contravention of the provisions of the code occurs, it must be brought to the attention of the management and the Board and disciplinary action will be taken irrespective of the extent of the matter concerned;
- A preliminary investigation is conducted to obtain sufficient evidence for the alleged offender to be dealt with in terms of our disciplinary procedures or to refer the matter to an appropriate court of law in the case of an outsider;
- No employee may participate, incite or further any strike action unless such action has followed laid down dispute resolution guidelines and is carried out lawfully and within the ambit of Labour Relations Act No. 66 of 1995; and
- Serious breaches of the Code of Conduct and malpractices may lead to the termination of any Board member or employee's contract of service or appointment. In the event of conviction by the court, the information regarding the matter concerned will be kept in the Corporation's records and will be conveyed to future potential employers who ask for a reference on any Board member or employee concerned.

### Health, Safety and the Environment

The Health, Safety and Environmental compliance issues still pose a great challenge at MTC. This is a result of depot revamps or upgrades that have been put on hold due to no availability of capital budgets which ensure that the value of an immovable asset is optimised throughout its lifecycle. MTC is fully committed to comply Facilities regulations, National Building Regulations and Environmental Management Laws. Occupational Health and Safety Policy have been established, implemented and maintained. All non-conformances are addressed and at very early stages with Risk Assessment conducted already.

Interventions, corrective action, remedial actions and compliance matters have been greatly hampered by no funding available for infrastructure capital projects. Immoveable

Assets Management Plans require committed funding for multi years and at MTC it has been difficult financial times. Mayibuye Transport Corporation will develop an Environmental Management Plan with sole purpose to provide a structured framework for the proactive identification and elimination, or acceptable management and mitigation of some environmental issues that may be associated with the day to day running of MTC Operations.

To achieve this MTC must invest and investigate and implement measures, where appropriate, within the terms of the legal requirements. The MTC is committed to ensure proper storage of hazardous chemical substances like lubricants, oils, fuel, detergents, disinfectants, construction material and any other material used in the operations that will adversely affect the environment.

Erosion Control and Stormwater Management is closely monitored but urgent upgrade is required to avoid further deterioration and meet acceptable standards and regulations. Wash bays need to be modernised to comply with water saving municipal by-laws and mechanisms. Dust and noise control will be greatly improved as soon as all depots are revamped. Municipal infrastructure is aging at a rapid pace and population is growing, vandalism, cable theft, illegal electricity connections and supply of potable water has a huge effect at MTC. Mayibuye Transport Corporation must take steps to conserve the scarce water resources and explore best practices in the industry.

Installation of sufficient lighting like high masts will increase safety and security. Energy Saving Lights installation will contribute to low energy use. Alternative energy sources and methods needs to be investigated and explored thoroughly at MTC and their economic benefits. Waste management, minimisation, disposal, recycling options need to be explored as the Waste Disposal Centres in the municipalities we operate in are under severe strain and running out of space and rehabilitation is costly.

Fire risks mitigation measures needs major investment like fire suppression tanks in all depots. Investment in fire detection systems at MTC is needed urgently as we operate highly flammable chemical substances and liquids including the bus fleet and ancillary vehicles. This will have a great impact to the environment, safety and security of our neighbours and adjoining properties and vice versa when fire starts on the side of the community and other businesses.



# SEC FIVE

AUDIT AND  
RISK COMMITTEE  
REPORT

The diligent pursuit and implementation of the MTC's financial management policies, systems and processes forms a central pillar in the development of a responsive and financially astute public bus service.

Acting Chief Financial Officer  
Angel Mhlambi-Nqikashe CA(SA)

## Mandate

The Audit & Risk Committee presents this report in terms of the requirements of the Public Finance Management Act (PFMA), and in accordance with the King IV Code of Governance Principles for South Africa for the financial year ended 31 March 2020.

The role of the Committee is defined in section 51 (1)(a)(ii) of the Public Finance Management Act, Treasury Regulation 27.1 and the Audit & Risk Committee charter which is approved by the Board.

The Committee's responsibilities relate to assisting the Board with the oversight of financial and non-financial reporting and disclosure, the internal control system, risk management, internal and external audit functions and combined assurance, including information technology governance.

In meeting and executing its responsibilities the Audit and Risk Committee is required to consider the adequacy and effectiveness of the corporation's internal controls and the quality of its financial information.

During the year under review, the Committee has adopted formal terms of reference and satisfied its responsibilities in compliance with those approved terms of reference. In order

to discharge its responsibilities, the Committee has reviewed, on a regular basis the following:

- The risk areas of the corporation's operations to be covered in the scope of internal audits;
- Activities of the internal audit function to determine the effectiveness thereof;
- Internal audit reports, including the response of management to issues raised therein;
- The external audit scope to ensure that the critical areas of the business are being addressed;
- The external auditors' report and management letter;
- The operational effectiveness of the corporation's policies, systems and procedures;
- The effectiveness of the system for monitoring compliance with laws and regulations and
- The annual financial statements.

## Audit and Risk Committee Composition and Meeting Attendance

The Audit Committee presenting this report is composed of the following non-executive members and should meet at least four times per annum as per its approved terms of reference. Special meetings are convened as and when the need arises:

| Board member                  | Qualifications                                                                                                                                                                                                                            | Date appointed | Scheduled meetings (9) | Meetings attended | Special Meetings attended |
|-------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|------------------------|-------------------|---------------------------|
| Ms N Pietersen (Chairperson), | Master of Business Administration (MBA); CA(SA); B Com (Accounting) Honours /CTA; B Com (Accounting)                                                                                                                                      | 1 Feb 2019     | 9                      | 6                 | 3                         |
| Mr G Qotywa                   | MBA (Gordon Institute of Business Science); MA in Environment & Society; BA (Hons), BA (Ed), Programme for Leadership Development (PLD); International Programme for Development, Evaluation Training (IPDET); Certified Director (IoDSA) | 1 Feb 2019     | 9                      | 6                 | 3                         |
| Maj. Gen. (Rtd) T Khumalo     | Qualified Military Pilot. Served in the South African Air Force almost 20 years. Trained in the Soviet Union (Speak, read and write Russian). Completed Executive National Security Programme and Joint Senior Command Staff Programme    | 1 Feb 2019     | 9                      | 6                 | 3                         |

| Board member  | Qualifications                                                                                                                                 | Date appointed | Scheduled meetings (9) | Meetings attended | Special Meetings attended |
|---------------|------------------------------------------------------------------------------------------------------------------------------------------------|----------------|------------------------|-------------------|---------------------------|
| Mrs T Cumming | CA(SA), BCom                                                                                                                                   | 17 Oct 2016    | 9                      | 5                 | 2                         |
| Dr S Bosire   | Doctor of Business Administration (DBA) B.Com, HDE, B.Com Honours, CA(SA), M.Com in Accounting Sciences, Prof. Affiliated with: SAICA and IRBA | 26 Sep 2018    | 9                      | 6                 | 3                         |
| Ms N Mnconywa | CA(SA) Master of Commerce (MCom)                                                                                                               | 13 Feb 2018    | 9                      | 6                 | 3                         |

In order to discharge the above-mentioned responsibilities, the committee has relied extensively on representations made by executive management, the internal auditors and independent external auditors

## Business Continuity and Going Concern

The Committee assessed the going concern status for the foreseeable future of the Corporation as at year-end and was satisfied that Corporation is a going concern.

## Risk Management

The Corporation has an approved risk management strategy in place which was not effectively implemented during the year under review based on the existence of a human resources gap which led to the Committee not adequately exercising oversight over risk management.

In accordance with the requirements of the Public Finance Management Act, 1999 (Act No. 1 of 1999) as amended, an appropriate risk assessment was not fully conducted by management. Effective risk management is integral to the organization's objective of consistently adding value to the business. Management is continuously developing and enhancing its risk and control procedures to improve the mechanisms for identifying and efficiently monitoring risks.

The Corporation has developed a fraud prevention plan, which is currently being implemented and that is designed to eliminate fraud and corruption within the Corporation's operations. The plan focuses mainly on prevention, detection and correction. In its pursuit for fraud free environment, the Corporation has furthermore complemented the plan in so far as

detection of fraud and corruption is concerned by developing and maintaining a fraud hotline managed by Deloitte.

The hotline sets out the channels and mechanisms on which to report fraud and corruption without fear of reprisals and guarantees protection to all stakeholders raising genuine concerns regarding fraud and corruption; During the period under review there was no reported case of fraud or corruption.

All cases reported are investigated and where wrongdoing is found to have occurred, consequence management is taken. The fraud prevention and risk management policies adopted by the MTC are aimed at obtaining sufficient cover to protect its asset base, earning capacity and legal obligations against possible losses.

Risks of a possible catastrophic nature (e.g. bus accidents) are identified and insured. These risks are reviewed on an annual basis to ensure that cover is adequate and claims of a general nature are adequately covered.

### The Efficiency and Effectiveness of Internal Control

To meet its responsibility of providing reliable financial and other information, MTC maintains financial and operational systems of internal control. These controls are designed to provide reasonable assurance that transactions are concluded in accordance with management's authority and that the assets are adequately protected against material loss or unauthorised acquisition, use or disposition, and the transactions are properly authorised and recorded.

The Committee has considered the work performed by an outsourced Internal Audit function who are guided by an internal Audit plan approved by the Audit & Risk Committee.

The auditors adopt a risk-based audit approach to ensure that the process adds value to the organisation. The Internal auditors monitors the operation of the internal control system and report findings and recommendations to the Executive Management and Audit and Risk Committee. Corrective actions are taken to address control deficiencies and other opportunities for improving the systems, as they are identified. The Committee notes that there has been improvement in internal controls in the areas of financial statements, performance reporting and compliance with legislation.

There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even an effective internal control system can provide only reasonable assurance with respect to financial statements preparation and the safeguarding of assets.

### In-year Management and Monthly/Quarterly Report

The Corporation has reported monthly, quarterly to the Audit Committee, Board, Eastern Cape Department of Transport and Provincial Treasury as required by the PFMA.

We reviewed the quarterly financial and performance of the 2019/20 Financial Year prior to submission to the Board and Provincial Treasury.

During the year under review the Committee constantly raised concerns about the financial health of the Corporation that needs to be improved and

### Review and Evaluation of Financial Statements and Performance Information

The Audit and Risk Committee has:

- Afforded time to review the annual financial statements with management and Auditor-General
- Reviewed and discussed the audited annual financial statements
- Reviewed the annual performance report in line with the Corporate plan and annual operational plan

These financial statements are prepared in accordance with the South African Standards of Generally Recognised Accounting Practices (GRAP) and in the manner required by the PFMA. The Committee recommended the audited annual financial statements for approval by the Board.

### Compliance with Legal and Regulatory Provisions

The Audit Committee has over the past years 4r4discussed the Corporation's non-compliance to legal and regulatory provisions, drawing the attention of management and the Board to irregular expenditure that the Corporation continues to incur and poor management of facilities.

The Internal Auditors continue placing emphasis in these areas and they should be specific in the areas of non-compliance to assist management to correct this.

### Appreciation

The Audit & Risk Committee expresses its appreciation to the Board of the Corporation, Management, Internal Audit and AGSA for their support and co-operation during the year under review.



On behalf of the Audit & Risk Committee:  
Ms N. Pietersen  
**Audit and Risk Committee Chairperson**

## Audit and Risk Committee members



Ms N Pietersen CA(SA)  
ARC Chairperson



Maj Gen (Ret) T. Khumalo  
Member



Mr G Qotywa  
Member



T. Cumming CA(SA)  
Independent Member



N. Mnconywa CA(SA)  
Independent Member



DR S Bosire  
Independent Member

# SEC SIX

FINANCIAL  
INFORMATION

## REPORT OF THE AUDITOR-GENERAL TO THE EASTERN CAPE PROVINCIAL LEGISLATURE ON MAYIBUYE TRANSPORT CORPORATION

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### Opinion

1. I have audited the financial statements of the Mayibuye Transport Corporation set out on pages 88 to 130, which comprise the statement of financial position as at 31 March 2020, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.
2. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Mayibuye Transport Corporation as at 31 March 2020, and its financial performance and cash flows for the year then ended in accordance with South African Standards of General Recognise Accounting Practice (SA Standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

#### Basis for opinion

3. I conducted my audit in accordance with the International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.
4. I am independent of the entity in accordance with sections 290 and 291 of the Code of ethics for professional accountants and parts 1 and 3 of the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA codes) as well as the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.
5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Material uncertainty relating to going concern/ financial sustainability

6. I draw attention to the matter below. My opinion is not modified in respect of this matter.
7. I draw attention to note 32 to the financial statements, which indicates that the entity incurred a net loss of R146,4 million during the year ended 31 March 2020 and, as of that date, the entity's current liabilities exceeded its current assets by R29,6 million. As stated in note 32, these events or conditions, along with other matters indicate that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern.

#### Emphasis of matters

8. I draw attention to the matters below. My opinion is not modified in respect of these matters.

#### Irregular expenditure

9. As disclosed in note 34 to the financial statements, irregular expenditure of R25,9 million that was incurred in the previous and current years was still under investigation.

### Fruitless and wasteful expenditure

10. As disclosed in note 35 to the financial statements, fruitless and wasteful expenditure of R1,4 million that was incurred in the previous and current years was still under investigation.

### Restatement of corresponding figures

11. As disclosed in note 36 to the financial statements, the corresponding figures for 31 March 2019 were restated as a result of an error in the financial statements of the entity at, and for the year ended, 31 March 2020.

### Events after reporting date

12. We draw attention to note 33 in the financial statements, which deals with subsequent events including the possible effects of the implications of Covid-19 on the entity's future operations, performance and cash flows, as well as the destruction of one of the entity's buses during an unprotected strike undertaken by employees of the entity. These events impact on the entity's ability to generate revenue which cast further doubt on the entity's ability to continue as a going concern.

### Responsibilities of the accounting authority for the financial statements

13. The board, which constitutes the accounting authority, is responsible for the preparation and fair presentation of the financial statements in accordance with the SA Standards of GRAP and the requirements of the PFMA, and for such internal control as the accounting authority determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

14. In preparing the financial statements, the accounting authority is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

### Auditor-general's responsibilities for the audit of the financial statements

15. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

16. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

## REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

### Introduction and scope

17. In accordance with the Public Audit Act of South Africa 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report on the usefulness and reliability of the reported performance information against pre-determined objectives for selected objectives presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.

18. My procedures address the usefulness and reliability of the reported performance information, which must be based on the approved performance planning documents of the entity. I have not evaluated the completeness and appropriateness of the performance indicators / measures included in the planning documents. My procedures do not examine whether the actions taken by the entity enabled service delivery. My procedures also do not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

19. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objective presented in the annual performance report of the entity for the year ended 31 March 2020:

| Strategic goal    | Pages in the annual performance report |
|-------------------|----------------------------------------|
| Goal 1: customers | 46                                     |

20. I performed procedures to determine whether the reported performance information was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

### Strategic goal 1 – Customers

21. I did not identify any material findings on the usefulness and reliability of the reported performance information for this objectives.

### Other matters

22. I draw attention to the matters below.

### Achievement of planned targets

23. Refer to the annual performance report on pages 46 to 49 for information on the achievement of planned targets for the year.

### Adjustment of material misstatements

24. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information of Strategic goal 1 – Customers. As management subsequently corrected the misstatements, I did not raise any material findings on the usefulness and reliability of the reported performance information.

## REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

### Introduction and scope

25. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the entity's compliance with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.

26. The material findings on compliance with specific matters in key legislation are as follows:

### Financial statements and annual report

27. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework, as required by section 55(1)(a) and (b) of the PFMA. Material misstatements of disclosure items identified by the auditors in the submitted financial statements were corrected, resulting in the financial statements receiving an unqualified audit opinion.

### Expenditure management

28. Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R1,9 million as disclosed in note 34 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the irregular expenditure was caused by non-compliance with relevant supply chain prescripts.

29. Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R126 306 as disclosed in note 35 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the fruitless and wasteful expenditure was caused by interest and penalties on late payment of suppliers. ...

### Consequence management

30. Disciplinary steps were not taken against the officials who had incurred and / or permitted irregular, fruitless and wasteful expenditure, as required by section 51(1)(e)(iii) of the PFMA.

## OTHER INFORMATION

31. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report which includes the board chairperson's report and the audit committee's report. The other information does not include the financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported in this auditor's report.

32. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

33. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected objective presented in the annual performance report, or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

34. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

## INTERNAL CONTROL DEFICIENCIES

35. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the findings on the annual performance report and the findings on compliance with legislation included in this report.

36. Consequence management has not been fully implemented as the entity has not commissioned disciplinary action for all officials that were liable for irregular and fruitless and wasteful expenditure identified in the current and prior years. Weaknesses still exist in the supply chain management of the department, as the relevant legislation and prescripts were not always adhered to.

37. The entity did not exercise adequate monthly processes to monitor and report on material balances included in the annual financial statements, as well as indicators in the annual performance report, as the registers and listings were not maintained appropriately throughout the year. This necessitated material adjustment to the financial statements to ensure that fair presentation is achieved. The reported performance in the annual performance report did not agree to the relevant supporting documentation and was subsequently adjusted to address the material findings.

38. Although the entity had an audit action plan in place, this action plan was not applied to address the root causes of the control deficiencies reported previously, resulting in repeat audit findings in the current year.

Auditor - General.

East London  
30 September 2020



### Annexure — Auditor-general’s responsibility for the audit

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the consolidated and separate financial statements and the procedures performed on reported performance information for selected strategic goal and on the entity’s compliance with respect to the selected subject matters.

#### Financial statements

2. In addition to my responsibility for the audit of the consolidated and separate financial statements as described in this auditor’s report, I also:
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control
  - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control
  - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the [board of directors, which constitutes the accounting authority
  - conclude on the appropriateness of the board of directors, which constitutes the accounting authority’s use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the Mayibuye Transport Corporation to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor’s report. However, future events or conditions may cause an entity to cease operating as a going concern
  - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

#### Communication with those charged with governance

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

## Mayibuye Transport Corporation

Financial Statements for the year ended 31 March 2020

### General Information

|                                             |                                                                                                                                                                                                                                                          |
|---------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Country of incorporation and domicile       | South Africa                                                                                                                                                                                                                                             |
| Nature of business and principal activities | Mayibuye Transport Corporation is Schedule 3D Provincial Government Business Enterprise providing subsidised public transport, governed by the Public Finance Management Act 1 of 1999 as amended.                                                       |
| Members                                     | Executive: Mr. K Gazi (Acting Chief Executive Officer)<br>Adv. A Mini (Board Chairperson)<br>Rev. L Mantini (Deputy Chairperson)<br>Mr. T Khumalo<br>Dr. N Khewu<br>Ms. N Pietersen<br>Mr. M Metuse<br>Mr. G Qotywa<br>Mr. L Sisilana<br>Mr. R Surajbali |
| Registered office                           | Reeston Depot<br>Corner of Drummond and<br>Mdantsane Access Road East London<br>Eastern Cape 5247                                                                                                                                                        |
| Bankers                                     | Standard Bank of South Africa Limited                                                                                                                                                                                                                    |
| Auditors                                    | Auditor General of South Africa                                                                                                                                                                                                                          |
| Secretary                                   | Adv. U Tshikovhi                                                                                                                                                                                                                                         |

## Mayibuye Transport Corporation

Financial Statements for the year ended 31 March 2020

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## Board Members' Responsibilities and Approval

The members are required by the Public Finance Management Act (Act 1 of 1999), to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the members to ensure that the financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

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

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

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

The members have reviewed the entity's cash flow forecast for the year to 31 March 2021 and, in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the entity's financial statements.

The financial statements set out on pages 88 to 130, which have been prepared on the going concern basis, were approved by the board members on 31 July 2020 and were signed on its behalf by:



Executive: Mr. K Gazi CA(SA)  
**Acting Chief Executive Officer**



Adv. A Mini  
**Board Chairperson**

# Board Members’ Report

The members submit their report for the year ended 31 March 2020.

## 1. Nature of business

Mayibuye Transport Corporation is a Schedule 3D Provincial Government Business Enterprise providing subsidised public transport, governed by the Public Finance Management Act 1 of 1999 as amended and operates in South Africa.

## 2. Going concern

We draw attention to the fact that at 31 March 2020, the entity had an accumulated (deficit) of R (146,385,095) and that the entity’s total assets exceed total liabilities by R101,970,980.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that government funds in the form of grants 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 entity has areas that confirm the factors which impact on the entity’s going concern status. The entity still shows struggles in paying its creditors as they become due i.e. within the 30 day period. Even though the entity is constrained in paying its debts as they become due it continues to ensure that the third-party deductions i.e. provident fund, medical aid and garnishees including statutory deductions (PAYE, UIF and skills development levy) are paid on time to avoid penalties and interest. As much as the entity continues to be under financial constraints close monitoring of cash management continues to be the key under Financial Management.

The entity’s current liabilities exceeded its current assets by R29,562,425. This also confirms the inability that the entity

might have to settle its liabilities when its assets are converted to cash.This is also a factor along with other matters that indicate the uncertainty on the entity’s ability to continue as a going concern.

The entity continues to have vacancies on key personnel and having acting positions for lengthy periods. The entity has made plans to be able to continue to operate, by appointing acting personnel.

The ability of the entity to continue as a going concern is dependent on a number of factors as summarised above. The most significant of these is that the entity is funded by the government into the foreseeable future..

## 3. Subsequent events

The members are not aware of any matter or circumstance arising since the end of the financial year.

## 4. Members’ interest in contracts

During the financial year, no material contracts were entered into with members of the entity who had an interest and which significantly affected the business of the entity.

## 5. Accounting policies

The financial statements have been prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP), issued by the Accounting Standards Board, as the prescribed framework by National Treasury.

## 6. Share capital / contributed capital

There were no changes in the authorised or issued share capital of the entity during the year under review.

## 7. The members of the entity during the year and to the date of this report are as follows:

| Name                                                   | Nationality   | Changes                  |
|--------------------------------------------------------|---------------|--------------------------|
| Executive: Mr. K Gazi (Acting Chief Executive Officer) | South African | Appointed 01 August 2019 |
| Adv. A Mini (Board Chairperson)                        | South African |                          |
| Rev. L Mantini (Deputy Chairperson)                    | South African |                          |
| Mr. T Khumalo                                          | South African |                          |
| Dr. N Khewu                                            | South African |                          |
| Ms. N Pietersen                                        | South African |                          |
| Mr. M Metuse                                           | South African |                          |
| Mr. G Qotywa                                           | South African |                          |
| Mr. L Sisilana                                         | South African |                          |
| Mr. R Surajbali                                        | South African |                          |

## 8. Secretary

The secretary of the entity is Adv. U Tshikovhi :

|                  |                                                       |
|------------------|-------------------------------------------------------|
| Business address | Shop No.15<br>Beacon Bay Crossing East London<br>5247 |
| Postal address   | Shop No.15<br>Beacon Bay Crossing East London<br>5247 |

## 9. Auditors

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

## Statement of Financial Position as at 31 March 2020

| Figures in Rand thousand                   | Note(s) | 2020               | 2019               |
|--------------------------------------------|---------|--------------------|--------------------|
| <b>Assets</b>                              |         |                    |                    |
| <b>Current Assets</b>                      |         |                    |                    |
| Cash and cash equivalents                  | 4       | 15,172,127         | 2,660,221          |
| Receivables from exchange transactions     | 5       | 191,027            | 528,323            |
| Receivables from non-exchange transactions | 6       | 1,533,032          | 1,105,180          |
| Inventories                                | 7       | 2,504,538          | 3,322,808          |
| Operating lease asset                      |         | -                  | 99,374             |
|                                            |         | <b>19,400,724</b>  | <b>7,715,906</b>   |
| <b>Non-Current Assets</b>                  |         |                    |                    |
| Property, plant and equipment              | 8       | 136,089,551        | 144,173,680        |
| Intangible assets                          | 9       | 1,665,734          | 1,665,734          |
|                                            |         | <b>137,755,285</b> | <b>145,839,414</b> |
| <b>Total Assets</b>                        |         | <b>157,156,009</b> | <b>153,555,320</b> |
| <b>Liabilities</b>                         |         |                    |                    |
| <b>Current Liabilities</b>                 |         |                    |                    |
| Payables from exchange transactions        | 10      | 27,603,890         | 14,788,343         |
| Finance lease obligation                   | 11      | 14,863,363         | 13,332,182         |
| Unspent conditional grants and receipts    | 15      | 6,530,396          | -                  |
|                                            |         | <b>48,997,649</b>  | <b>28,120,525</b>  |
| <b>Non-Current Liabilities</b>             |         |                    |                    |
| Finance lease obligation                   | 11      | 6,187,380          | 22,011,159         |
| <b>Total Liabilities</b>                   |         | <b>55,185,029</b>  | <b>50,131,684</b>  |
| <b>Net Assets</b>                          |         | <b>101,970,980</b> | <b>103,423,636</b> |
| Share capital / contributed capital        | 12      | 248,356,075        | 248,356,075        |
| Accumulated surplus/(loss)                 |         | (146,385,095)      | (144,932,439)      |
| <b>Total Net Assets</b>                    |         | <b>101,970,980</b> | <b>103,423,636</b> |

## Statement of Financial Performance

| Figures in Rand thousand                        | Note(s) | 2020                 | 2019                 |
|-------------------------------------------------|---------|----------------------|----------------------|
| <b>Revenue</b>                                  |         |                      |                      |
| <b>Revenue from exchange transactions</b>       |         |                      |                      |
| Passenger fare                                  |         | 24,442,338           | 23,600,427           |
| Private hire                                    |         | 3,938,331            | 4,493,994            |
| Interest received- investment                   | 13      | 575,379              | 521,521              |
| Other income                                    | 14      | 144,999              | 104,051              |
| <b>Total revenue from exchange transactions</b> |         | <b>29,101,047</b>    | <b>28,719,993</b>    |
| <b>Revenue from non-exchange transactions</b>   |         |                      |                      |
| <b>Transfer revenue</b>                         |         |                      |                      |
| Government grants & subsidies                   | 15      | 146,853,075          | 130,109,300          |
| <b>Total revenue</b>                            | 16      | <b>175,954,122</b>   | <b>158,829,293</b>   |
| <b>Expenditure</b>                              |         |                      |                      |
| Employee costs                                  | 17      | (77,833,005)         | (72,104,388)         |
| Operating expenses                              | 18      | (49,424,727)         | (43,252,383)         |
| Depreciation and amortisation                   | 8       | (18,253,850)         | (19,563,848)         |
| Finance costs                                   | 19      | (3,100,758)          | (3,394,819)          |
| Lease rentals on operating lease                | 20      | (2,723,945)          | (2,455,382)          |
| Administrative expenses                         | 21      | (25,796,104)         | (22,206,911)         |
| <b>Total expenditure</b>                        |         | <b>(177,132,389)</b> | <b>(162,977,731)</b> |
| <b>Operating deficit</b>                        | 22      | <b>(1,178,267)</b>   | <b>(4,148,438)</b>   |
| Loss on disposal of assets and liabilities      | 23      | (274,389)            | (102,674)            |
| <b>Deficit for the year</b>                     |         | <b>(1,452,656)</b>   | <b>(4,251,112)</b>   |

## Statement of Changes in Net Assets

| Figures in Rand thousand        | Share capital<br>/ contributed<br>capital | Accumulated<br>surplus/(loss)<br>/(loss) | Total net assets   |
|---------------------------------|-------------------------------------------|------------------------------------------|--------------------|
| <b>Balance at 01 April 2018</b> | <b>248,356,075</b>                        | <b>(140,681,327)</b>                     | <b>107,674,748</b> |
| Changes in net assets           |                                           |                                          |                    |
| Deficit for the year            | -                                         | (4,251,112)                              | (4,251,112)        |
| Total changes                   | -                                         | (4,251,112)                              | (4,251,112)        |
| <b>Balance at 01 April 2019</b> | <b>248,356,075</b>                        | <b>(144,932,439)</b>                     | <b>103,423,636</b> |
| Changes in net assets           |                                           |                                          |                    |
| Deficit for the year            | -                                         | (1,452,656)                              | (1,452,656)        |
| Total changes                   | -                                         | (1,452,656)                              | (1,452,656)        |
| <b>Balance at 31 March 2020</b> | <b>248,356,075</b>                        | <b>(146,385,095)</b>                     | <b>101,970,980</b> |
| Note(s)                         | 12                                        |                                          |                    |

## Cash Flow Statement

| Figures in Rand thousand                                    | Note(s) | 2020                 | 2019                 |
|-------------------------------------------------------------|---------|----------------------|----------------------|
| <b>Cash flows from operating activities</b>                 |         |                      |                      |
| <b>Receipts</b>                                             |         |                      |                      |
| Sale of goods and services                                  |         | 28,290,113           | 27,388,926           |
| Grants                                                      |         | 146,853,075          | 130,109,300          |
| Interest income                                             |         | 575,379              | 521,521              |
| Other receipts                                              |         | 144,999              | 104,051              |
|                                                             |         | <u>175,863,566</u>   | <u>158,123,798</u>   |
| <b>Payments</b>                                             |         |                      |                      |
| Employee costs                                              |         | (77,833,005)         | (72,104,388)         |
| Suppliers                                                   |         | (57,681,192)         | (71,519,590)         |
|                                                             |         | <u>(135,514,197)</u> | <u>(143,623,978)</u> |
| <b>Net cash flows from operating activities</b>             | 24      | <b>40,349,369</b>    | <b>14,499,820</b>    |
| <b>Cash flows from investing activities</b>                 |         |                      |                      |
| Purchase of property, plant and equipment                   | 8       | (11,459,159)         | (188,719)            |
| Proceeds from sale of property, plant and equipment         | 8       | 1,015,050            | 413,891              |
| <b>Net cash flows from investing activities</b>             |         | <b>(10,444,109)</b>  | <b>225,172</b>       |
| <b>Cash flows from financing activities</b>                 |         |                      |                      |
| Finance lease payments                                      |         | (17,393,356)         | (12,443,298)         |
| <b>Net increase/(decrease) in cash and cash equivalents</b> |         | <b>12,511,904</b>    | <b>2,281,694</b>     |
| Cash and cash equivalents at the beginning of the year      |         | 2,660,221            | 378,527              |
| <b>Cash and cash equivalents at the end of the year</b>     | 4       | <b>15,172,125</b>    | <b>2,660,221</b>     |

## Statement of Comparison of Budget and Actual Amounts

| Budget on Cash Basis                                                                                 |                      |                     |                      |                                    |                                            |
|------------------------------------------------------------------------------------------------------|----------------------|---------------------|----------------------|------------------------------------|--------------------------------------------|
| Figures in Rand thousand                                                                             | Approved budget      | Adjustments         | Final Budget         | Actual amounts on comparable basis | Difference between final budget and actual |
| <b>Statement of Financial Performance</b>                                                            |                      |                     |                      |                                    |                                            |
| <b>Revenue</b>                                                                                       |                      |                     |                      |                                    |                                            |
| <b>Revenue from exchange transactions</b>                                                            |                      |                     |                      |                                    |                                            |
| Rendering of services                                                                                | -                    | -                   | -                    | -                                  | -                                          |
| Private hire                                                                                         | 4,036,948            | -                   | <b>4,036,948</b>     | 3,938,331                          | <b>(98,617)</b>                            |
| Passanger fare                                                                                       | 36,295,052           | -                   | <b>36,295,052</b>    | 24,442,338                         | <b>(11,852,714)</b>                        |
| Other income                                                                                         | -                    | -                   | -                    | 144,999                            | <b>144,999</b>                             |
| Interest received- investment                                                                        | -                    | -                   | -                    | 575,379                            | <b>575,379</b>                             |
| <b>Total revenue from exchange transactions</b>                                                      | <b>40,332,000</b>    | -                   | <b>40,332,000</b>    | <b>29,101,047</b>                  | <b>(11,230,953)</b>                        |
| <b>Revenue from non-exchange transactions</b>                                                        |                      |                     |                      |                                    |                                            |
| <b>Transfer revenue</b>                                                                              |                      |                     |                      |                                    |                                            |
| Government grants & subsidies                                                                        | 120,997,000          | 11,000,000          | <b>131,997,000</b>   | 146,853,075                        | <b>14,856,075</b>                          |
| <b>Total revenue</b>                                                                                 | <b>161,329,000</b>   | <b>11,000,000</b>   | <b>172,329,000</b>   | <b>175,954,122</b>                 | <b>3,625,122</b>                           |
| <b>Expenditure</b>                                                                                   |                      |                     |                      |                                    |                                            |
| Personnel                                                                                            | (77,964,000)         | (5,382,516)         | <b>(83,346,516)</b>  | (77,833,005)                       | <b>5,513,511</b>                           |
| Operating expenses                                                                                   | (39,980,095)         | (15,222,784)        | <b>(55,202,879)</b>  | (49,424,727)                       | <b>5,778,152</b>                           |
| Depreciation and amortisation                                                                        | -                    | -                   | -                    | (18,253,850)                       | <b>(18,253,850)</b>                        |
| Finance costs                                                                                        | (2,723,224)          | -                   | <b>(2,723,224)</b>   | (3,100,758)                        | <b>(377,534)</b>                           |
| Lease rentals on operating lease                                                                     | (2,770,271)          | -                   | <b>(2,770,271)</b>   | (2,723,945)                        | <b>46,326</b>                              |
| Administrative expenses                                                                              | (23,619,244)         | -                   | <b>(23,619,244)</b>  | (25,796,104)                       | <b>(2,176,860)</b>                         |
| Other (taken out of General expenses)                                                                | -                    | -                   | -                    | -                                  | -                                          |
| <b>Total expenditure</b>                                                                             | <b>(147,056,834)</b> | <b>(20,605,300)</b> | <b>(167,662,134)</b> | <b>(177,132,389)</b>               | <b>(9,470,255)</b>                         |
| <b>Operating deficit</b>                                                                             | <b>14,272,166</b>    | <b>(9,605,300)</b>  | <b>4,666,866</b>     | <b>(1,178,267)</b>                 | <b>(5,845,133)</b>                         |
| Loss on disposal of assets and liabilities                                                           | -                    | -                   | -                    | (274,389)                          | <b>(274,389)</b>                           |
| <b>Deficit before taxation</b>                                                                       | <b>14,272,166</b>    | <b>(9,605,300)</b>  | <b>4,666,866</b>     | <b>(1,452,656)</b>                 | <b>(6,119,522)</b>                         |
| <b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b> | <b>14,272,166</b>    | <b>(9,605,300)</b>  | <b>4,666,866</b>     | <b>(1,452,656)</b>                 | <b>(6,119,522)</b>                         |

## Statement of Comparison of Budget and Actual Amounts

| Budget on Cash Basis                                           |                   |                    |                   |                                    |                                            |
|----------------------------------------------------------------|-------------------|--------------------|-------------------|------------------------------------|--------------------------------------------|
| Figures in Rand thousand                                       | Approved budget   | Adjustments        | Final Budget      | Actual amounts on comparable basis | Difference between final budget and actual |
| <b>Statement of Financial Position</b>                         |                   |                    |                   |                                    |                                            |
| <b>Assets</b>                                                  |                   |                    |                   |                                    |                                            |
| <b>Current Assets</b>                                          |                   |                    |                   |                                    |                                            |
| Inventories                                                    | -                 | -                  | -                 | 2,504,538                          | <b>2,504,538</b>                           |
| Receivables from exchange transactions                         | -                 | -                  | -                 | 191,027                            | <b>191,027</b>                             |
| Receivables from non-exchange transactions                     | -                 | -                  | -                 | 1,533,032                          | <b>1,533,032</b>                           |
| Cash and cash equivalents                                      | -                 | -                  | -                 | 15,172,127                         | <b>15,172,127</b>                          |
|                                                                | -                 | -                  | -                 | <b>19,400,724</b>                  | <b>19,400,724</b>                          |
| <b>Non-Current Assets</b>                                      |                   |                    |                   |                                    |                                            |
| Property, plant and equipment                                  | 14,122,167        | 10,800,000         | <b>24,922,167</b> | 136,089,551                        | <b>111,167,384</b>                         |
| Intangible assets                                              | 150,000           | -                  | <b>150,000</b>    | 1,665,734                          | <b>1,515,734</b>                           |
|                                                                | <b>14,272,167</b> | <b>10,800,000</b>  | <b>25,072,167</b> | <b>137,755,285</b>                 | <b>112,683,118</b>                         |
| <b>Total Assets</b>                                            | <b>14,272,167</b> | <b>10,800,000</b>  | <b>25,072,167</b> | <b>157,156,009</b>                 | <b>132,083,842</b>                         |
| <b>Liabilities</b>                                             |                   |                    |                   |                                    |                                            |
| <b>Current Liabilities</b>                                     |                   |                    |                   |                                    |                                            |
| Finance lease obligation                                       | -                 | -                  | -                 | 14,863,363                         | <b>14,863,363</b>                          |
| Payables from exchange transactions                            | -                 | -                  | -                 | 27,603,888                         | <b>27,603,888</b>                          |
| Unspent conditional grants and receipts                        | -                 | 20,405,300         | <b>20,405,300</b> | 6,530,396                          | <b>(13,874,904)</b>                        |
|                                                                | -                 | <b>20,405,300</b>  | <b>20,405,300</b> | <b>48,997,647</b>                  | <b>28,592,347</b>                          |
| <b>Non-Current Liabilities</b>                                 |                   |                    |                   |                                    |                                            |
| Finance lease obligation                                       | -                 | -                  | -                 | 6,187,380                          | <b>6,187,380</b>                           |
| <b>Total Liabilities</b>                                       | -                 | <b>20,405,300</b>  | <b>20,405,300</b> | <b>55,185,027</b>                  | <b>34,779,727</b>                          |
| <b>Net Assets</b>                                              | <b>14,272,167</b> | <b>(9,605,300)</b> | <b>4,666,867</b>  | <b>101,970,982</b>                 | <b>97,304,115</b>                          |
| <b>Net Assets</b>                                              |                   |                    |                   |                                    |                                            |
| <b>Net Assets Attributable to Owners of Controlling Entity</b> |                   |                    |                   |                                    |                                            |
| Share capital / contributed capital                            | -                 | -                  | -                 | 248,356,075                        | <b>248,356,075</b>                         |
| <b>Reserves</b>                                                |                   |                    |                   |                                    |                                            |
| Accumulated surplus/(loss)                                     | <b>14,272,167</b> | <b>(9,605,300)</b> | <b>4,666,867</b>  | <b>(146,385,093)</b>               | <b>(151,051,960)</b>                       |
| <b>Total Net Assets</b>                                        | <b>14,272,167</b> | <b>(9,605,300)</b> | <b>4,666,867</b>  | <b>101,970,982</b>                 | <b>97,304,115</b>                          |

Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 91(1) of the Public Finance Management Act (Act 1 of 1999).

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

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

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

These accounting policies are consistent with the previous period.

1.1 Presentation currency

These financial statements are presented in South African Rand, which is the functional currency of the entity.

1.2 Going concern assumption

These financial statements have been prepared based on the expectation that the entity will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the entities’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed.

The key assumptions, estimates and judgements concerning the future and other key sources of estimation uncertainty

at the reporting date, that have a significant risk of causing a material adjustment to the carrying amount of the assets and liabilities within the next financial year are discussed below.

The residual values and estimated useful lives of property, plant and equipment were assessed and found to be reasonable. Residual values of property, plant and equipment are determined with reference to market related prices of property, plant and equipment in a similar conditions.

Impairment testing

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. 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.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

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

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss.

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 10 of the financial statements.

Contingent liabilities/Assets

Contingencies recognised in the current year required estimates and judgments from third parties, refer to note 28 of the financial statements.

1.4 Property, plant and equipment

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it.

If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

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

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

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Property, plant and equipment excluding Land are depreciated on the straight line basis over their expected useful lives to their estimated residual value. Land is not depreciated as it is deemed to have an indefinite useful life.

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

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

| Item               | Depreciation method | Average useful life                                   |
|--------------------|---------------------|-------------------------------------------------------|
| Buildings          | Straight line       | 5 to 25                                               |
| Lease buses        | Straight line       | Useful life of buses- Body; Buses Chassis; Engine etc |
| Workshop equipment | Straight line       | 3 to 8                                                |

| Item                      | Depreciation method | Average useful life |
|---------------------------|---------------------|---------------------|
| Ancillary vehicles        | Straight line       | 3 to 10             |
| Office equipment          | Straight line       | 3 to 12             |
| Furniture and fixtures    | Straight line       | 3 to 12             |
| Property fencing          | Straight line       | 5 to 25             |
| Leased Equipment          | Straight line       | 3 to 8              |
| Buses- Body               | Straight line       | 7 to 12             |
| Internal roads            | Straight line       | 5 to 30             |
| Operating equipment       | Straight line       | 5 to 10             |
| Buses- Chasis, Engine etc | Straight line       | 7 to 15             |

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

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

The depreciation method used reflects the pattern in which the asset’s future economic benefits or service potential are expected to be consumed by the entity. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The entity assesses at each reporting date whether there is any indication that the entity expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the entity revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit.

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

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

1.5 Intangible assets

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

- 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.

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

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.

| Item                     | Depreciation method | Useful life |
|--------------------------|---------------------|-------------|
| Computer software, other | Straight line       | Indefinite  |

1.6 Financial instruments

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity’s statement of financial position.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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.

- A financial asset is:
- cash;
  - a residual interest of another entity; or
  - a contractual right to:
- receive cash or another financial asset from another entity; or

- exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

| Class                                  | Category                         |
|----------------------------------------|----------------------------------|
| Other financial asset                  | Financial asset measured at cost |
| Receivables from exchange transactions | Financial asset measured at cost |
| Cash and cash equivalent               | Financial asset measured at cost |

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

| Class                               | Category                             |
|-------------------------------------|--------------------------------------|
| Payables from exchange transactions | Financial liability measured at cost |

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at amortised cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

1.7 Tax

Tax expenses

No provision has been made for taxation as the corporation is a tax exempt institution in terms of section 10(1)(a) of the Income Tax Act No. 58 of 1962.

1.8 Leases

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

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

Finance leases - lessee

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

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

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

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

Operating leases - lessee

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

1.9 Inventories

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

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

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

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

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

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

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

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

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

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

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

Inventory gains/losses might arise as a result of fluctuations in the unit prices of the inventory costs. When they arise they will be recognised as either income/expense in the Statement of Financial Performance.

1.10 Share capital / contributed capital

Share Capital is a contribution by the executive authority of capital. This is authorised for issue in the Government gazette.

1.11 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

### Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

### Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

### 1.12 Provisions and contingencies

Provisions are recognised when:

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

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

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

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

A provision is used only for expenditures for which the provision was originally recognised. Contingencies are disclosed in note 28.

### 1.13 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancelable or only cancelable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded

### 1.14 Revenue from exchange transactions

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

An exchange transaction is one in which the entity 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.

## Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- 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; and
- the costs incurred or to be incurred in respect of 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.

### 1.15 Revenue from non-exchange transactions

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

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

Control of an asset arises 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.

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.

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

### Recognition

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

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

### Measurement

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

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

## 1.16 Turnover

Turnover comprises of sales to customers and service rendered to customers. Turnover is stated at the invoice amount and is exclusive of value-added taxation.

### 1.17 Government grants

Government grants are recognised as revenue when:

- 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; and
- to the extent that there has been compliance with any restrictions and conditions associated with the grant

### 1.18 Fruitless and wasteful expenditure

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

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

### 1.19 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including-

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements

must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

### 1.20 Budget information

Entities are typically subject to budgetary limits in the form of appropriations or budget authorisation's (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

1.20 Budget information (continue)

The approved budget is prepared on a cash basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2019-04-01 to 2020-03-31.

The budget for the economic entity includes all the entities approved budgets under its control.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.21 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the ventures).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the entity.

The entity is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity’s legal mandate.

Where the entity is exempt from the disclosures in accordance with the above, the entity discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity’s financial statements to understand the effect of related party transactions on its financial statements.

1.22 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

Notes to the Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The entity has not applied the following standards and interpretations, which have been published and those that will have an impact will be assessed in the year as they materialise.

| Standard/ Interpretation:                                                              | Effective date: Years beginning on or after | Expected impact:                         |
|----------------------------------------------------------------------------------------|---------------------------------------------|------------------------------------------|
| GRAP 34: Separate Financial Statements                                                 | 01 April 2020                               | Impact is currently being assessed       |
| GRAP 35: Consolidated Financial Statements                                             | 01 April 2020                               | Unlikely there will be a material impact |
| GRAP 36: Investments in Associates and Joint Ventures                                  | 01 April 2020                               | Unlikely there will be a material impact |
| GRAP 37: Joint Arrangements                                                            | 01 April 2020                               | Unlikely there will be a material impact |
| GRAP 38: Disclosure of Interests in Other Entities                                     | 01 April 2020                               | Unlikely there will be a material impact |
| Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme | 01 April 2020                               | Unlikely there will be a material impact |
| Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme | 01 April 2020                               |                                          |
| Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme | 01 April 2020                               | Unlikely there will be a material impact |
| GRAP 110: Living and Non-living Resources                                              | 01 April 2020                               | Unlikely there will be a material impact |
| GRAP 110 (as amended 2016): Living and Non-living Resources                            | 01 April 2020                               | Unlikely there will be a material impact |

3. Risk management

Financial risk management

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

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors.

Market risk

Interest rate risk

As the entity has no significant interest-bearing assets, the entity’s income and operating cash flows are substantially independent of changes in market interest rates.

Price risk

The entity has no equity investments which are publicly traded and therefore is not exposed to price risk.

| Figures in Rand thousand | 2020 | 2019 |
|--------------------------|------|------|
|--------------------------|------|------|

4. Cash and cash equivalents

Cash and cash equivalents consist of:

|               |                   |                  |
|---------------|-------------------|------------------|
| Cash on hand  | -                 | 465              |
| Bank balances | 15,172,127        | 2,659,756        |
|               | <b>15,172,127</b> | <b>2,660,221</b> |

5. Receivables from exchange transactions

|               |                |                |
|---------------|----------------|----------------|
| Trade debtors | 167,821        | 410,266        |
| Staff loans   | 23,206         | 118,057        |
|               | <b>191,027</b> | <b>528,323</b> |

The debtors in this category were assessed for impairment and the disclosed amount was assessed as recoverable.

| Debtors Aging                          | 180 days or More | 60 days or More | Total   |
|----------------------------------------|------------------|-----------------|---------|
| Receivables from Exchange Transactions | 189,774          | 1,254           | 191,028 |

6. Receivables from non-exchange transactions

|                                 |                  |                  |
|---------------------------------|------------------|------------------|
| Government grants and subsidies | 20,823           | -                |
| Sundry debtors                  | 423,771          | 461,142          |
| Staff debtors                   | 827,844          | 571,948          |
| Prepayments                     | 260,594          | 72,090           |
|                                 | <b>1,533,032</b> | <b>1,105,180</b> |

The debtors in this category were assessed for impairment and the non-recoverable debtors were identified which were sitting on more than 180 days. The remainder amount after impairment portion was assessed as recoverable. Provision for impairment of R183 262.66 has been raised at year end.

| Figures in Rand thousand | 2020 | 2019 |
|--------------------------|------|------|
|--------------------------|------|------|

6. Receivables from non-exchange transactions (continued)

| Debtors Aging                                | 180 days or More | 90 days or More | 30 days or More | Current | Total     |
|----------------------------------------------|------------------|-----------------|-----------------|---------|-----------|
| Receivables from Non - Exchange Transactions | 774,155          | 3,795           | 196,946         | 558,136 | 1,533,032 |

7. Inventories

|             |           |           |
|-------------|-----------|-----------|
| Inventories | 2,504,538 | 3,322,808 |
|-------------|-----------|-----------|

Inventory adjustments recognised by the Corporation

|                           |         |         |
|---------------------------|---------|---------|
| Inventory loss adjustment | 550,218 | 433,932 |
|---------------------------|---------|---------|

Inventory movement reconciliation

|                         |                  |                  |
|-------------------------|------------------|------------------|
| Opening balance of year | 3,322,808        | 3,426,940        |
| Additions               | 23,239,567       | 20,850,799       |
| Consumption             | (23,507,619)     | (20,520,999)     |
| Inventory adjustment    | (550,218)        | (433,932)        |
|                         | <b>2,504,538</b> | <b>3,322,808</b> |

Breakdown of the Inventory balance at year end

|                                             |                  |                  |
|---------------------------------------------|------------------|------------------|
| Fuel                                        | 272,661          | 640,206          |
| Tyres & units                               | 464,801          | 863,181          |
| Consumables (Spares,lubricants, stationery) | 1,767,076        | 1,819,422        |
|                                             | <b>2,504,538</b> | <b>3,322,809</b> |

### 8. Property, plant and equipment

|                     | 2020                |                                                                |                    | 2019                |                                                                |                    |
|---------------------|---------------------|----------------------------------------------------------------|--------------------|---------------------|----------------------------------------------------------------|--------------------|
|                     | Cost /<br>Valuation | Accumulated<br>depreciation<br>and accumulat-<br>ed impairment | Carrying<br>value  | Cost /<br>Valuation | Accumulated<br>depreciation<br>and accumulat-<br>ed impairment | Carrying<br>value  |
| Land                | 3,877,745           | -                                                              | 3,877,745          | 3,877,745           | -                                                              | 3,877,745          |
| Buildings           | 29,760,939          | (11,189,148)                                                   | 18,571,791         | 29,286,099          | (9,606,512)                                                    | 19,679,587         |
| Lease buses         | 81,894,351          | (28,256,254)                                                   | 53,638,097         | 81,894,351          | (21,121,724)                                                   | 60,772,627         |
| Workshop equipment  | 2,561,340           | (2,403,941)                                                    | 157,399            | 2,477,849           | (2,296,829)                                                    | 181,020            |
| Ancillary vehicles  | 4,560,639           | (3,065,574)                                                    | 1,495,065          | 5,065,729           | (2,960,878)                                                    | 2,104,851          |
| Office equipment    | 6,407,675           | (3,825,091)                                                    | 2,582,584          | 6,172,797           | (3,147,425)                                                    | 3,025,372          |
| Office furniture    | 2,116,907           | (1,248,681)                                                    | 868,226            | 2,014,949           | (1,061,011)                                                    | 953,938            |
| Property fencing    | 1,315,503           | (898,518)                                                      | 416,985            | 1,315,503           | (863,640)                                                      | 451,863            |
| Buses               | 84,837,989          | (34,590,248)                                                   | 50,247,741         | 78,567,882          | (32,093,592)                                                   | 46,474,290         |
| Internal roads      | 1,577,575           | (1,559,546)                                                    | 18,029             | 1,577,575           | (1,368,137)                                                    | 209,438            |
| Operating equipment | 11,105,908          | (6,890,019)                                                    | 4,215,889          | 11,172,787          | (4,729,838)                                                    | 6,442,949          |
| <b>Total</b>        | <b>230,016,571</b>  | <b>(93,927,020)</b>                                            | <b>136,089,551</b> | <b>223,423,266</b>  | <b>(79,249,586)</b>                                            | <b>144,173,680</b> |

#### Reconciliation of property, plant and equipment - 2020

|                     | Opening<br>balance | Additions         | Disposals          | Depreciation        | Total              |
|---------------------|--------------------|-------------------|--------------------|---------------------|--------------------|
| Land                | 3,877,745          | -                 | -                  | -                   | 3,877,745          |
| Buildings           | 19,679,587         | 474,840           | -                  | (1,582,636)         | 18,571,791         |
| Lease buses         | 60,772,627         | -                 | -                  | (7,134,530)         | 53,638,097         |
| Workshop equipment  | 181,020            | 83,491            | -                  | (107,112)           | 157,399            |
| Ancillary vehicles  | 2,104,851          | -                 | (102,983)          | (506,803)           | 1,495,065          |
| Office equipment    | 3,025,372          | 234,878           | -                  | (677,666)           | 2,582,584          |
| Office furniture    | 953,938            | 167,571           | (281)              | (253,002)           | 868,226            |
| Property fencing    | 451,863            | -                 | -                  | (34,878)            | 416,985            |
| Buses               | 46,474,290         | 10,498,379        | (1,168,145)        | (5,556,783)         | 50,247,741         |
| Internal roads      | 209,438            | -                 | -                  | (191,409)           | 18,029             |
| Operating equipment | 6,442,949          | -                 | (18,030)           | (2,209,030)         | 4,215,889          |
|                     | <b>144,173,680</b> | <b>11,459,159</b> | <b>(1,289,439)</b> | <b>(18,253,849)</b> | <b>136,089,551</b> |

### 8. Property, plant and equipment (continued)

#### Reconciliation of property, plant and equipment - 2019

|                     |                    | Opening<br>balance | Additions        | Disposals | Depreciation        | Total              |
|---------------------|--------------------|--------------------|------------------|-----------|---------------------|--------------------|
| Land                |                    | 3,877,745          | -                | -         | -                   | 3,877,745          |
| Buildings           | 21,247,057         | 77,600             | -                | 98,000    | (1,743,070)         | 19,679,587         |
| WIP- Depot upgrade  | 98,000             | -                  | -                | (98,000)  | -                   | -                  |
| Lease buses         | 67,887,667         | -                  | -                | -         | (7,115,040)         | 60,772,627         |
| Workshop equipment  | 574,457            | 47,858             | -                | -         | (441,295)           | 181,020            |
| Ancillary vehicles  | 3,201,850          | -                  | (509,665)        | -         | (587,334)           | 2,104,851          |
| Office equipment    | 3,682,683          | 40,257             | (6,900)          | -         | (690,668)           | 3,025,372          |
| Office furniture    | 1,131,187          | 23,004             | -                | -         | (200,253)           | 953,938            |
| Property fencing    | 514,971            | -                  | -                | -         | (63,108)            | 451,863            |
| Buses               | 52,851,114         | -                  | -                | -         | (6,376,824)         | 46,474,290         |
| Internal roads      | 347,402            | -                  | -                | -         | (137,964)           | 209,438            |
| Operating equipment | 8,651,242          | -                  | -                | -         | (2,208,293)         | 6,442,949          |
|                     | <b>164,065,375</b> | <b>188,719</b>     | <b>(516,565)</b> | <b>-</b>  | <b>(19,563,849)</b> | <b>144,173,680</b> |

A fixed asset register containing the detail of information as disclosed in note 8 above is available for inspection within the entity.

Zone 8 Zwelitsha- the entity has been given the right to use the property indefinitely. A process for the acquisition of the title deed has been initiated with the Eastern Cape Department of Roads and Public Works. Improvement to property are capitalised.

The Corporation entered into finance lease for the acquisition of buses. The lessor is holding titles as securities.

| Figures in Rand thousand | 2020 | 2019 |
|--------------------------|------|------|
|--------------------------|------|------|

#### 9. Intangible assets

|                          | 2020                |                                                                |                   | 2019                |                                                                |                   |
|--------------------------|---------------------|----------------------------------------------------------------|-------------------|---------------------|----------------------------------------------------------------|-------------------|
|                          | Cost /<br>Valuation | Accumulated<br>depreciation<br>and accumulat-<br>ed impairment | Carrying<br>value | Cost /<br>Valuation | Accumulated<br>depreciation<br>and accumulat-<br>ed impairment | Carrying<br>value |
| Computer software, other | 1,665,734           | -                                                              | 1,665,734         | 1,665,734           | -                                                              | 1,665,734         |

#### Reconciliation of intangible assets - 2020

|                          | Opening<br>balance | Total     |
|--------------------------|--------------------|-----------|
| Computer software, other | 1,665,734          | 1,665,734 |

#### Reconciliation of intangible assets - 2019

|                          | Opening<br>balance | Total     |
|--------------------------|--------------------|-----------|
| Computer software, other | 1,665,734          | 1,665,734 |

#### Other information

Intangible assets have been determined to have indefinite useful lives as the software programmes are utilized until such time as a decision is taken to replace the system. Annual licence fees are paid to keep the programmes updated. Intangible assets will be fully impaired when a decision is taken to no longer use the system, a new system is implemented and the old system is no longer used.

| Figures in Rand thousand | 2020 | 2019 |
|--------------------------|------|------|
|--------------------------|------|------|

#### 10. Payables from exchange transactions

|                                |                   |                   |
|--------------------------------|-------------------|-------------------|
| Trade payables                 | 4,994,257         | 7,325,477         |
| Amounts received in advance    | 598,935           | 644,308           |
| Accrued leave pay              | 3,880,089         | 3,868,916         |
| Accrued bonus                  | 1,528,020         | 1,240,380         |
| Accrued workmen's compensation | 749,404           | 700,000           |
| Other accrued expenses         | 15,853,185        | 1,009,262         |
|                                | <b>27,603,890</b> | <b>14,788,343</b> |

#### 11. Finance lease obligation

##### Minimum lease payments due

|                                                |                   |                   |
|------------------------------------------------|-------------------|-------------------|
| - within one year                              | 16,055,405        | 16,055,406        |
| - in second to fifth year inclusive            | 6,235,989         | 23,546,087        |
|                                                | 22,291,394        | 39,601,493        |
| less: future finance charges                   | (1,240,651)       | (4,258,152)       |
| <b>Present value of minimum lease payments</b> | <b>21,050,743</b> | <b>35,343,341</b> |

##### Present value of minimum lease payments due

|                                     |                   |                   |
|-------------------------------------|-------------------|-------------------|
| - within one year                   | 14,863,363        | 13,332,182        |
| - in second to fifth year inclusive | 6,187,380         | 22,011,159        |
|                                     | <b>21,050,743</b> | <b>35,343,341</b> |
| Non-current liabilities             | 6,187,380         | 22,011,159        |
| Current liabilities                 | 14,863,363        | 13,332,182        |
|                                     | <b>21,050,743</b> | <b>35,343,341</b> |

It is entity policy to lease certain buses under finance leases.

The average lease term was 5 years and the average effective borrowing rate was 9% (2019: 9%). Interest rates are fixed at the contract date. All leases have fixed repayments.

The entity's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer to note 8.

| Figures in Rand thousand | 2020 | 2019 |
|--------------------------|------|------|
|--------------------------|------|------|

12. Share capital / contributed capital

|                            |             |             |
|----------------------------|-------------|-------------|
| <b>Authorised</b>          |             |             |
| Ordinary shares of R1 each | 250,000,000 | 250,000,000 |
| <b>Issued</b>              |             |             |
| Ordinary                   | 248,356,075 | 248,356,075 |

100% of the shares are held by the Eastern Cape Department of Transport and the corporation has one class of ordinary shares which carry no right to the Provincial Administration. The corporation has one class of ordinary shares which carry no right to fixed income. The authorised share capital was not increased during the current financial year.

13. Investment revenue

|                         |         |         |
|-------------------------|---------|---------|
| <b>Interest revenue</b> |         |         |
| Bank                    | 575,379 | 521,521 |

14. Other income

|               |                |                |
|---------------|----------------|----------------|
| Sundry income | 137,799        | 104,051        |
| Advertising   | 7,200          | -              |
|               | <b>144,999</b> | <b>104,051</b> |

15. Government grants and subsidies

|                         |                    |                    |
|-------------------------|--------------------|--------------------|
| <b>Operating grants</b> |                    |                    |
| Grant in Aid            | 145,871,904        | 129,581,000        |
| Teta grant              | 981,171            | 528,300            |
|                         | <b>146,853,075</b> | <b>130,109,300</b> |

| Figures in Rand thousand | 2020 | 2019 |
|--------------------------|------|------|
|--------------------------|------|------|

Conditional and Unconditional grant

Included in above are the following grants and subsidies received:

The Corporation get it’s grant for the operations from its parent Eastern Cape Department of Transport (DOT).

DOT is the sole shareholder of the Corporation and the Corporation acts as the service delivery arm of the Department. The Department provides the grant-in-aid and the Corporation report on its activities.

During the year DOT provided the Corporation with Grant in aid for the operations and a Grant that had a specific condition which included COVID 19 grant.

The Operational grant received amounted to **R131 997 000** and the Conditional grant received amounted to **R20 405 300**, in total the grant received amounted to **R152 402 300**. At year end an amount of **R6 530 396** has not been spent in full from the Conditional grant but the amount is fully committed.

The Corporation also gets conditional grant from TETA for training its employees. The Corporation only get the grant on reimbursement of monies incurred for the training of the employees this as per contract signed by the Corporation with TETA. In the financial year under review the Corporation claimed an amount of **R981 171**.

|                               |                    |                    |
|-------------------------------|--------------------|--------------------|
| Conditional grants received   | 21,386,471         | 528,300            |
| Unconditional grants received | 131,997,000        | 129,581,000        |
| Unspent Conditional grant     | (6,530,396)        | -                  |
|                               | <b>146,853,075</b> | <b>130,109,300</b> |

| Description                    | Grant received    | Grant Utilised      | Total            |
|--------------------------------|-------------------|---------------------|------------------|
| Gant for purchase of Bus       | 10,800,000        | (10,463,879)        | 336,121          |
| Grant for Maintenance of Buses | 5,131,000         | (3,256,057)         | 1,874,943        |
| Covid 19                       | 4,474,300         | (154,968)           | 4,319,332        |
| TETA Grant/Re-imbursement      | 981,171           | (981,171)           | -                |
|                                | <b>21,386,471</b> | <b>(14,856,075)</b> | <b>6,530,396</b> |

16. Revenue

|                               |                    |                    |
|-------------------------------|--------------------|--------------------|
| Private hire                  | 3,938,331          | 4,493,994          |
| Passanger fare                | 24,442,338         | 23,600,427         |
| Other income                  | 144,999            | 104,051            |
| Interest received- investment | 575,379            | 521,521            |
| Government grants & subsidies | 146,853,075        | 130,109,300        |
|                               | <b>175,954,122</b> | <b>158,829,293</b> |

Mayibuye Transport Corporation  
Financial Statements for the year ended 31 March 2020

| Figures in Rand thousand | 2020 | 2019 |
|--------------------------|------|------|
|--------------------------|------|------|

#### 16. Revenue (continued)

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

|                               |                   |                   |
|-------------------------------|-------------------|-------------------|
| Private hire                  | 3,938,331         | 4,493,994         |
| Passanger fare                | 24,442,338        | 23,600,427        |
| Other income                  | 144,999           | 104,051           |
| Interest received- investment | 575,379           | 521,521           |
|                               | <b>29,101,047</b> | <b>28,719,993</b> |

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

**Transfer revenue**

|                               |             |             |
|-------------------------------|-------------|-------------|
| Government grants & subsidies | 146,853,075 | 130,109,300 |
|-------------------------------|-------------|-------------|

#### 17. Employee related costs

|                                    |                   |                   |
|------------------------------------|-------------------|-------------------|
| Basic                              | 56,773,030        | 52,198,716        |
| Medical aid- company contributions | 4,952,577         | 4,463,611         |
| UIF                                | 428,453           | 399,587           |
| Workman's Compenastion             | 624,975           | 593,557           |
| SDL                                | 644,430           | 585,071           |
| Leave pay provision charge         | 1,045,804         | 948,312           |
| Defined contribution plans         | 7,480,655         | 6,855,075         |
| Overtime payments                  | 1,064,920         | 1,125,089         |
| 13th Cheque                        | 3,169,723         | 3,158,918         |
| Transport allowance                | 85,560            | 87,467            |
| Car allowance                      | 1,139,236         | 1,342,622         |
| Housing benefits and allowances    | 31,441            | 58,296            |
| Bargaining council levy            | 58,141            | 53,740            |
| Other allowance                    | 334,060           | 234,327           |
|                                    | <b>77,833,005</b> | <b>72,104,388</b> |

Mayibuye Transport Corporation  
Financial Statements for the year ended 31 March 2020

| Figures in Rand thousand | 2020 | 2019 |
|--------------------------|------|------|
|--------------------------|------|------|

#### 18. Operating expenses

|                                     |                   |                   |
|-------------------------------------|-------------------|-------------------|
| Fuel                                | 19,660,965        | 17,464,567        |
| Tyres                               | 2,996,029         | 2,590,676         |
| Licences and permits                | 2,367,421         | 2,712,084         |
| Fines and penalties                 | 134,619           | 259,433           |
| Repairs and maintenance             | 16,926,268        | 13,912,765        |
| Consumables (lubricants and grease) | 850,625           | 465,756           |
| Motor vehicle expenses              | 207,147           | 47,033            |
| Inventory loss adjustment           | 550,218           | 433,932           |
| Other operating expenses            | 327,236           | 255,711           |
| Fleet management                    | 549,887           | 79,458            |
| Insurance                           | 4,854,312         | 5,030,968         |
|                                     | <b>49,424,727</b> | <b>43,252,383</b> |

#### 19. Finance costs

|                |           |           |
|----------------|-----------|-----------|
| Finance leases | 3,100,758 | 3,394,819 |
|----------------|-----------|-----------|

Total interest expense, calculated using the effective interest rate of 9% for leased buses.

#### 20. Lease rentals on operating lease

**Premises and Copiers**

|                     |           |           |
|---------------------|-----------|-----------|
| Contractual amounts | 2,723,945 | 2,455,382 |
|---------------------|-----------|-----------|

Operating lease payments represent rentals payable by the entity for certain of its office properties and copiers. Leases have specified periods as per their contracts.

**Premises Rental**

The entity has an operating lease rental with Hemipac Investments (PTY) LTD for its Administration offices, the contract is for a period of 36 months with rental escalating at 8% on a yearly basis. The contract started in July 2016 and will be ending in June 2019. The contract also has a renewal option for a period of two years starting from July 2019 to June 2021. The contract has no restrictions imposed on it. The option for renewal has been exercised in the current financial year under review.

**Copiers rental**

The entity has an operating lease rental with Aloe Office and Business equipment for the use of Copies machines, the contract is for a period of 36 months the rental has no escalation. The contract started in June 2018 and will be ending in June 2021. The contract has a renewal option and no restrictions imposed on it.

Mayibuye Transport Corporation  
Financial Statements for the year ended 31 March 2020

| Figures in Rand thousand             | 2020              | 2019              |
|--------------------------------------|-------------------|-------------------|
| <b>21. Administrative expenses</b>   |                   |                   |
| Auditors remuneration                | 3,794,357         | 3,523,421         |
| Computer expenses                    | 183,950           | 62,115            |
| Consulting and professional fees     | 1,917,935         | 1,195,180         |
| Recruitment costs                    | 597,325           | 60,457            |
| Printing and stationery              | 342,134           | 348,969           |
| Security expenses                    | 3,930,502         | 3,633,092         |
| Telephone, cellphone and postage     | 1,636,682         | 1,549,121         |
| Training cost                        | 495,883           | 539,355           |
| Subsistence, Travel and accomodation | 822,055           | 1,406,842         |
| Water and Electricity                | 2,391,034         | 2,398,135         |
| Legal expenses                       | 1,609,984         | 801,397           |
| Internal audit                       | 845,227           | 1,470,770         |
| Board members fees and expenses      | 4,630,228         | 2,908,884         |
| Other expenses                       | 2,598,808         | 2,309,173         |
|                                      | <b>25,796,104</b> | <b>22,206,911</b> |

**22. Operating surplus (deficit)**

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

**Operating lease charges**

|                                               |            |            |
|-----------------------------------------------|------------|------------|
| Premises & Copiers                            |            |            |
| • Contractual amounts                         | 2,723,945  | 2,455,382  |
| Loss on sale of property, plant and equipment | (274,389)  | (102,674)  |
| Depreciation on property, plant and equipment | 18,253,850 | 19,563,848 |
| Employee costs                                | 77,833,005 | 72,104,388 |

**23. Loss on disposal of assets**

|                               |           |           |
|-------------------------------|-----------|-----------|
| Property, plant and equipment | (274,389) | (102,674) |
|-------------------------------|-----------|-----------|

Mayibuye Transport Corporation  
Financial Statements for the year ended 31 March 2020

| Figures in Rand thousand                         | 2020              | 2019              |
|--------------------------------------------------|-------------------|-------------------|
| <b>24. Cash generated from operations</b>        |                   |                   |
| Deficit                                          | (1,452,656)       | (4,251,112)       |
| <b>Adjustments for:</b>                          |                   |                   |
| Depreciation and amortisation                    | 18,253,850        | 19,563,848        |
| Loss on sale of assets and liabilities           | 274,389           | 102,674           |
| Finance costs- Finance leases                    | 3,100,758         | 3,394,819         |
| Movements in operating lease assets and accruals | 99,374            | (139,794)         |
| <b>Changes in working capital:</b>               |                   |                   |
| Inventories                                      | 818,270           | 104,132           |
| Receivables from exchange transactions           | 337,296           | (30,783)          |
| Other receivables from non-exchange transactions | (427,852)         | (575,338)         |
| Payables from exchange transactions              | 12,815,544        | (3,668,626)       |
| Unspent conditional grants and receipts          | 6,530,396         | -                 |
|                                                  | <b>40,349,369</b> | <b>14,499,820</b> |

**25. Auditors' remuneration**

|      |           |           |
|------|-----------|-----------|
| Fees | 3,794,357 | 3,523,421 |
|------|-----------|-----------|

**26. Financial instruments disclosure**

**Categories of financial instruments**

**2020**

| Financial assets                           | At cost           | Total             |
|--------------------------------------------|-------------------|-------------------|
| Receivables from exchange transactions     | 191,027           | 191,027           |
| Receivables from non-exchange transactions | 1,533,032         | 1,533,032         |
| Cash and cash equivalents                  | 15,172,127        | 15,172,127        |
|                                            | <b>16,896,186</b> | <b>16,896,186</b> |

**Financial liabilities**

|                                     | At cost    | Total      |
|-------------------------------------|------------|------------|
| Payables from exchange transactions | 27,396,872 | 27,396,872 |

| Figures in Rand thousand | 2020 | 2019 |
|--------------------------|------|------|
|--------------------------|------|------|

## 26. Financial instruments disclosure (continued)

### Categories of financial instruments (continued)

#### 2019

##### Financial assets

|                                            | At cost          | Total            |
|--------------------------------------------|------------------|------------------|
| Receivables from exchange transactions     | 528,323          | 528,323          |
| Receivables from non-exchange transactions | 1,105,180        | 1,105,180        |
| Cash and cash equivalents                  | 2,660,221        | 2,660,221        |
|                                            | <b>4,293,724</b> | <b>4,293,724</b> |

##### Financial liabilities

|                                     | At cost    | Total      |
|-------------------------------------|------------|------------|
| Payables from exchange transactions | 14,788,343 | 14,788,343 |

## 27. Commitments

### Operating leases - as lessee (expense)

#### Minimum lease payments due

|                                     |                  |                  |
|-------------------------------------|------------------|------------------|
| - within one year                   | 2,756,054        | 927,192          |
| - in second to fifth year inclusive | 700,353          | 440,246          |
|                                     | <b>3,456,407</b> | <b>1,367,438</b> |

Operating lease payments represent rentals payable by the entity for certain of its office properties and copiers. Leases have specified periods as per their contracts. There are no contingent rentals payable by the entity.

### Rental expenses relating to operating leases

|                        |                  |                  |
|------------------------|------------------|------------------|
| Minimum lease payments | <b>2,723,945</b> | <b>2,455,383</b> |
|------------------------|------------------|------------------|

#### Premises Rental

The entity has an operating lease rental with Hemipac Investments (PTY) LTD for its Administration offices, the contract is for a period of 36 months with rental escalating at 8% on a yearly basis. The contract started in July 2016 and will be ending in June 2019. The contract also has a renewal option for a period of two years starting from July 2019 to June 2021. The contract has no restrictions imposed on it. The renewal option has been exercised.

| Figures in Rand thousand | 2020 | 2019 |
|--------------------------|------|------|
|--------------------------|------|------|

### Copiers rental

The entity has an operating lease rental with Aloe Office and Business equipment for the use of Copies machines, the contract is for a period of 36 months the rental has no escalation. The contract started in June 2018 and will be ending in June 2021. The contract has a renewal option and no restrictions imposed on it.

## 28. Contingencies

### Contingent asset

The Corporation entered into an agreement to acquire equipment to curb fare evasion. The equipment was delivered late to the Corporation resulting in potential revenue loss by the Corporation. The matter was taken up with the service provider and it took responsibility for the late delivery. The Corporation had as at year end not yet reached a settlement amount with the services provider which would be recoverable from the services provider.

The Corporation has a case with one its service providers Business Connection the supplier breached the contract as it did not render the services according to the contract, the matter is still under investigation and Corporation expect to recover monies as per estimate amount below. Reflected below are the total claim by the Corporation.

| Year                                                                               | 2020             | 2019             |
|------------------------------------------------------------------------------------|------------------|------------------|
| Penalty on acquisition of equipment to curb fare evasion from Questek              | 855,000          | 855,000          |
| Estimates by Mbabane Maswazi & Mkosana Inc. Business Connection breach of contract | 1,800,000        | 1,800,000        |
|                                                                                    | <b>2,655,000</b> | <b>2,655,000</b> |

### Contingent liabilities

During the reporting period, there were matters arising due to labour matter pending with CCMA and breach of contract by the Corporation service providers.

Other contingent matters that were raised in the previous years were no longer applicable in the current year under review as cases were either subsequently closed and others had CMMA rulings which confirms for closing of the cases.

| Figures in Rand thousand | 2020 | 2019 |
|--------------------------|------|------|
|--------------------------|------|------|

## 28. Contingencies (continued)

| 2020                                                                  | Anticipated legal fees | Estimated claim | Nature                   | Referred to               | Total contingent liabilities |
|-----------------------------------------------------------------------|------------------------|-----------------|--------------------------|---------------------------|------------------------------|
| Mbabane Maswazi & Mkosana Inc. Business Connection breach of contract | 700,000                | -               | Breach of contract       | N/A                       | 700,000                      |
| Bate Chubb & Dickson inc. Langben vs Mayibuye                         | 15,000                 | 44,200          | Magistrate Court Summons | Bate Chubb & Dickson inc. | 59,200                       |
| Ntsiki Pakade attorneys S Jali                                        | 250,000                | 273,684         | Labour dispute           | Labour court              | 523,684                      |
| Ntsiki Pakade attorneys Futshana                                      | 250,000                | 241,900         | Labour dispute           | Labour court              | 491,900                      |
|                                                                       | <b>1,215,000</b>       | <b>559,784</b>  |                          |                           | <b>1,774,784</b>             |

| 2019                                                                      | Anticipated legal fees | Estimated claim  | Nature             | Referred to  | Total contingent liabilities |
|---------------------------------------------------------------------------|------------------------|------------------|--------------------|--------------|------------------------------|
| Estimates by Mbabane & Sokutu inc. Noel Van Wyk Labour dispute            | 500,000                | 3,000,000        | Labour dispute     | Labour court | 3,500,000                    |
| Java Mama Attorneys for CCMA case relating to Mrs NV Madyib               | 130,000                | -                | Labour dispute     | CCMA         | 130,000                      |
| Estimates by Mbabane & Sokutu inc. Business Connection breach of contract | 250,000                | -                | Breach of contract | N/A          | 250,000                      |
| Ntsiki Pakade attorneys Ms Ntoni ARBITRATION                              | 100,000                | 889,436          | Labour dispute     | CCMA         | 989,436                      |
| Ntsiki Pakade attorneys S Jali                                            | 250,000                | 273,684          | Labour dispute     | Labour court | 523,684                      |
| Ntsiki Pakade attorneys Futshana                                          | 250,000                | 241,900          | Labour dispute     | Labour court | 491,900                      |
|                                                                           | <b>1,480,000</b>       | <b>4,405,020</b> |                    |              | <b>5,885,020</b>             |

## 29. Related parties

Relationships Members Refer to note 30  
Members of key management (Senior Management) Refer to note 29

### Related party balances

### Related party transactions

### Grant aid received

|                                      |             |             |
|--------------------------------------|-------------|-------------|
| Eastern Cape Department of Transport | 152,402,300 | 129,581,000 |
|--------------------------------------|-------------|-------------|

| Figures in Rand thousand | 2020 | 2019 |
|--------------------------|------|------|
|--------------------------|------|------|

## 29. Related parties (continued)

### Eastern Cape Department of Transport

|                             |        |        |
|-----------------------------|--------|--------|
| Private hire revenue/debtor | 90,149 | 90,149 |
|-----------------------------|--------|--------|

In the financial year under review on 01 August 2019 the parent Eastern Cape Department of Transport (DOT) seconded Mr K Gazi CA(SA) as the Acting Chief Executive Officer (ACEO) of the Corporation. The Corporation only pays Acting Allowance to the ACEO as per the Corporation acting allowance policy. The amount is disclosed in note 29 under Senior Management salaries.

Eastern Cape Department of Transport- The Department is the sole shareholder of the Corporation and the Corporation acts as the service delivery arm of the Department. The Department provides the grant-in-aid and the Corporation report on its activities.

Board members- Refer to note 30 for details of transactions with board members. The Board is appointed by the Executive Authority and fulfils a governance and oversight role.

Key management personnel- Refer to note 29 for detail of transactions with key personnel. Management is responsible for the day-to-day operations of the Corporation.

### Remuneration of management

### Senior management

### 2020

| Name                | Term-ination leave | Basic salary     | Car allow-ances | Cash allow-ances | Reimburse-ment KM's | Provident fund | Acting allow-ance | Other benefits | Backpay        | Total            |
|---------------------|--------------------|------------------|-----------------|------------------|---------------------|----------------|-------------------|----------------|----------------|------------------|
| CEO: N Madyibi      | 656,959            | 891,796          | 280,000         | 181,360          | -                   | 126,615        | -                 | 39,784         | 168,744        | 2,345,258        |
| CFO: S Galada       | -                  | 1,342,859        | 180,000         | 395,511          | 13,364              | -              | -                 | 22,297         | -              | 1,954,031        |
| COO: D Gwabeni      |                    | 1,055,104        | 201,667         | 346,214          | 12,736              | 149,745        | 101,082           | 46,603         | -              | 2,119,713        |
| Acting CEO: K Gazi  | 206,562            | -                | -               | -                | 11,543              | -              | 508,806           | 565            | -              | 520,914          |
| Acting COO: P Somyo |                    | -                | -               | -                | -                   | -              | 262,680           | -              | -              | 262,680          |
|                     | <b>863,521</b>     | <b>3,289,759</b> | <b>661,667</b>  | <b>923,085</b>   | <b>37,643</b>       | <b>276,360</b> | <b>872,568</b>    | <b>109,249</b> | <b>168,744</b> | <b>7,202,596</b> |

29. Related parties (continued)

| 2019           |         |              |                 |                 |                   |                               |                |                         |           |  |
|----------------|---------|--------------|-----------------|-----------------|-------------------|-------------------------------|----------------|-------------------------|-----------|--|
| Name           | Backpay | Basic salary | Cash allowances | Cash allowances | Reimbursment KM's | Other Provident fund benefits | Provident fund | Other benefits received | Total     |  |
| CEO: N Madyibi | -       | 1,403,886    | 420,000         | 288,495         | 13,037            | -                             | 332,721        | 22,860                  | 2,480,999 |  |
| CFO: S Galada  | 36,196  | 1,317,522    | 180,000         | 384,652         | 21,316            | -                             | -              | 72,693                  | 2,012,379 |  |
| COO: D Gwabeni | 36,196  | 1,129,305    | 220,000         | 349,808         | 41,055            | 344,547                       | 267,646        | 14,740                  | 2,403,297 |  |
|                | 72,392  | 3,850,713    | 820,000         | 1,022,955       | 75,408            | 344,547                       | 600,367        | 110,293                 | 6,896,675 |  |

Other Benefits received relate to UIF, SDL, Medical aid and other benefits.

30. Members' emoluments

| Members                             |                 |               |           |
|-------------------------------------|-----------------|---------------|-----------|
| 2020                                | Other benefits* | Members' fees | Total     |
| Adv. A Mini ( Board Chairperson)    | 265,657         | 682,361       | 948,018   |
| Rev. L Mantini (Deputy Chairperson) | 11,947          | 412,039       | 423,986   |
| Mr. T Khumalo                       | 12,704          | 266,233       | 278,937   |
| Dr. N Khewu                         | 5,255           | 378,952       | 384,207   |
| Ms. N Pietersen                     | 6,189           | 315,777       | 321,966   |
| Mr. M Metuse                        | 32,405          | 448,278       | 480,683   |
| Mr. G Qotywa                        | 20,381          | 306,276       | 326,657   |
|                                     | 354,538         | 2,809,916     | 3,164,454 |

| Members                              |                 |               |           |
|--------------------------------------|-----------------|---------------|-----------|
| 2019                                 | Other benefits* | Members' fees | Total     |
| Ms. FKP Ntlemeza (Board Chairperson) | 129,194         | 349,482       | 478,676   |
| V Mkosana (Deputy Chairperson)       | 1,521           | 190,667       | 192,188   |
| Adv. MH Sishuba                      | 747             | 232,058       | 232,805   |
| Mr. PG Zitumane                      | 2,562           | 224,367       | 226,929   |
| Mrs. NB Petela-Ngcanga               | 16,469          | 171,806       | 188,275   |
| Mrs. T Godongwana                    | -               | 184,829       | 184,829   |
| Dr. B Ssamula                        | 3,160           | 203,834       | 206,994   |
| Adv. A Mini (Board Chairperson)      | 56,538          | 80,020        | 136,558   |
| Rev. L Mantini (Deputy Chairperson)  | 1,000           | 58,690        | 59,690    |
| Mr. T Khumalo                        | 330             | 48,941        | 49,271    |
| Dr. N Khewu                          | 252             | 28,750        | 29,002    |
| Ms. N Pietersen                      | 247             | 39,375        | 39,622    |
| Mr. M Metuse                         | 1,819           | 66,125        | 67,944    |
| Mr. G Qotywa                         | 1,376           | 41,441        | 42,817    |
|                                      | 215,215         | 1,920,385     | 2,135,600 |

\* Other benefits comprise re-imbursive travel allowance and subsistence.

### 31. Audit committee

Fees for attending the meetings.

#### 2020

|                               | Meetings       | Travel        | Total          |
|-------------------------------|----------------|---------------|----------------|
| Ms N. Pietersen (Chairperson) | 83,814         | 605           | 84,419         |
| Ms N. Mnconywa                | 56,227         | -             | 56,227         |
| Mr T. Khumalo                 | 49,099         | 3,157         | 52,256         |
| Mr G Qotywa                   | 56,227         | 2,842         | 59,069         |
| Dr Bosire                     | 65,842         | 20,230        | 86,072         |
| Mrs T. Cumming                | 28,512         | -             | 28,512         |
|                               | <b>339,721</b> | <b>26,834</b> | <b>366,555</b> |

#### 2019

|                               | Meetings       | Travel       | Total          |
|-------------------------------|----------------|--------------|----------------|
| Mr. PG Zitumane (Chairpesron) | 86,641         | -            | 86,641         |
| Ms. T Godongwana              | 39,263         | -            | 39,263         |
| Mr. N Adonis                  | 19,132         | -            | 19,132         |
| Ms. T Cumming                 | 34,326         | -            | 34,326         |
| Dr Bosire                     | 19,132         | 7,959        | 27,091         |
| Mrs N Mnconywa                | 28,229         | -            | 28,229         |
|                               | <b>226,723</b> | <b>7,959</b> | <b>234,682</b> |

### 32. Going concern

We draw attention to the fact that at 31 March 2020, the entity had an accumulated (deficit) of (146,385,095) and that the entity's total assets exceed total liabilities by 101,970,980.

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

The entity has areas that confirms the factors with impact on entities going concern status. The entity still shows struggles in paying its creditors as they become due i.e. within 30 days period. Even though the entity is constrained in paying its debts as they become due it continues to ensure that the third-party deductions i.e. provident fund, medical aid and garnishees including statutory deductions (PAYE, UIF and skills development levy) are paid on time to avoid penalties and interest. As

much as the entity continues to be under financial constraints close monitoring of cash management continues to be the key under Financial Management.

The entity's current liabilities exceeded its current assets by R29,562,425. This also confirms inability that the entity might to settle its liabilities when its assets are converted to cash. This is also a factor along with other matters that indicate the uncertainty on the entity's ability to continue as a going concern.

The entity continues to have vacancies on key personnel and having acting positions for lengthy period. The entity has made plans to be able to continue to operate, by appointing acting personnel.

The ability of the entity to continue as a going concern is dependent on a number of factors as summarised above. The most significant of these is that the entity is funded by the government into the foreseeable future.

### Figures in Rand thousand

2020

2019

### 33. Events after the reporting date

In December 2019, a strain of coronavirus was reported to have surfaced in China. The virus has spread in most countries including South Africa. On 23 March 2020 the President of the country announced a new measure to combat the spread of the virus in South Africa. A three-week nationwide lockdown with severe restriction on travel and movements was announced and regulated. Even though lockdown has been extended the entity operations were continuing and still continuing in compliance with the regulations Although the operations continued under the regulations by Government, but the entity suffered a decrease in its revenues as compared to other quarters in the first quarter of 20-21 financial year. There was no significant impact on the operations from the 23rd to 31st of March 2020.

Management including Operations, Support and Administrative staff continued with daily activities remotely and through rotation measures for those staff that could not perform activities remotely whilst waiting for the lifting of lockdown to level 4 at the end of April 2020. The Board Members are not aware of

any other material events which occurred after reporting date and up to date of this report

In the month of September 2020, the members of SATAWU within the Corporation embarked on a strike, the strike took place within the Corporation Depots. During the happening of the strike one of the Corporation buses got burnt by anonymous individuals overnight. The matter was reported to the police where a case was opened for the investigation. The carrying amount of the asset at the time of the accident amounted to R 1,377,947.04. This incident happened after year end but before publication of the audited Annual Financial Statement. This is not an adjusting event but presented for the benefit of the users of the financial statements

The board members are not aware of any matters or circumstances arising since the end of the financial year that have not been taken into account in this set of financial statements except the above.

### 34. Irregular expenditure

#### Reconciliation of Irregular

|                                          |                   |                   |
|------------------------------------------|-------------------|-------------------|
| Opening balance                          | 24,037,640        | 18,843,069        |
| Add: Irregular Expenditure- current year | 1,887,437         | 6,089,124         |
| Less: Amounts Disregarded                | -                 | (894,553)         |
|                                          | <b>25,925,077</b> | <b>24,037,640</b> |

#### Details of irregular expenditure – current year

|                                     |                            |                  |
|-------------------------------------|----------------------------|------------------|
| Continuous service with no contract | Investigations in progress | 186,194          |
| Deviation not sought from PT        | Investigations in progress | 1,013,832        |
| Exceeded 15% variation              | Investigations in progress | 17,276           |
| Single-source deviation             | Investigations in progress | 670,135          |
|                                     |                            | <b>1,887,437</b> |

| Figures in Rand thousand | 2020 | 2019 |
|--------------------------|------|------|
|--------------------------|------|------|

34. Irregular expenditure (continued)

Details of irregular expenditure – prior year

|                                         |                            |                  |
|-----------------------------------------|----------------------------|------------------|
| Continuous service with no contract     | Investigations in progress | 648,286          |
| Proper procurement process not followed | Investigations in progress | 824,868          |
| Deviation not sought from PT            | Investigations in progress | 4,615,970        |
|                                         |                            | <b>6,089,124</b> |

Disciplinary steps taken/criminal proceedings

Disciplinary action has been instituted against responsible officials for irregular expenditure incurred pre 2016 financial year and the actions for irregularities incurred from 2017 to 2020 financial years are in progress. For the historical and current the documentation or information on irregularities is being investigated, and a detail analysis has been performed by the Internal Audit and disciplinary actions will be dealt with in the 2021 financial year.

During the current year under review Internal Audit performed an investigation project to all Irregular expenditure and Fruitless and Wasteful expenditure transactions as disclosed in the

financial statements. Other transactions were recommended as to be disregarded and the effect to be made retrospectively.

Disregarded has been interpreted to mean transactions which do not meet the definition of irregular expenditure according to **National Treasury Instruction No. 2 of 2019/2020. Irregular Expenditure Framework. Paragraph 6.3** states that, “Any reference to non-compliance of internal policies being regarded as irregular expenditure in terms of **Treasury Instruction No. 1 of 2018/2019** must be disregarded to accord with the definition of “irregular expenditure” in section 1 of PFMA.

35. Fruitless and wasteful expenditure

Reconciliation of Fruitless and Wasteful Expenditure

|                               |                  |                  |
|-------------------------------|------------------|------------------|
| Opening balance               | 1,300,819        | 944,035          |
| Add: Movement in current year | 126,308          | 356,784          |
|                               | <b>1,427,127</b> | <b>1,300,819</b> |

Incident

|                                          |                |                |
|------------------------------------------|----------------|----------------|
| Penalties on late payment & cancellation | 17,540         | 156,598        |
| Interest due to late payment             | 99,718         | 158,520        |
| Traffic fines                            | 9,050          | 3,820          |
| Other                                    | -              | 37,846         |
|                                          | <b>126,308</b> | <b>356,784</b> |

35. Fruitless and wasteful expenditure (continued)

Disciplinary steps taken/criminal proceedings

Disciplinary action has been instituted against responsible officials for fruitless and wasteful expenditure incurred pre 2016 financial year and the actions for fruitless and wasteful expenditure incurred from 2017 to 2020 financial years are in progress. For the historical and current the documentation or information on irregularities is being investigated, and a detail analysis has been performed by the Internal Audit and disciplinary actions will be dealt with in the 2021 financial year

36. Prior period errors

Irregular, Fruitless and Wasteful Expenditure

During the current year under review Internal Audit performed an investigation project to all Irregular expenditure and Fruitless and Wasteful expenditure transactions as disclosed in the financial statements. Other transactions were recommended as to be disregarded and the effect to be made retrospectively.

Disregarded has been interpreted to mean transactions which do not meet the definition of irregular expenditure according to National Treasury Instruction No. 2 of 2019/2020. Irregular Expenditure Framework. Paragraph 6.3 states that, “Any reference to non-compliance of internal policies being regarded as irregular expenditure in terms of **Treasury Instruction No. 1 of 2018/2019** must be disregarded to accord with the definition of “irregular expenditure” in **section 1 of PFMA**

Irregular Expenditure

| Description    | Amount            | Comment                                                                                                                                      |
|----------------|-------------------|----------------------------------------------------------------------------------------------------------------------------------------------|
| 2019           | 14 200.00         | This relate to transactions that were disregarded as irregular expenditure, in complying with <b>Treasury Instruction No. 1 of 2018/2019</b> |
| Previous years | 894 552.67        | This relate to transactions that were disregarded as irregular expenditure, in complying with <b>Treasury Instruction No. 1 of 2018/2019</b> |
| <b>Total</b>   | <b>908 752.67</b> | <b>Total amount disregarded in the comparative financial year</b>                                                                            |

### 37. Budget differences

#### Differences between budget and actual amounts basis of preparation and presentation

The budget and the accounting bases differ. The financial statements for the Corporation are prepared on the accrual basis using a classification based on the nature of expenses in the statement of financial performance. The financial statements differ from the budget, which is approved on the cash basis the differences are explained in the table below.

#### Changes from the approved budget to the final budget

The changes between the approved and final budget are as a result of additional funding requested to assist in the Corporation cash flows in the financial year under review.

| Component                    | Variance Amount | Reason for Variance                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|------------------------------|-----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Private Hire                 | (98,617)        | The overall under-collection is as a result of buses that were currently non-operational due to costly major mechanical issues of which due to financial constraints the entity was not able to repair as cash resources available between quarter 1 & 2 were not sufficient therefore having an impact in the targeted revenue collection than anticipated. As a result of not having sufficient buses some of the targeted private hire trips from some of the dependable clients could not be operated within the financial period, the entity therefore lost some of its major clients in the quarters prior including the month of December 2019 compared to any other financial period                                                                                                                                                                                                          |
| Passanger Fare               | (11,858,517)    | The overall under-collection is as a result of buses that were currently non-operational due to costly major mechanical issues of which due to financial constraints the entity was not able to repair as cash resources available between quarter 1 & 2 were not sufficient therefore having an impact in the targeted revenue collection than anticipated. In addition, due to the national lockdown that commended in the month of March 2020 the targeted revenue for the month of March 2020 alone was not met by over 54 percent against the targeted overall collection for the 2019/20 financial period.                                                                                                                                                                                                                                                                                      |
| Other Income                 | 144,999         | No budget allocated for this item                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Interest received-Investment | 575,379         | No budget allocated for this item                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Government Grant & Subsidies | 14,856,075      | The over collection in grants is due to the conditional grants received from the Department of Transport and are detailed as follows;<br>1. The Conditional grant of R15,931m received in October 2019 was for the sole purpose of acquiring additional buses and the repairing and maintaining of the current fleet.<br>2. The Conditional grant of R4,474m received in March 2020 was for the sole purpose of acquiring supplies needed by the entity to manage the outbreak of COVID-19. The conditional grant figures in total add up to about R20 405m and this therefore contributes to the variance of R14 856m, also as at 31 March 2020 the entity was not able to utilize all of the allocation received for the acquisition of COVID-19 supplies or services and could only recognize an actual amount of R155k due to the national lockdown that commenced towards the end of March 2020. |

### 37. Budget differences (continued)

| Component                                  | Variance Amount | Reason for Variance                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|--------------------------------------------|-----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Employee Cost                              | 5,523,727       | The Corporation had requested additional funding to effect payment of personnel costs for the month of March 2020 due to the fact that the actual cash resources available for operations at the time of request were insufficient to cover costs as the balance of accruals were too high and thus causing the Corporation not operate effectively although the budgeted costs for the 2019/20 were never extremely excessive. Therefore this adjustment was made more on the basis of adjusting the cash crisis then over budgeting under the item |
| Operating Expenses                         | 5,771,257       | The majority of the under-spending in operating expenses was impacted by the delayed delivery or rendering of services of some buses that had been off the road and were currently undergoing minor and major repairs but due to the national lockdown in March 2020 some of the 2019/20 budget services or supplies could not be provided or proceed up until the levels of the economy were eased for activity again.                                                                                                                              |
| Depreciation and amortisation              | (18,253,850)    | No budget allocated for item by MTC because the Corporation currently uses a cash basis due to the financial constraints the corporation is under                                                                                                                                                                                                                                                                                                                                                                                                    |
| Finance Costs                              | (377,534)       | The overspending in the interest portion of the finance lease repayment is caused by the fluctuations against the initial projected/budgeted calculated spending that was tabled as per the amortization schedule as at 31 March 2019, the fluctuation is caused by payment not being effected on the anticipated 1st day of the month as projected due to cash resources that were insufficient to effect payments in the 1st and 2nd Quarter of the 2019/20 financial period.                                                                      |
| Lease Rentals on operating lease           | 46,326          | The variance of under spending in Lease rental is due to the cost saving done on the readings of copies and printing of documents billed against the anticipated budget for the current financial period.                                                                                                                                                                                                                                                                                                                                            |
| Administravtive expenses                   | (1,973,163)     | The over-spending in administrative costs is as a result of the high volume in the number of board of directors costs for special meetings held in Quarter 1 and 2 against the anticipated board plan thus causing a variance in the overall board fees, travel costs & catering. The costs had since come to a halt by Quarter 3 & 4 and were in accordance with the reminder of the scheduled board meetings initially projected for in the 2019/20 financial period.                                                                              |
| Loss on disposal of assets and liabilities | (274,389)       | No budget allocated for this item.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Inventories                                | 2,504,538       | No direct budget allocated for this item as the purchase of stock item goes through via issues which have been alloacted as part of the operating expenses                                                                                                                                                                                                                                                                                                                                                                                           |
| Receivables from exchange transactions     | 191,027         | No budget allocated for this item.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| Receivables from non-exchange transactions | 1,533,032       | No budget allocated for this item.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |

37. Budget differences (continued)

| Component                               | Variance Amount    | Reason for Variance                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|-----------------------------------------|--------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Cash & cash equivalents                 | 15,172,127         | No budget allocated for this item.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Property, plant & Equipment             | 111,167,384        | Note:The allocated budget for the 2019/20 financial period is compared with the actuals from prior year as per the report and thus the actual spending for 2019/20 is not reflected correctly due Caseware difference calculation design.<br>*The actual variance should be R1 215 855.71 and reason for the overspending in the capital portion of the finance lease repayment is caused by the fluctuations against the initial projected/budgeted calculated spending that was tabled as per the amortization schedule as at 31 March 2019,the fluctuation is caused by payment not being effected on the anticipated 1st day of the month as projected due to cash resources that were insufficient to effect payments in the 1st and 2nd Quarter of the 2019/20 financial period.* |
| Intangible assets                       | 1,515,734          | Note:The allocated budget for the 2019/20 financial period is compared with the actuals from prior year as per the report and thus the actual spending for 2019/20 is not reflected correctly Caseware difference calculation design. *The actual variance should be R150 000 and reason for that because the Corporation opted not to be upgraded its financial system and place more focus in the operations, hence the under-spending of the budgeted item.*                                                                                                                                                                                                                                                                                                                         |
| Finance Lease obligation                | 14,863,363         | Budget portion reflected on the Approved budget in the PPE note includes the Capital portion of R12 251 250.63 and therefore the variance should be R2 612 112.37                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| Payables from exchange transactions     | 27,396,871         | No budget allocated for this item as the budget is allocated per expenditure item stated in the Statement of Financial Performance.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| Unspent conditional grants and receipts | (13,874,904)       | The unspent allocation of the conditional grants received was impacted by the services or supplies ordered which could not be completed as at year end due to the national lockdown in March 2020.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Finance Lease obligation                | 6,187,380          | No budget allocated for this item.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Share Capital & Equity                  | 248,356,075        | No budget allocated for this item.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Accumulated Surplus/(Loss)              | (150,655,423)      | No budget allocated for this item.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|                                         | <u>258,438,897</u> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |

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