Annual Report 2020 2021

MAYIBUYE
TRANSPORT CORPORATION

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
GTAC	Government Technical Advisory Centre,
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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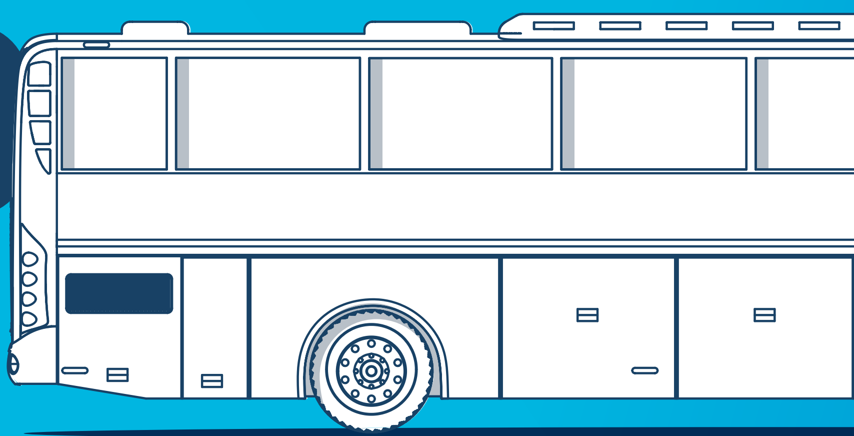
2020
2021



MAYIBUYE

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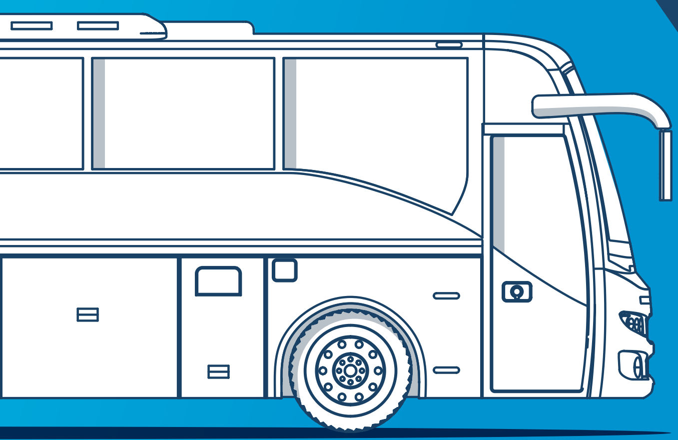


Highlights 2020 2021

Budget allocation by the Department of Transport

R130,7m

R19m
additional budget allocation later in the year

Audit
unqualified audit opinion

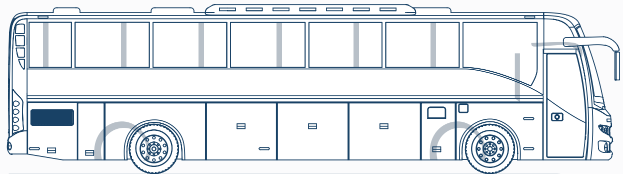
R15,4m
route revenue in the year under review

R1,3m
decrease in finance costs

R0
Irregular expenditure

ROUTE STATS

2020/21



991 063
passengers serviced in the 2020/21 year

940
average passenger trips per week

0
fatalities

93%
customer satisfaction level

97%
of trips departed on time

54 buses
on average operational in 2020/21

GENERAL INFORMATION

A

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.

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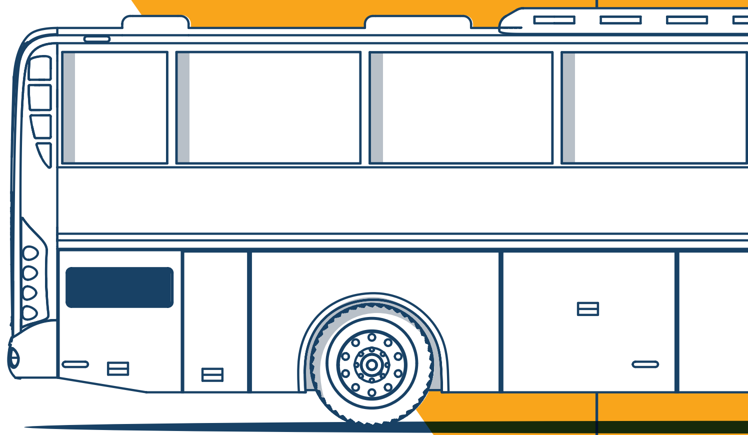

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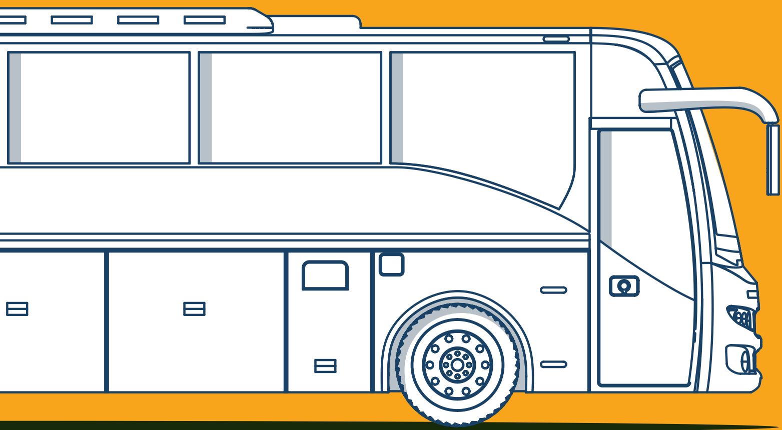
Vision

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.

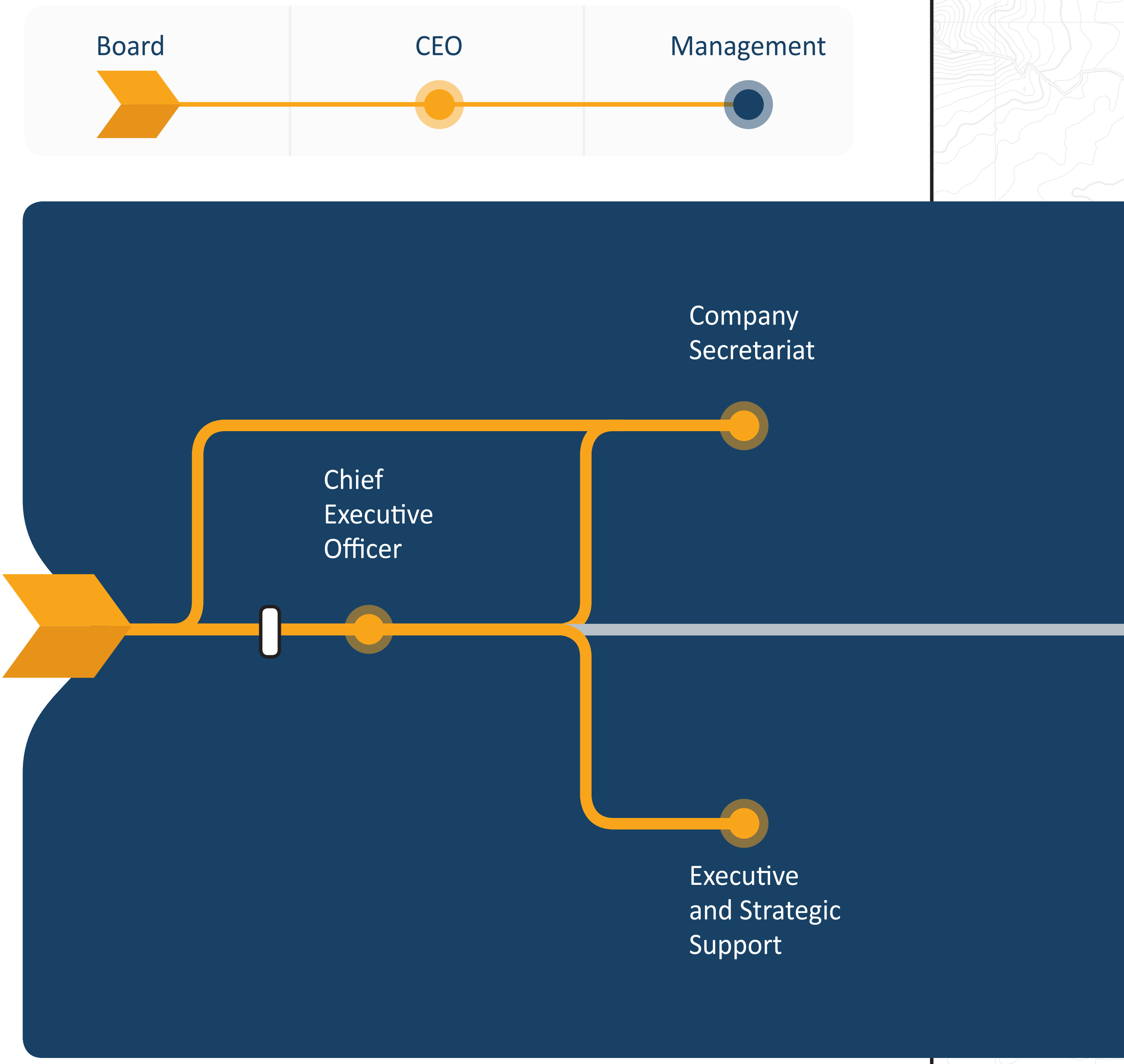
At present, the MTC receives a subsidy in the form of a grant-in-aid to cover the operating expenses of the Corporation.
The principal purpose of the Mayibuye Transport Corporation is to provide safe, reliable and affordable public transport to predominantly rural areas of the Eastern Cape. This strategic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

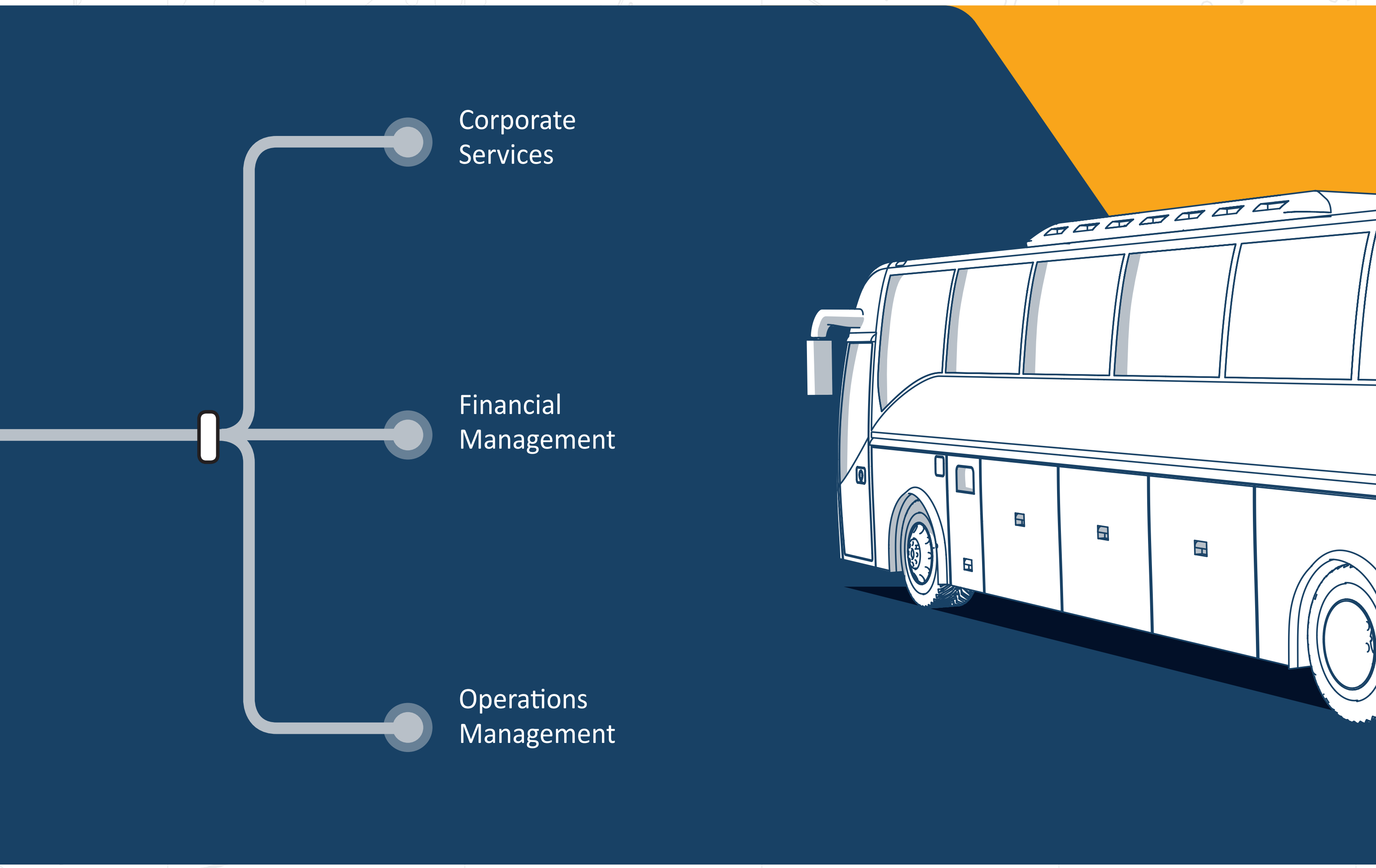
Government has approved a "Protocol on Corporate Governance in the Public Sector", which is to be read in conjunction with the King IV Report. The protocol is applicable to all public entities listed in Schedule 2, 3B and D of the PFMA. It is intended to provide guidance on how to achieve the socio-politico-economic 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




Corporate Services
Financial Management
Operations Management

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 (Part F) 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 2021.

Yours faithfully

Chief Executive Officer
Pashee Nompelo Roboji
Date: 31 August 2021

Chairperson of the Board
Adv. Andile Mini
Date: 31 August 2021

PERFORMANCE INFORMATION

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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

MAYIBUYE BOARD MEMBERS

Mr M Metuse

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

Dr N Khewu

Committees:
Governance
Operations & Engineering
Human Resources & Remuneration

Ms N Pietersen CA(SA)

Committees:
Governance, Audit & Risk,
Finance & Investment

Major General (Retired) TM Khumalo

Committees:
Audit & Risk
Operations & Engineering

Mr G Qotywa

Committees:
Audit & Risk
Operations Engineering
Human Resources & Remuneration

Mr R Surajbali

Committees:
Finance & Investment
Human Resources & Remuneration

Mrs Z Pakati

Committees:
Operations & Engineering, Finance
& Investment, Human Resource &
Remuneration

Mr LM Sisilana

Committees:
Governance
Operations & Engineering

Adv. U Tshikovhi

Company Secretary

CHAIRPERSON'S FOREWORD

The period under review presented a unique challenge for the Mayibuye Transport Corporation in the form of an unrelenting COVID-19 pandemic which placed formidable pressure on the Corporation's operational and financial fundamentals. A novel situation in itself, the COVID-19 pandemic tested our collective wisdom and resolve in ensuring that the Corporation is well-equipped to withstand the pressure it placed on sustainability. The pandemic demonstrated the importance of an accounting authority with the collective skill to navigate complex phenomena and the ability to respond to these with the requisite skill.

This period perhaps provided the best opportunity to demonstrate the value of sound corporate governance leadership in the attainment of the organisational vision, ethical culture, good performance as well as effective control and legitimacy. The application of sound corporate governance principles was crucial in assisting the Corporation to effectively discharge the demands of its mandate.

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. I am grateful to the Board for the meticulous manner in which it has applied its collective wisdom to steer the Corporation through this challenging period. Although significant pressure was placed on the Corporation's financial performance with a reduction in own revenues, I am grateful that through the support of the Board, the MTC has emerged emboldened and singularly focused on executing mandate delivery. I am equally aware that more challenges lie ahead with no indications that the COVID-19 pandemic will dissipate.

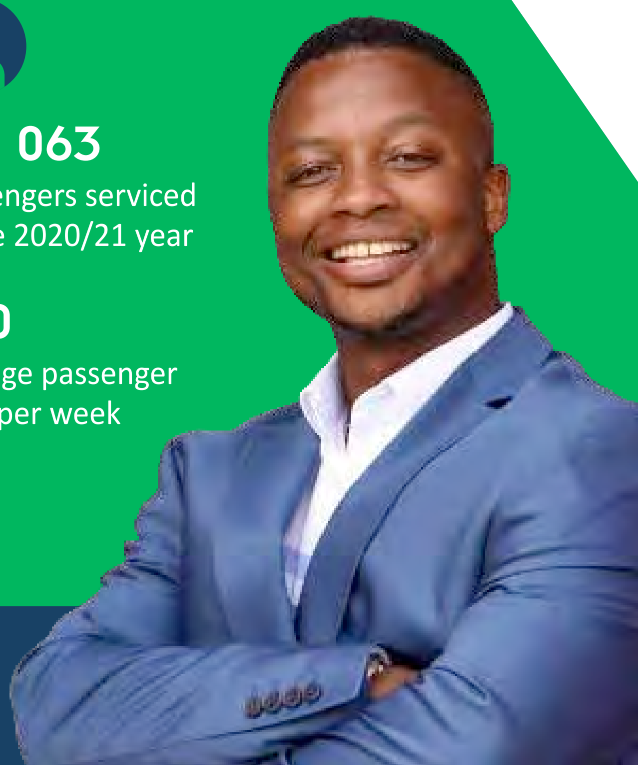
The pandemic affected the very core business of the Corporation which revolves around providing much-needed mobility and access to social and economic infrastructure to those who reside in the rural hinterland and urban areas. The subsequent lockdown regulations had a serious impact on the MTC business limiting the mobility of Eastern Cape residents for who we exist to transport to their various areas of endeavour. The resultant effect was predictably a reduction on own revenue which is comprised of route revenue and the private hire business. The private hire business was particularly affected due to a ban on gatherings and events in the first quarter of the year. The various lockdown alert levels had a significant impact on bus carrying capacity with regulations limiting this to 50% seating and standing passengers.

OPERATIONAL PERFORMANCE

Although the regulations were later relaxed on Alert Level 2, the impact on revenue generation would be felt through the remainder of the year. The 991 063 passengers transported by the MTC are an important milestone when measured against the severe restrictions placed on human movement. However, they do stand in contrast to the 1,659 million passengers carried in 2019/20. The resultant effect was a reduction in own revenue from R28,3 million in 2019/20 to R15,4 million in 2020/21. I am pleased that the organisation was able to record an average 940 passenger trips a week in 2020/21 which represents an improvement from the previous year's 849 average passenger trips per week.

991 063
passengers serviced in the 2020/21 year

940
average passenger trips per week



OPERATIONAL CAPACITY

The Board is seized with the collective responsibility of ensuring that the Corporation is cushioned by any further debilitating effects on its revenue base and on its operational efficiencies. Management and the entire MTC collective is enthusiastically working toward protecting the revenue base and increasing internal technical capacity which are crucial to protecting the balance sheet.

Part of this process is premised on curtailing operational expenditure. The Board has impressed on management the need to manage expenditure in order to protect the integrity of the balance sheet and the assurance of service. This is being done in part, by growing the technical expertise of the MTC team in order to reduce the reliance on external technical expertise. The enhancement of internal capacity has a domino effect on the timeous turnaround on mechanical defects which will ensure that passenger trips are honoured. Prudent expenditure management should also help the MTC keep passenger fares at an affordable level. Support staff are also being capacitated to provide the requisite support to the operational team in order to ensure that they have the tools to place the organisation on a sustainable growth trajectory.

The Board is also aware of the need to provide certainty of leadership at the Corporation and the stability and confidence this brings.

I am pleased to announce that the Corporation has concluded the recruitment of a new Chief Executive Officer on a five-year contract who will assume the position at the beginning of the 2021/22 financial year.

CAPITAL INVESTMENT

In addition, the Board understands the need to continuously engage the shareholder on capitalisation challenges confronting the Corporation. Engagements with the shareholder are ongoing and are being met with a favourable outlook.

Capitalisation will play a crucial role in positioning the MTC a public transport service provider of choice and allow it to make important capital, technological and people investments as well as infrastructure built programmes. These investments will ultimately lead to a capacitated and fit-for-purpose vehicle of socio-economic redress.

AUDIT MATTERS

The Board extends its sincere appreciation to the shareholder for the R130.7 million budget allocation in the 2020/21 financial year. This figure was increased by a further R19 million later in the year to enable the Corporation to move to a completely cashless ticketing system. This is an important annual injection by the shareholder which allows the Corporation to carry-out its statutory obligations. The Board is equally proud that the Corporation has maintained a sixth consecutive unqualified audit opinion which reaffirms the MTC's innate commitment to sound financial management principles.

STRATEGIC PARTNERSHIPS

Finally, I am grateful for the various stakeholder partnerships which drive a collaborative mandate delivery culture. The MTC continues to engage various partners such as small bus operators, commuter forums, the taxi industry and the shareholder in order to ensure that the Corporation receives the popular support it needs to drive a sustainable public transport service agenda.

APPRECIATION

On behalf of the Board, I am grateful to the Department of Transport and the executive head for the ongoing support of the MTC business. The various financial and other resources extended to the MTC are crucial to the viability of the organisation. My gratitude is extended to the Portfolio Committee on Transport which the Board met three times during the review period for its enriching oversight role. I am also thankful to the Standing Committee on Public Accounts (SCOPA) in which the Board appeared in February 2021 for their incisive and insightful examination of the MTC's attitude and posture toward the management of public assets. The Board extends its appreciation to the acting chief executive officer Khanyisa Gazi who steered the organisation during the period under review. The Board is eternally thankful to the executive team and the MTC staff collective for weathering a difficult period with dedication and a steely resolve.

Adv. Andile Mini
Mayibuye Transport Corporation
Chairperson of the Board

MAYIBUYE EXECUTIVE TEAM

Pashee Nompelo Roboji
Chief Executive Officer

Spelele Galada
Chief Financial Officer

Phumza Somyo
Acting Chief Operations Officer

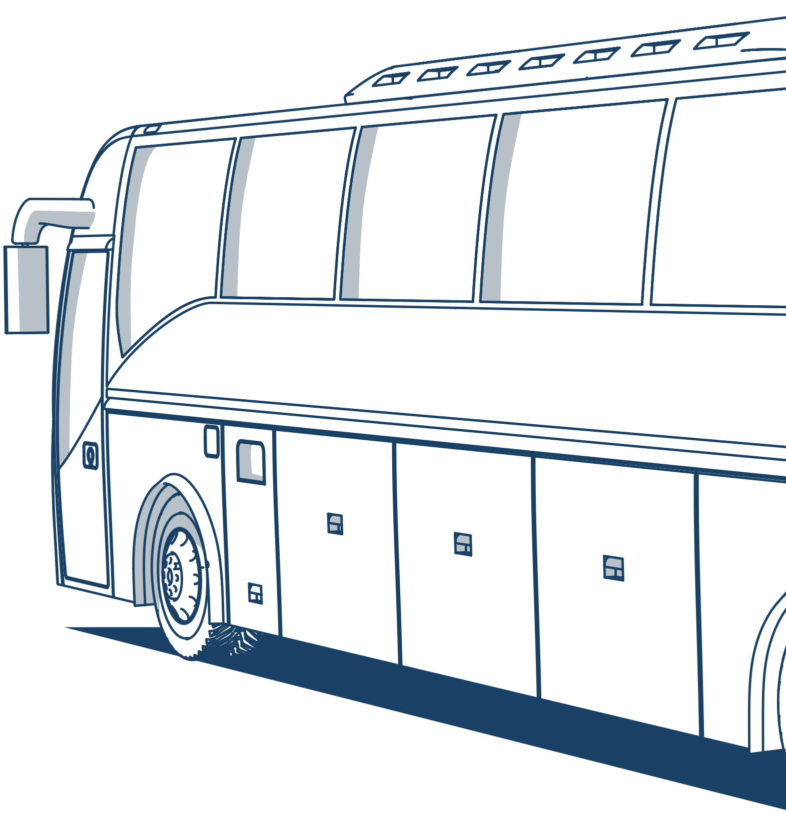
CHIEF EXECUTIVE OFFICER'S REPORT

I am pleased to present the annual performance report of the Mayibuye Transport Corporation for the 2020/21 financial year. The period under review demonstrated the significance of an efficient and effective public transport system in the face of an ongoing COVID-19 pandemic. The pandemic is a significant antithesis to the MTC mandate which is aimed at providing mobility and access to millions of Eastern Cape commuters.

In the reverse, the pandemic severely limited and continues to limit mobility and access through various measures which have been introduced by government in order to curtail its spread and effect on human life. While the pandemic somewhat challenges the Corporation's sustainability, the MTC is acutely aware that it has to ride out the wave in order to help save lives by ensuring that its fundamentals are in place while it negotiates a particularly challenging operating and service delivery environment.

As such, the Corporation has rallied its human and other resources in a manner which promotes the general financial health of the organisation in order to stave-off sustainability and viability challenges. This is a particularly important undertaking because the existence of the MTC is non-negotiable as it provides mobility and access to millions of citizens every single year. The MTC service is therefore critical to driving economic activity and access to economic opportunities and to vocational spaces of work and learning. The MTC services ensures access to social grant beneficiaries who wish to draw their social security benefits from the state's various paypoints. Furthermore, thousands of young people use the MTC service to access learning centres, institutions of higher learning and of basic education. In essence, the MTC services impacts many layers of the daily life of especially those Eastern Cape residents who reside in peri-urban areas.

The Corporation conducts this work cognisant of its aspiration of assisting in positioning the Eastern Cape as "the most livable province in South Africa by increasing mobility between urban and peri-urban areas." The MTC footprint or service area is responsive to this aspiration which straddles the urban-peri urban and rural divide and it acts as an anchor for improved socio-economic activity. For example, the Corporation's reach and impact stretches from its Alice depot which covers the Raymond Mhlaba municipal area, the Zwelitsha depot along the R347 route which services Bhisho, King William's Town and surrounding rural areas, the Reeston depot on the Mdantsane Access Road between Mdantsane and East London servicing the greater Buffalo City Metro to the Queenstown depot in Queendustria in Ezibeleni covering the Whittlesea, Sada and Ntabethemba areas of the Chris Hani District Municipality.



The MTC's aspirations, strategic posture and mission of providing a safe, reliable and affordable public bus transport service that is responsive to its environment is deeply anchored on the Eastern Cape's vision which aims to position the province as an enterprising and connected province by 2030. Through its work, the MTC finds overall expression in the provincial priorities outlined in the Provincial Development Plan (PDP) which are critical pillars to the attainment of the Eastern Cape vision. In particular, the MTC service offering actively contributes to economic transformation and job creation, education, skills and health, spatial integration as well social cohesion and safe communities.

Furthermore, ongoing urbanisation is increasing demand for daily travel between homes and the economic hubs of the province. The MTC's challenge and of the transport industry in general, is to secure investment in infrastructure at a rate which is in line with population growth. This is important if MTC and the industry in general is to adequately respond to future demand.

CAPITALISATION

The Corporation is therefore in constant deliberation and engagement with the shareholder in order to provide the required liquidity and capitalisation to the MTC. This capitalisation should enable the Corporation to make the necessary investment in infrastructure, technology and capital projects in order to address current and future demand. The organisation is also lobbying government to ensure that there is adequate investment in road infrastructure particularly in previously disadvantaged and under-served areas of the province in order to reduce maintenance costs which erode the Corporation revenue and capital base. These are ongoing conversations with government which occur in a challenging fiscal environment heavily impacted by serious budgetary constraints. The MTC is encouraged by government's posture and it is convinced that capital inflows will begin to materialise in the medium to long-term in order to address longstanding capitalisation challenges.

CHALLENGES

The period under review also presented numerous service delivery challenges which required the organisation to assume a delicate posture and balance between its developmental priorities versus corporate sustainability. The effects of the introduction of a hard lockdown in the first quarter of the year had a debilitating effect on the economy which did not spare the MTC. However, the Corporation negotiated this period with the required resolve by rallying and mobilising its human and other resources in pursuit of its mandate delivery objectives.

The Corporation was equally cognisant of the fact that the litmus test to its efficacy would be its bullish attitude in the face of an onslaught and erosion of its revenue base as a result of the pandemic. For example, during the period under review, several depots were shut down following reported COVID-19 cases which affected certainty of service thereby eroding revenues. In addition, transport regulations introduced during the lockdown levels affected the carrying capacity of the fleet. In the second month of the financial year in May 2020 seating and standing passenger capacity was capped at 50% and 70% at Level 2 for long distance travel and 100% for short distance travel. This somewhat helped boost revenue figures. The second wave of the pandemic also affected ridership with less passengers travelling between the peri-urban and urban areas.

I am pleased that while revenue targets fell short because of the unanticipated effects of the pandemic, the organisation managed to ensure the mobility of close to a million passengers during the pandemic. In 2020/21, the Corporation transported 991 063 passengers versus the 1,659 million passengers transported in 2019/20. This is a significant milestone considering that the liberties and mobility of South Africans were severely limited and restricted throughout the period under review. This is testament to the strength of the MTC brand and the general acknowledgement of the significance of the Corporation's service by the commuters the organisation exists to serve. While challenges remain, I am pleased that 93% of customers surveyed in 2020/21 indicated that they were satisfied with the MTC service.

STAKEHOLDER MANAGEMENT

In tandem, the Corporation recognises the value and contribution of partners and strategic alliances in driving the attainment of the MTC mandate. The success of the MTC strategy is deeply impacted by the alliances and collaborations it has established in order to protect and grow the business. Every year the organisation maintains regular contact and engagements with its stakeholders in the transport industry to keep abreast of changes in a fast-paced operating environment. These engagements also encourage goodwill among partners while nurturing a relationship of trust on areas of mutual benefit. Engagements take place at commuter forums which provide a voice to passengers as well as with the taxi industry. Deliberations and relationships with the shareholder are continuously nurtured and encouraged and they form an important cog in the MTC's strategic posture.

HUMAN RESOURCE DEVELOPMENT

The Board, under the stewardship of chairperson Advocate Andile Mini, thus instructed management to deploy its resources in a manner which promotes sound corporate governance principles while ensuring that the delivery of the MTC mandate is attained. These actions would act as a buffer and to some extent help deter any challenges to the Corporation's sustainability.

In this regard, the Corporation realises the need to ensure the existence of an organisational design which promotes enhanced mandate delivery and which acts as a stimulant for improved operational and financial efficiencies. The organisational design envisaged by the MTC is one that fosters a vibrant performance culture which rewards and recognises the efforts of the Corporation's people. It also recognises that stability at senior management level is pivotal to establishing certainty and stability among the MTC's people. As a result, by the end of the 2020/21 financial year the recruitment process for a Chief Executive Officer on a five-year contract was concluded. However, funding constraints have resulted in the positions of Executive: Corporate Services, Chief Risk Officer, Divisional Manager: Engineering and Executive: Office of the CEO not being filled. These positions were conceptualised based on a growth perspective.

The Corporation has also engaged the services of the Government Technical Advisory Centre (GTAC) to review the organisational structure and to evaluate MTC jobs.

Furthermore, the MTC is actively working to create an environment which improves employee morale and performance for its 251 employees. A conducive and enabling work environment is a critical contributor to business growth. Plans are in place to conduct an analysis of the current labour supply, future labour demand and balancing labour supply and demand. The idea is to ensure that there is a correct match between employee skills and jobs.

FINANCIAL REVIEW

I am also pleased that the Corporation received an unqualified audit opinion for the sixth consecutive year. This is indicative of an able and trusted manager of public assets. This audit opinion further consolidates the MTC's posture as a responsible corporate citizen which deploys public funds for the purposes which they are meant. This should further consolidate funder, shareholder and public confidence.

I am equally grateful for the R130,7 million budget allocation from the Department of Transport for the 2020/21 financial year. This figure was increased by a further R19 million later in the year to enable the Corporation to transition to a completely cashless ticketing system. This allocation gave the Corporation the requisite impetus to provide a critical bus service to the more than a million commuters who make use of the MTC fleet. Actual own revenue including other income was R16 million.

There was a decrease in total employee costs from R77,8 million in 2019/20 to R77,5 million in 2020/21. Operating expenses also decreased by R15 million from R49 million in 2019/20 to R34,7 million in 2020/21. Finance costs decreased from R3,1 million in the previous financial year to R1,8 million in 2020/21, lease rentals on operating lease decreased to R2,69 million from R2,72 million in 2019/20 while administrative expenses decreased to R22 million from the reported R25.8 million in 2019/20.

R15m

decrease in operational costs

R3,8m

decrease in administrative expenses

OPERATIONAL EFFICACY

The Corporation endeavours to ensure that it uses its capital injections to maintain an adequate fleet capacity in order to respond to supply and demand. This is critical to the Corporation's ability to service assigned routes and to ensure planned passenger trips are honoured. In addition, the Corporation is continuously improving its internal technical capacity in order to timeously respond to breakdowns experienced by its buses. The Corporation is driving an improvement in technical aptitude among staff in order to build the capacity required to perform preventative maintenance within its workshops and on bad roads which are a result of heavy rains on some of the allocated routes.

Various training programmes are also in place to improve the skills levels which should result in significant savings and operational efficiencies. Furthermore, the driving acumen of the MTC's 76 drivers is constantly being improved in order to ensure that accident rates are reduced while avoiding fatalities. In this regard, I am pleased that no fatalities were recorded in 2020/21.

These efforts are geared at reducing high operational expenditure which stood at R52,4 million in 2020/21. Operational costs are mainly driven by high maintenance costs at R13,4 million, fuel costs R9,7 million and finance leases for 40 buses at R18,8 million in 2020/21. The Corporation is engaged with government to improve the condition of roads in the routes which the MTC operates in order to reduce maintenance costs. A systematic route analysis in the previous financial year also recommended that resources should be utilised in profitable routes. The Corporation is beginning to put this recommendation to the test.

Out of the fleet of 92 buses, an average of 54 buses were operational in the period under review. The fleet consists mainly of Mercedes-Benz, Scania and MAN buses. A total of eight buses are due for disposal.

The changes and improvements being driven at an operational level should have a direct bearing on the commuter experience and on customer retention. There is a direct correlation between operational efficiencies, revenue generation, customer loyalty, retention and the attraction of a new commuter bases. The MTC is aware that it needs to constantly live up to its promise of an affordable, timeous, safe and reliable bus transportation service if it is to capture the imagination of its various constituents. These improvements are meant to improve the customer experience while having the knock-on effect on revenue generation, profitability and sustainability.
I am also pleased that 97% of the MTC's trips departed on time during the review period.

R52,4 million operational expenditure

R13,4m
maintenance cost

R9,7m
in fuel costs

R18,8m
in leases for 40 buses

OPERATIONAL PERFORMANCE

In 2020/21 route revenue recorded was R15,4 million. During the financial year a private hire service to the value of R77,802 was rendered.

The lower revenue figure is in contrast to the total own revenue figure of R28,3 million generated in the 2019/20 financial year. The lower revenue figure is a result of the COVID-19 pandemic which severely affected operations. Passenger revenue was hit hard with passenger numbers down from 1,659 million in 2019/20 to 991 063 in 2020/21.

991 063

passengers in the year under review

In addition, six duties were suspended in Reeston, three in Queenstown and Four in Zwelitsha. Average passenger trips were 940 per week during the period under review.

Despite the high operational expenditure figure, the fleet management system is proving valuable. The implementation of the system has positively contributed to an improved driver behaviour through constant monitoring and disciplinary measures being effected where necessary.

All MTC buses have valid roadworthy certificates and operating licences. Drivers have valid drivers' licences as well as Professional Driving permits.

FUTURE OUTLOOK

Finally, the Corporation will continue to place its focus on the development of operational and financial efficiencies in order to safeguard its viability as a public transport service of choice. Efforts will be further enhanced to improve internal technical capacity at operational level in order to cut high maintenance costs. Furthermore, support staff will be further empowered to provide high value inputs in support of the core business.

The Corporation is also driving a paperless future through the automation of its systems and processes through the introduction of a cashless fare collection system and a fuel monitoring system.

APPRECIATION

I extend my appreciation to the MTC Board Members for their valuable insight and oversight acumen. Their support and wise counsel to management is well-received and acknowledged. I am equally thankful to the shareholder department, the Department of Transport for its ongoing support which ensures that the MTC is able to effect the required socio-economic returns. I am grateful to the management team for its support and leadership acumen and to the entire MTC staff contingent for their diligent discharge of mandate delivery. I am also appreciative of the support of the MTC's partners and stakeholders which is valuable in the attainment of the organisational vision.

Pashee Nompelo Roboji
Mayibuye Transport Corporation
Chief Executive Officer

CHIEF FINANCIAL OFFICER'S REPORT

The 2020/21 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 support structure and enabler in the effective discharge of the Corporations mandate. Effective financial management provides the requisite tools to support an efficient operational machinery as well as providing the necessary apparatus which allows the Corporation to deliver the desired development outcomes.

While the MTC is classified as a Schedule 3D entity of the state which is required to declare a profit and a dividend to the shareholder, 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, which was further exacerbated by the advent of the COVID-19 pandemic.

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 required 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 was 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 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 in the 2020/21 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. The advent of the COVID-19 pandemic has not deterred the finance team in ensuring compliance with all applicable prescripts.

This outcome was attained under strict regulations due to the lockdown which necessitated limited contact between the auditors and the Corporation. This was however not entirely new as the previous audit was almost completely virtual. This has proved that the Corporation is ready to move toward the Fourth Industrial Revolution in which technological advancements dictate an overhaul in the manner in which the world conducts business.

FINANCIAL OVERVIEW

The Corporation, with much appreciation to the Department of Transport, received a budget allocation of R130.7 million in the 2020/21 financial year. This figure was increased by a further R19 million later in the year towards the end of the financial year to enable the Corporation to transition into a completely cashless ticketing system. Own budgeted revenue was set at R34.3 million without the adjustment for the effects of the pandemic.

R130.7m
budget allocation for the 2020/21 financial year

R19m
additional budget allocation later in the year

The additional budget enabled MTC to activate a complete cashless ticketing system

The Corporation commenced the 2020/21 financial year with a funding shortfall as well as a net unfavourable position of R13.1 million. The operating cash balance was R15.2 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 a decrease in total employee costs from R77,8 million in 2019/20 to R77,5 million in 2020/21. Operating expenses also decreased by R15 million from R49 million in 2019/20 to R34,7 million in 2020/21. Finance costs decreased from R3,1 million in the previous financial year to R1,8 million in 2020/21, lease rentals on operating lease decreased to R2,69 million from R2,72 million in 2019/20 while administrative expenses decreased to R22 million from the reported R25.8 million in 2019/20.

R15m
decrease in operational costs from R49M TO R34,7M

COST-CONTAINMENT

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. This has over the year seen improvement 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 91 (grant funding):9 (own revenue) as a result of the additional funding of R19m that was received to fund the acquisition of an automated fare collection and fare evasion system.

I am delighted to report that in the 2020/21 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.

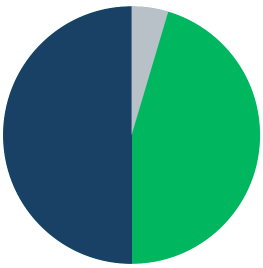
Through shareholder support, the Corporation has added an additional five new buses in its fleet which were put into operation in the current year which has had a positive effect on revenue generated.

IRREGULAR EXPENDITURE

There Corporation has ensured that it follows its Procurement Policy, the Public Finance Management Act and the all regulation issued in terms of the PFMA resulting in the non-incurrence of irregular expenditure in the current year.

GENERAL FINANCIAL REVIEW OF THE MTC

The total budget allocation to the Corporation by the Eastern Cape Department of Transport (ECDoT) for the 2020/21 financial year amounted to R149,657,000. The Corporation budgeted for own generated revenue an amount of R34,333,432. The total main income budget was allocated as follows:



Goods & Services	R67,393,610	40.85%
Cost of Employment	R82,912,104	50.25%
Capital Expenditure	R13,415,355	8.13%
Interest on Finance Lease	R1,269,363	0.77%
Total	**R164,990,432**	**100%**

Grant income for the 2020/21 financial year of R130,657,000 was allocated by the ECDoT for operating activities and capital investment. There was also an additional grant of R19,000,000 received during the year. A grant of R123,065 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 R149,780,065. The Corporation had an unspent conditional grants at the start of the financial year of R6,530,396 and at the end of the financial year remained with R 1,844,921, bringing the total recognised grant income to R 154,465,540. The actual own revenue was R15,503,651.

BUDGET ADJUSTMENT

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

Details	Amount
Main Appropriation	R130,657,000
Add: Additional Allocation	R19,000,000
Revised Appropriation	R149,657,000

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 cashflows.

REVENUE MANAGEMENT

The revenue of the Corporation was received as follows:
Government Grants and Subsidies Received

Details	Amount
Grant-in-Aid	R149,657,000
Teta Grant	R123,065
Total	**R149,780,065**

The total grant allocated for the 2020/21 financial year was received in total during the financial year.

Own Revenue

Economic Classification	Actual
Passenger Revenue	R15,425,849
Private Hire Revenue	R77,802
Other Income	**R196,853**
Interest received – investment	**R359,568**
Total	**R16,060,072**

The Corporation collected less than expected in casual passenger revenue due to the following factors:

- The effects of the COVID-19 pandemic and the restrictions placed on the movement of people far greatly exceeded what the Corporation had anticipated. The duration of the lockdown as well as measures that were put in place by the government such as limitations of gatherings, reduced capacity of ridership as well as working-from-home played a huge part in the MTC's operations.
- The MTC was also unable to fully implement the route recommendations within the first of the year due to COVID restriction.
- During the second part of the year, the MTC was also involved in a bus driver strike which lasted about a month and thus affecting MTC operations.

Budget	Variance	%
R28,833,432	R13,407,583	46.50
R5,500,000	R5,422,198	98.59
-	**- R196,853**	**-100.00**
-	**- R359,568**	**-100.00**
R34,333,432	**R18,273,360**	**53.22**

R77,802
value of private hire service rendered

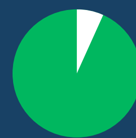
R196,853
other income

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.

GOODS & SERVICES

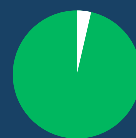
Actual R59,653,247
Budget R67,349,610
Variance 7,696,363



11.43 %

COST OF EMPLOYMENT

Actual R77,465,053
Budget R82,956,104
Variance R5,491,051



6.62 %

INTEREST ON FINANCE LEASE

Actual R1,754,007
Budget R1,269,363
Variance R- 484,644

-38.18 %

CAPITAL EXPENDITURE

Actual R18,608,160
Budget R32,415,355
Variance R13,807,195

42.59 %

TOTAL

Actual R157,480,466
Budget R183,990,432
Variance R26,509,966
14.41 %

The Corporation incurred a total expenditure of R157,480,466 for the financial year against a budget of R183,990,432. There was under-expenditure of R26,509,966 (14.41%). The figures above exclude depreciation, which is a non-cash amount of R18,753,182. 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 R18,273,360. The Corporation applied very strict measures on curbing expenditure by mostly focusing on expenditure hindering the operations.

Own Revenue

Classification	Actual "R"	Budget	Variance	%
Operating Expenses	R34,720,654	R42,925,127	R8,204,473	19.11
Administrative Expenses	R22,241,430	R21,969,484	- R271,946	-1.24
Lease Rentals on Operating Lease	R2,691,163	R2,455,000	- R236,163	-9.62
Finance Lease	R1,754,007	R1,269,363	- R484,644	-38.18
Total	**R61,407,254**	**R68,618,974**	**R7,211,720**	**10.51**

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 10.51%. 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 contributed by the poor state of the roads within which the Corporation buses operate.

Cost of Employment

Classification	Actual	Budget	Variance	%
Cost of Employment	R77 465 053	R82 956 104	R5 491 051	6.62
Performance Bonus	-	-	-	-
Total	**R77 465 053**	**R82 956 104**	**R5 491 051**	**6.62**

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

Classification	Actual "R"	Budget	Variance	%
Land and Buildings (Upgrades and Additions)	R8,075	R500,000	R491,925	98.39
Workshop Equipment	R148,635	R300,000	R151,365	50.45
Office Equipment	R267,486	R555,000	R287,514	51.80
Office Furniture	R2,749	R280,000	R277,252	99.02
Buses (Leased & Aquired)	R17,196,505	R30,780,355	R13,583,850	44.13
Ancillary Vehicles	984,710	-	- 984,710	-100.00
Total	**R18,608,160**	**R32,415,355**	**R13,807,195**	**42.59**

The Corporation spent a total of R18,608,160 of the R32,415,355 capital budget alloacted in the current year. The MTC has added an additional four new bakkies to its fleet which was acquired through the 2019/20 rollover COVID-19 grant allocation. 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.

Discontinued activities/activities to be discontinued

There were no business activities planned to be discontinued in the foreseeable future in the 2020/21 financial year.

Requests for rollover of funds

There was no roll-over request for the 2020/21 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	23,514,116
Less: Payables from exchange transactions	(16,358,265)
Less: Payables from non-exchange transactions	(801,075)
Less: Unspent conditional grant	(1,844,921)
Add back: Accrued Leave Pay	4,726,546
Less: Commitments	20,257,103
Total	**(11,020,702)**
Add: Receivables	5 472 798
Net cash position	**(5,547,904)**

The Corporation amount by which commitments exceed available cash resources at the end of the current year is **R5,547,904** (31st March 2020(PY): R13,150,993).
This therefore means that the Corporation must fund prior year commitments with the funding that it will receive for the 2021/22 as it starts the year with a shortfall on the budget **R5,547,904** (01st April 2020(PY): R13,150,993). The Corporation has to apply extreme fiscal discipline and firmness measures to ensure that the Corporation meets its objectives as per the Corporate Plan.

Supply chain management

There were no unsolicited bids approved during the review period. Management has implemented mechanisms to prevent irregular transactions. Such mechanisms include checklists and procedures to identify requests prior to the initiation of transactions. There is currently insufficient human capital within the supply chain unit. Due to financial constraints, vacancies within this unit could not be filled during the period under review. The Corporation is non-compliant with the provisions of Section 13G(1) of the B-BBEE Act. This requirement was not monitored by the entity during the 2020/21 financial year. It forms part of the plan for the 2021/22 financial year.

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 a finding on compliance. The non-compliance finding relates to a difference between the Corporation and the Auditor General in the preparation of the Cashflow Statement. The matter was deliberated on at length with the Auditor General. However, the matter remained a material non-compliance.
The Corporation has successfully removed all other non-compliance findings with the most significant being the successful prevention of irregular expenditure and the matter which relates to consequence management. The preservation of an unqualified opinion is indicative of the institutionalisation and improvement in the control environment. It forms a basis for obtaining a clean audit in the future.

The efforts of the finance team, colleagues from various divisions, and the support of the former Acting Chief Executive Officer and the Chief Executive Officer are highly appreciated.

MTC has recieved an unqualified audit outcome for the last 5 years

The Corporation has received an unqualified audit outcome for the last 5 years and has focused its efforts on obtaining a clean audit report in the 2021/22 financial year.

Outlook/ Plans for the future to address financial challenges

The Corporation plans to establish vendor partnerships for ease of buying bus fares. 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 additional five new buses to the fleet, the Corporation will increase its private hire revenue and 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.

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.

Spelele Galada (BAP) SA
Mayibuye Transport Corporation
Chief Financial Officer

ACTING CHIEF OPERATIONS OFFICER'S REPORT

During the period under review, the Mayibuye Transport Corporation (MTC) continued to enhance its specific emphasis on the development and improvement of operational efficiencies. The focus on the operational efficacy of the Corporation forms a central pillar to the development of a fit-for-purpose organisation which delivers a safe, reliable and effective bus passenger transport service. The continued existence of the MTC is a non-negotiable commission. Each year, more than a million passengers make use of the MTC transport service rendering it an integral part of the socio-economic fabric of local communities. This is particularly true for those passengers who reside in the rural hinterland, townships and on the periphery of the formal economy.

During the period under review, the Mayibuye Transport Corporation (MTC) continued to enhance its specific emphasis on the development and improvement of operational efficiencies. The focus on the operational efficacy of the Corporation forms a central pillar to the development of a fit-for-purpose organisation which delivers a safe, reliable and effective bus passenger transport service. The continued existence of the MTC is a non-negotiable commission. Each year, more than a million passengers make use of the MTC transport service rendering it an integral part of the socio-economic fabric of local communities. This is particularly true for those passengers who reside in the rural hinterland, townships and on the periphery of the formal economy.

The MTC service is thus a crucial cog in driving crucial socio-economic activity in these communities by providing the requisite affordable mobility to those from disaffected and poor communities. The MTC allows commuters to access pivotal socio-economic opportunities for those travelling on a daily basis to their places of work, for those looking for jobs and for those who journey out into the towns and cities to withdraw their social grants. As such, the maintenance of a safe, consistent, timeous and reliable fleet is a formidable assignment which requires clarity of thought and astute technical and human resource acumen.

In discharging this significant enterprise, the MTC places a special focus on fleet management, coordination of bus services on all routes, the enhancement of continuous flow of revenue, facilities and infrastructure management. An effective discharge of these focal areas is aimed at improving the customer experience and the consolidation of positive associations with the MTC brand. The importance of this work is demonstrated in the 991,063 passengers who made use of the MTC bus services in the 2020/21 financial year.

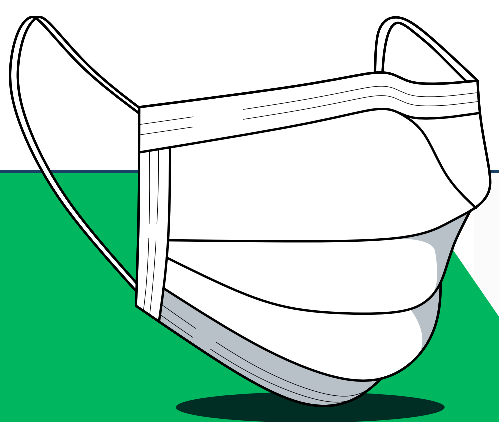
While this is a lower number than the 1,659 million passengers transported in 2019/20, it is a significant achievement in a period characterised by a severe limitation on people movement and mobility due to a hard lockdown which was imposed on the country as a result of the onset of the COVID-19 pandemic.

The onset of the pandemic resulted in widespread devastation which affected every aspect of economic life. The MTC was not spared as passengers were forced to stay at home while thousands lost their jobs curtailing their access and ability to participate in the economy. This also had a direct impact on profitability resulting in declining revenues.

The impact of the pandemic which coincided with the beginning of the financial year in April 2020 also meant that trip schedules had to be amended at various periods due to less passenger demand. During the review period, several depots had to be closed due to reported COVID-19 cases. The transport regulation permitting passenger carrying capacity was amended during certain periods. In May 2020, passenger carrying capacity was capped at 50% seating and standing passengers. At Alert Level 2, the transport regulation was amended to 70% for long distance travel and 100% for short distance trips with effect from 18 August 2020 which resulted in an increase in revenue. The COVID-19 pandemic also hindered ridership with the resurgence of the second wave during the period under review. Although the bus carrying capacity was 100%, there were still a fewer number of passengers travelling to their vocational, economic and leisure spaces.

In addition, the MTC established a COVID-19 committee to ensure continuous communication with internal and external stakeholders in order to keep abreast with updated COVID-19 legislation.

The Corporation ensured that there was regular cleaning and disinfection of buses in order to win the trust and confidence of its commuters. As a result, there were no reported cases of COVID-19 transmission in the MTC buses by the end of the 2020/21 financial year.



PARTNERSHIPS

The Corporation continues to cultivate a healthy working relationship with various players within the MTC stakeholder ecosystem. The development of these relationships acknowledges the significant role of strategic partnerships and alliances in moulding and consolidating a public transporter of choice. In particular, the MTC conducts regular engagements with its customers through its commuter forums which provide critical inputs into the strategic and operational posture of the Corporation. Customer inputs are important as a barometer with which we measure service standards. Furthermore, the MTC is involved in various industry forums which allows the organisation to keep abreast with the rapidly changing commuter transport landscape. The Corporation continues to foster and consolidate a harmonious and collaborative relationship with the taxi industry particularly on issues of mutual concern.

OPERATIONAL EFFICIENCIES

The Corporation endeavours at all material times to ensure that it maintains adequate fleet capacity in order to effectively service all its routes and passenger trips. However, challenges remain in the form of inadequate technical capacity which is needed to perform preventative maintenance within the workshops and on bad roads which are a result of heavy rains on some of the allocated routes. This meant the MTC experienced challenges in improving bus availability within a reasonable time. This challenge is further compounded by regular breakdowns and mechanical repairs turnaround time due to additional defects that are being identified during minor service.

In 2020/21 an average of 54 buses were operational out of the fleet of 92 buses. The fleet consists of a major portion of Mercedes Benz, Scania and MAN buses. Out of the 92 buses, eight are due for disposal.

It is worth noting that there was a notable improvement in the fleet capacity in 2020/21. There was a period that the number of operational buses reached 62.

A systematic route analysis in 2019/20 recommended that resources should be deployed in profitable routes. This is the avenue which is being pursued by the Corporation.

62 buses
were operational for a period of time

CUSTOMER RETENTION

During the review period, the organisation channelled its resources in a manner which encouraged customer retention through a constant improvement in the customer experience. The MTC is aware that customer loyalty and retention is solidified by the constitution of operational efficiencies which result in a healthy blend of an affordable, reliable, safe and accessible bus service which arrives on time. These elements are critical in passenger enjoyment of a superior bus transportation offering. It builds positive brand associations and commuters are able to hold the MTC to the promises encapsulated in its brand. Customer retention is therefore crucial in reaching revenue targets and thereby improving profitability and sustainability.

In this regard, there was a general improvement in customer satisfaction in 2020/21 despite the COVID-19 pandemic. A total of 93% of passengers indicated they are satisfied with the MTC service offering. This is a promising indicator that the Corporation is moving in the right direction in consolidating customer and brand loyalty.

The Corporation is equally pleased that 97% of its trips departed on time in the 2020/21 financial year.

SAFETY RECORD

The MTC continues to maintain a commendable safety record demonstrated by a significant improvement in the number of accidents experienced in the period under review. There were a total of 10 minor accidents in 2020/21. Some of these accidents were caused by drivers of private vehicles. These accidents mainly occur at passenger pick-up and drop-off points such as bus stops and or bus rank. Accidents are investigated and where required, consequence management is implemented. Driver skill improvements are done by evaluation and training is done by driver instructors. The Corporation is delighted that there were no fatalities recorded in 2020/21.

REVENUE COLLECTION

Total route revenue in 2020/21 was R15,4 million. During the financial year a private hire service to the value of R77,802 was rendered. The revenue is markedly lower than 2019/20 due to the review period coinciding with the onset of the COVID-19 pandemic. The reduction in revenue was mainly affected by a significant reduction in passenger numbers which declined from 1,659 million in 2019/20 to 991,063 in 2020/21. It is common cause that lockdown regulations severely limited people and commuter movement which had a direct impact on revenue. This also meant that the private hire business was curtailed as there were restrictions on events and gatherings which often drive demand for private hire. This revenue stream was essentially cut-off during the period under review.

An average of 54 buses were operational out of a fleet of 92 in 2020/21.

Furthermore, six duties were suspended in Reeston, three in Queenstown and four in Zwelitsha. There was an average of 940 passenger trips per week.

Poor infrastructure on MTC allocated routes have a bearing on revenues. The poor infrastructure affects turnaround time for scheduled maintenance services. Additional defects are therefore identified when buses are scheduled for minor service. This inhibits efforts which are aimed at reducing the high number of non-operational buses. Trips are cancelled and commuter services and revenues are thus negatively affected.

FLEET MANAGEMENT AND MAINTENANCE

During the 2020/21 financial year the total operational expenditure amounted to R52,488,216. Please see table below for the breakdown of expenditure items. The Corporation continues to drive efforts which are aimed at reducing high maintenance costs which eat away at profitability.

Operational Expenditure	2020/21 Actual Reported Expenditure
Repairs and Maintenance	R13,497,739
Fuel	R9,706,012
Tyres	R2,942,550
Licences and Permits	R2,597,737
Fines and Penalties	R9,314
Consumables such as Lubricants and Grease	R458,905
Insurance	R4,273,514
Motor Vehicle expenses	R211,546
Finance lease for 40 buses	R18,790,899
Total	**R52,488,216**

The fleet management system continues to yield positive results. Negative driver behaviour incidents have been reduced following the implementation of the system. This is attributable to constant monitoring of the system and disciplinary measures that are being implemented when violations occur. The overall trend was in line with the utilisation during the year.

TRAFFIC MANAGEMENT

Effective traffic management ensures that route performance and bus scheduling is carried out consistently. Buses have valid roadworthy certificates and operating licences. All the MTC drivers have valid drivers' licences as well as Professional Driving permits. Revenue is continuously monitored. There were fare increases introduced in 2020/21. During the review period there were a total of 76 drivers at the MTC.

SECURITY AND ENVIRONMENTAL MANAGEMENT

The Corporation continues to engage the services of private security to safeguard its assets. The contracted security service provider performs access control at all depots, protection of assets and breathalyser testing and any other identified tasks which assist in the mitigation of business risks. Environmental management at the MTC depots is fair. However, due to ageing infrastructure it is closely monitored. Storm-water management requires upgrades in the medium to long-term.

FACILITIES AND BUILDING MAINTENANCE

Workshop equipment was repaired and serviced. Plumbing minor works were also performed at three depots – Reeston, Zwelitsha and Queenstown. The Corporation is improving the status and condition of the premises. Minor building maintenance is performed regularly at the Reeston and Zwelitsha depots as they require a revamp.

In order to derive maximum value and usage of the facilities over their lifetime, a capital budget for depot upgrades is required. This should ensure compliance with legislation such as the Occupational Health and Safety Act No. 85 of 1993, National Building Regulations and Building Standards Act No. 103 of 1977 as amended, National Environmental Management Act No.108 of 1998, Public Finance Management Act No.1 of 1999 as well as other applicable business requirements.

The condition of the Zwelitsha depot is fair. However, it requires an upgrade to the existing structure which is critical in order to achieve the maximum useful life of the asset. The condition of the premises and infrastructure at the Reeston depot is deteriorating. It is worth noting that capital funding will be required in the medium-term for the revamping of the two depots.

FUTURE OUTLOOK

In line with the demands of the Fourth Industrial Revolution, the Corporation is moving toward a paperless and environmentally-friendly future. A process to ensure that the MTC systems become automated and integrated whilst containing costs is in place. The key focal areas will be a:
a) Cashless fare collection system to reduce fare evasion
b) Fuel monitoring system
There will continue to be a focus on improving operational efficiencies and reducing maintenance costs whilst improving technical and fleet capacity in order to support revenue collection, profitability and sustainability.

Phumza Somyo
Mayibuye Transport Corporation
Acting Chief Operations Officer

PERFORMANCE OF THE CORPORATION AGAINST PREDETERMINED OBJECTIVES

SO#	Outcome	O#	Output	PI#	Performance Indicator	Reporting Frequency	Indicator Calculation	Owner Department	Target: Annual 2020/21	Actual: Q1 2020/21	Actual: Q2 2020/21
1	Improved governance and administrative systems to ensure sustainability of service	1.1	Audit Improvement Plan Developed	1	% of Audit Improvement Plan actions resolved by end of the financial year	Annual	Cumulative	Finance	100	-	-
1	Improved governance and administrative systems to ensure sustainability of service	1.2	Increased number of buses on the road	2	Grant versus Own Income Ratio	Annual	Cumulative	Operations	86:14	-	-
1	Improved governance and administrative systems to ensure sustainability of service	1.4	Fare structure reviewed	3	Number of fare structure reviews approved by the Board	Quarterly	Periodic	Operations	1	-	-
1	Improved governance and administrative systems to ensure sustainability of service	1.5	ICT Core-system operational/ available	4	Average number of hours per week each core-digital system is available	Quarterly	Average	Corporate Services	142	158	159
1	Improved governance and administrative systems to ensure sustainability of service	1.6	Corporate Governance Assessment conducted	5	Attain a score in the Corporate Governance Index	Annual	Periodic	Executive Office	3	-	-
1	Improved governance and administrative systems to ensure sustainability of service	1.7	Employees trained in critical skills required to ensure sustainability	6	% of employees trained in accordance with MTC approved WSP	Quarterly	Cumulative	Corporate Services	50	-	-

Actual: Q3 2020/21	Actual: Q4 2020/21	Actual: Annual 2020/21	Deviation: Annual 2020/21	Reason for Deviation: Annual 2020/21	Remedial Action: Annual 2020/21	Remedial Action Due Date: Annual 2020/21
-	100	100	0	Not applicable. Target Achieved.	Not applicable. Target Achieved.	N/A
-	87:13	87:13	1	The target was not achieved. The effects of the COVID-19 pandemic and the restrictions placed on the movement of people far greatly exceeded what the Corporation had anticipated. The duration of the lockdown as well as measures that were put in place by the government such as limitations of gatherings, reduced capacity of ridership as well as working-from-home played a huge part in the MTC's operations. The MTC was also unable to fully implement the route recommendations within the first of the year due to COVID restriction. During the second part of the year, the MTC was also involved in a bus driver strike which lasted about a month.	The MTC has seen huge improvements in revenue collection in from the third quarter of the year, as a result of COVID restrictions being relaxed. This then resulted in us being able to fully implement the route analysis recommendations, which also improved revenue collection. Although the annual target was not met, the Corporation exceeded its set revenue targets for quarter 3 and 4.	N/A
-	1	1	0	Not applicable. Target Achieved.	Not applicable. Target Achieved.	N/A
137	146	150	-8	The target was overachieved due to a stable national power grid and a stable telecommunication infrastructure.	The ICT department will continuously monitor uptime availability.	N/A
-	0	0	3	The target was not achieved. This was due to the readjustment of budget as a subsequent of the COVID19 pandemic. The budget allocated for the assessment was reprioritised to operations as core.	This KPI has been included in the Corporate Plan for the 2021/22 financial year. Internal Audit will be engaged to provide guidance as well as to play an active role in the assessment of MTC's Corporate Governance Index.	2022/03/31
46	67	67	-17	The target was overachieved. Online training made it possible for more training to be implemented due to restrictions on gatherings during the COVID 19 pandemic	The MTC will always strive to ensure that it maximises its available resources for the betterment of its employees. The target has also been adjusted to align to this new baseline in the new financial year.	2021/03/05

SO#	Outcome	O#	Output	PI#	Performance Indicator	Reporting Frequency	Indicator Calculation	Owner Department	Target: Annual 2020/21	Actual: Q1 2020/21	Actual: Q2 2020/21
1	Improved governance and administrative systems to ensure sustainability of service	1.8	Interns recruited to participate in the Internship Programme	7	Number of interns enrolled in the internship programme	Annual	Cumulative	Corporate Services	6	-	-
1	Improved governance and administrative systems to ensure sustainability of service	1.9	Learners recruited to participate in the Apprenticeship	8	Number of learners involved in the apprenticeship programme	Annual	Cumulative	Corporate Services	5	-	-
1	Improved governance and administrative systems to ensure sustainability of service	1.10	Procurement Plan developed and Implemented	9	% of procurement spend on designated group: • Youth • Women • People with disabilities	Quarterly	Periodic	Finance	30	41	50
2	Safe, reliable and affordable public transport services	2.1	Fleet maintained in accordance with maintenance plan	10	% of operational buses serviced according to maintenance schedule	Quarterly	Cumulative	Operations	100	40	10
2	Safe, reliable and affordable public transport services	2.2	Regular safety check conducted	11	% of safety checks conducted on operational buses	Quarterly	Cumulative	Operations	100	100	100
2	Safe, reliable and affordable public transport services	2.3	Trips started on time	12	% of trips departing on scheduled time	Quarterly	Average	Operations	90	98	97

Actual: Q3 2020/21	Actual: Q4 2020/21	Actual: Annual 2020/21	Deviation: Annual 2020/21	Reason for Deviation: Annual 2020/21	Remedial Action: Annual 2020/21	Remedial Action Due Date: Annual 2020/21
-	0	0	6	The target was not achieved. No funding was received from TETA for Internship Programme.	In the new financial year the Corporation has amended the wording of this performance indicator, to reflect the dependence of funding from TETA which will enable the Corporation to place interns in the Internship Programme.	2021/03/05
-	0	0	5	The target was not achieved. No funding was received from TETA for Apprenticeship Programme.	The Corporation will first ensure securing of funding prior to committing on deliver of this target.	N/A
52	97	83	-53	The target was overachieved. Due to the enhanced emphasis on procurement within the designated groups in line with the goals of uplifting previously marginalised communities, the MTC strived to heed to the call to uplift these designated groups	The MTC will continuously work towards achieving this goal. The target has been increased for the 2021/22 financial year.	2021/03/05
15	26	21	79	The target was not achieved. Lack of planning and negligence of the incumbent responsible for servicing of buses has resulted in buses not being serviced. Monitoring of the implementation plan was also not exercised.	The incumbent will be removed from performing this function and Disciplinary action will be taken.	2021/06/30
100	100	100	0	Not applicable. Target Achieved.	Not applicable. Target Achieved.	N/A
96	96	97	-7	The target was overachieved. Increase in the number of operational buses results in trips departing on time and delays avoided.	Not applicable. Target Achieved.	N/A

SO#	Outcome	O#	Output	PI#	Perfor-mance Indicator	Reporting Frequency	Indicator Calculation	Owner Department	Target: Annual 2020/21	Actual: Q1 2020/21	Actual: Q2 2020/21
2	Safe, reliable and affordable public transport services	2.4	Drivers trained/ developed	13	% of drivers trained/ developed	Annual	Average	Corporate Services	50	-	-
2	Safe, reliable and affordable public transport services	2.5	Medicals on drivers con-ducted	14	% of drivers medically assessed	Quarterly	Cumulative	Corporate Services	100	83	100
2	Safe, reliable and affordable public transport services	2.6	Unscheduled inspections conducted on operated routes	15	% of un-scheduled inspections conducted	Quarterly	Average	Operations	85	94	99
2	Safe, reliable and affordable public transport services	2.8	Customer Sur-vey Conducted	16	Score in the customer satisfaction survey (In-dex 1-5)	Annual	Periodic	Operations	3	-	-

Actual: Q3 2020/21	Actual: Q4 2020/21	Actual: Annual 2020/21	Deviation: Annual 2020/21	Reason for Deviation: Annual 2020/21	Remedial Action: Annual 2020/21	Remedial Action Due Date: Annual 2020/21
-	0	0	50	The target was not achieved. Distance/online training is unfortunately not applicable to driver training. Physical interaction is required for driver training sessions which therefore posed a limitation in the delivery of such a training given the COVID-19 regulations of social distancing. To avoid these funds from being forfeited at the end of the financial year, other identified critical skills gaps within the Corporation were considered which including training of 3 Semi-skilled Mechanics to be Artisans.	With restrictions adjusted to level 1 this will allow physical interactive training for drivers to take place. Therefore in the new financial year there will be more focus training for drivers.	2022/03/31
100	57	86	14	The target was not achieved. Some confusion with Licensing Department regarding the extension period for renewal of PDPs . Workers approaching the offices for renewal and to be assessed are not given clear written appointment date as proof of evidence.	During 2021/2022 medical assessments will not be dependent on licensing but on medical assessment by a Doctor.	2022/03/31
93	100	97	-12	The target was overachieved. This was due to continuous monitoring of operational routes as a result of allocation of EPWP assistants by the Department of Transport.	The department has purchased ancillary vehicles that will ensure that supervisors are able to continuously monitor all operational routes.	N/A
-	5	5	-2	The target was overachieved. In the premise of ensuring that the MTC supports the governments efforts in the fight against the COVID-19 pandemic, MTC decided to conduct its first online customer satisfaction survey. Various platforms were utilized for this survey, unfortunately only a small number of responses were received in comparison to prior years. Responses reflected a positive outlook towards the service MTC renders to its commuters.	The MTC will conduct awareness campaigns throughout the year to ensure that our commuters are fully informed of the survey to be conducted. The survey will also be made open for a longer period to ensure maximum responses.	2022/03/31

HUMAN RESOURCES DEVELOPMENT

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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 managing recruitment, human capital development, coordinating the management of employee performance and development, administration of employee benefits, promoting a labour-friendly environment, and integrated employee wellness. The Human Resource Management division provides guidance on how to strategically manage people as a business resource. This is all 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 (WSP) for the 2020/21 financial year. Training was planned for 50 employees as per the adjusted targets. The WSP was submitted to the Transport Education Training Authority (TETA).

There was an overachievement of this target with a total of 57 employees trained by the end of the financial year. The reason for the overachievement is that online training made it possible for more training interventions to be implemented despite the restrictions on gatherings due to the COVID-19 pandemic.

The MTC did not have a new intake of interns and apprentices for its workplace experience programme in the year under review. The programme is funded by TETA through their discretionary grant which was not awarded in the 2020/21 financial year.

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. Fifteen (15) employees benefited from the program in the year under review.

WORKFORCE PLANNING

Recruitment for executive, senior management and other administrative positions have been put on hold due to financial constraints that are being experienced by the Corporation. Recruitment and appointments processed in the period under review included an Extended Public Works Programme (EPWP) Administrator effective from 2 November 2020 to March 2021 and the appointment of a new Chief Executive Officer for a five-year period. This was done to ensure that there is continuous alignment of the needs and priorities of the organisation.

EMPLOYEE PERFORMANCE MANAGEMENT

The MTC seeks to manage the performance of its employees so that they are well-placed to respond to organisational imperatives. The organisational objectives are clearly defined within the approved Corporate Plan and Annual Operational Plan. The departmental and individual key performance area 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. Managers are instrumental in effectively implementing the PMDS in order to improve individual performance and in driving service delivery.

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 present 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 recorded the following highlights in its human resources division in 2020/21:

- Developed and adopted an Employee Retention and Succession Plan and an;
- Employee satisfaction Improvement Plan.

These organisational plans or documents should contribute to providing guidance on critical areas of Talent Management and Succession Planning as well as Employee engagement in order to improve staff morale and to ensure business effectiveness and continuity.

The organisation has further established an ad-hoc committee for COVID-19 to deal with challenges presented by the pandemic as well as its effects on the Corporation's operations. Furthermore, the committee makes recommendations to management, including the appointment of a compliance officer.

INITIATIVES

The Corporation still supports staff career development through its employee study assistance programme for individual workers to apply and pursue their choice of academic studies.

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

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.

Although there has been some improvement in employee performance, challenges remain in this area. As such, the Corporation is intensifying efforts aimed at building an enhanced institutional performance culture which aids inspired service delivery. The DoT has been roped-in to assist with the training of staff and the customisation of their tools in relation to the Corporation's environment.

HUMAN CAPITAL CONSTRAINTS

There are identified critical positions that could not be filled due to the non-availability of funds although they exist in the current organogram. These positions were conceptualised based on a growth perspective. The positions include those of the:

- Corporate Services Executive
- Chief Risk Officer
- Divisional Manager: Engineering
- Executive in the Office of the CEO.

There is a process currently underway led by the Government Technical Advisory Centre (GTAC) to review the organisational structure and to evaluate MTC jobs.

CONDUCIVE WORK ENVIRONMENT

Creating a work environment that boosts employee morale and which improves performance continues to be a challenge. Business growth is directly proportional to employee contribution and the ownership of tasks at work. To create an environment that increases employee morale and which elicits strong employee performance, human resources staff must be fully involved in the business. This has evolved into a planned staff engagement programme through an employee satisfaction survey. 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 AND SUCCESSION PLANNING

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

FUTURE HR PLANS /GOALS

The Corporation also plans to conduct an analysis of the present labour supply, forecasting labour demand, balancing labour demand and supply as well as supporting organisational goals. The plan is to ensure the best fit between employees and jobs while avoiding manpower shortages and surpluses. The HR Plan is at a completion stage for sign-off having being presented to the executive and management teams.

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 2020 to 31 March 2021

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	7 776	3 527	45%	5	705
2. Financial Management	20 910	14 995	72%	30	500
3. Corporate Services	13 171	8 589	65%	14	614
4. Operations	115 623	50 354	44%	202	249
Total	**157 480**	**77 465**	**49%**	**251**	**309**

2.2 Personnel cost by salary band 1 April 2020 to 31 March 2021*

Level	Personnel Expenditure	% of personnel exp. to total personnel cost	No. of employees	Average personnel cost per employee (R'000)
Top Management	2 596	3%	2	1 298
Senior Management	7 162	9%	5	1 432
Professional qualified	15 846	20%	25	634
Skilled	33 328	43%	114	292
Semi-skilled	9 034	12%	38	238
Unskilled	9 499	12%	67	142
HRM Total Figures	**77 465**	**100%**	**251**	**309**

2.3 Performance Rewards

No performance rewards for the 2020/2021 performance year have been paid.

2.4 Training Costs

Programme/activity/ objective	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		3328 943		4	
2. Financial Management		33 70012		6	
3. Corporate Services		38 618		8	
4. Operations		83 800 33		23	
Total		**185 001 06**		**41**	

2.5 Employment and vacancies per Department

Programme	2020/2021 No. of Employees	2020/2021 Approved Posts	2020/2021 No. of Employees within the establishment*	2020/2021 Vacancies	% of vacancies	Employees additional to the establishment
1. Office of the CEO	5	10	5	5	50%	0
2. Financial Management	30	42	30	9	7.5%	0
3. Corporate Services	14	25	14	8	5.6%	0
4. Operations	202	273	202	68	7.4%	44
Total	**251**	**350**	**251**	**90**	**70.5%**	**44**

2.6 Employment and vacancies per level

Programme	2020/2021 No. of Employees	2020/2021 Approved Posts	2020/2021 No. of Employees within the establishment*	2020/2021 Vacancies	% of vacancies	Employees additional to the establishment
Top Management	2	5	2	3	3.33%	0
Senior Management	5	9	6	3	3.33%	0
Professional qualified	9	9	9	0	0%	0
Skilled	125	145	129	16	18%	0
Semi-skilled	54	112	57	55	6.1%	0
Unskilled	56	70	57	13	14%	44
Total	**251**	**350**	**260**	**90**	**45%**	**44**

2.7 Employment changes

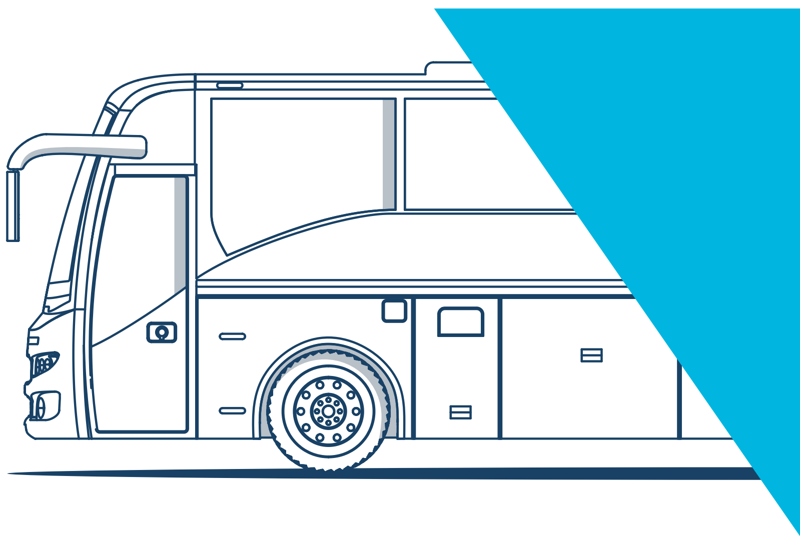
Programme	Employment at beginning of period*	Appointments	Terminations	Employment at end of the period
Top Management	2	0	0	2
Senior Management	6	0	1	5
Professional qualified	9	0	0	9
Skilled	129	0	4	125
Semi-skilled	56	1	3	54
Unskilled	57	0	0	56
Total	**259**	**0**	**8**	**251**

2.8 Reasons for staff leaving

Reason	Number	% of total no. of staff leaving
Dismissal	0	0%
Resignation	4	1.6%
Death	4	1.6%
Expiry of contract	0	0%
Retirement	0	0%
Ill health	0	0%
Other	0	0%
Total	**8**	**3.2%**

2.9 Labour Relations: Misconduct and disciplinary action

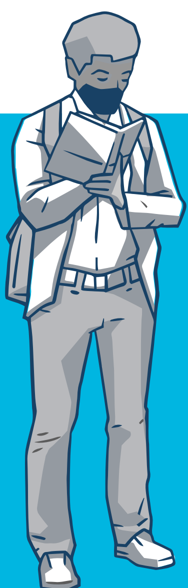
Nature of Disciplinary Action	Number
Verbal Warning	0
Written Warning	0
Final Written warning	4
Dismissal	0
Total	**4**



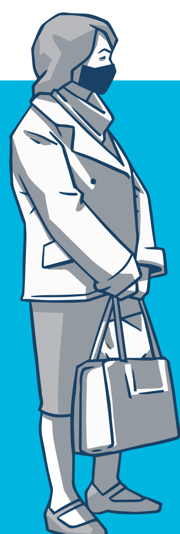
2.10. Equity Target and Employment Equity Status*

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	0	0
Professional qualified	2	2	0	1	0	0	0	1
Skilled	106	7	1	0	0	0	0	0
Semi-skilled	31	4	0	0	0	0	0	0
Unskilled	32	10	0	0	0	0	1	0
TOTAL	**175**	**25**	**1**	**1**	**0**	**0**	**1**	**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	25	30	0	5	0	0	0	5
Unskilled	27	50	1	0	0	0	0	0
TOTAL	**76**	**122**	**1**	**7**	**0**	**2**	**1**	**5**



175 males
African (current)



76 females
African (current)

Disabled
1 male (skilled)

0 disabled females
(target: 1)

CORPORATE GOVERNANCE

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SPORT CORPORATION 141

Introduction

In terms of King IV, corporate governance is defined as the exercise of ethical and effective leadership by the governing body towards the achievement of an ethical culture, good performance, effective control and legitimacy. Corporate governance endeavours to assist the Corporation in line with legislative requirements and the public entity's enabling legislation in respect with public entities 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 Portfolio Committee to deliberate on the analysis of 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 on the following dates:

- 19 June 2020
- 27 November 2020
- 15 December 2020
- 12 February 2021 – Standing Committee of Public Accounts (SCOPA)

EXECUTIVE AUTHORITY

The Corporation 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, stakeholders 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 it 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 with one member appointed on the 18 June 2020. The Board comprises of 10 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, as well as certain roles and responsibilities incumbent upon members 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. The Chairperson 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), Chief Financial Officer (CFO) and the Chief Operations Officer (COO) are permanent invitees in all the Board meetings.

Irrespective of a member'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. The Board supports the concept of materiality, which emphasises integrated reporting based on issues, risks and opportunities that could materially impact the performance of the Corporation over the short, medium and long-term.

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; MA in Environment & Society; BA (Hons), BA (Ed); Programme for Leadership Development (PLD); International Programme for Development Evaluation Training (IPDET); 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	Masters of Social Policy and Development Research Methods; Postgraduate Diploma in Business Administration; Bachelor of Social Sciences; Project Management Certificate.
Major Gen. (Retired) 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 LM 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.
Mrs Z Pakati	June 2020	Girl Friday Diploma.

BOARD MEETING ATTENDANCE

Board member	Board meetings (4)	Special board meetings (7)
Adv A Mini	4	7
Rev L Mantini	4	6
Ms N Pietersen	4	6
Mr G Qotywa	4	6
Dr N Khewu	4	6
Mr. M Metuse	4	6
Major Gen. (Retired) T. Khumalo	4	6
Mr LM Sisilana	3	5
Mr R Surajbali	3	5
Mrs Z Pakati	3	4

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.

The Committees are chaired by independent, non-executive directors, and they 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 non-financial 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. Deliberations are minuted and implemented once they have been deliberated upon and ratified by the Board.

GOVERNANCE COMMITTEE

The Governance Committee reviews and evaluates the governance practices and structures of the Corporation and it recommends any changes to the Board for decision-making. The focus during this period was on ensuring that the Corporation complies with the King IV Code of Corporate Practices and Conduct. International standards of corporate governance were considered alongside local practices to ensure that the Corporation adopted best practice. During the period under review, the Committee reviewed the governance charter, the Board Fee policy in order to ensure that savings are realised on Board fees.

AUDIT AND RISK COMMITTEE

This is a statutory Committee provided in terms of section 77 of the Public Finance Management Act. It 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 and approval by the Board.

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 within its delegation 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 succession planning of the Corporation, the review of the remuneration of members of the executive management, and guiding the employment equity status of the Corporation.

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	●		●		●
Major Gen. (Retired) T. Khumalo		●		●	
Mr LM Sisilana	●			●	
Mr R Surajbali			●		●
Mrs Z Pakati			●	●	●

BOARD COMMITTEE ATTENDANCE

Board member	Governance (4)	Audit & Risk (6)	Finance & Investment (7)	Operations & Engineering (4)	Human Resources & Remuneration (6)
Adv A Mini	4		7	4	
Rev L Mantini	4		7		5
Ms N Pietersen	4	6	7		
Mr G Qotywa		5		4	3
Dr N Khewu	4			3	5
Mr M Metuse	4		7		6
Major Gen. (Retired) T. Khumalo		5			4
Mr. LM Sisilana	3			3	
Mr R Surajbali			4		4
Mrs T Cumming*		5			
Mrs N. Mnconywa*		6			
Dr S Bosire*		2			
Ms W Dukuza		1			
Mr A Latchu		1			
Mrs Z Pakati			6	3	2

*Mrs T Cummings, Mrs N Mnconywa & Dr S Bosire are external Audit & Risk Committee members whose tenure ended 31st December 2020
* Ms W Dukuza, Mr A Latchu were appointed as external Audit & Risk Committee members as from 01st January 2021. Ms Mnconywa was reappointed on the 01st January 2021

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 2021-2022;
    - Satisfying 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 members:
      - 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 per meeting and 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 they do not receive retention allowances.

Members 2021	Other benefits*	Members' fees	Total
Adv. A Mini (Board Chairperson)	20,941	496,743	517,684
Rev. L Mantini (Deputy Chairperson)	364	313,091	313,455
Major General (Retired) T Khumalo	-	187,933	187,933
Dr. N Khewu	795	327,121	327,916
Ms. N Pietersen	757	312,787	313,544
Mr. M Metuse	1,559	374,893	376,452
Mr. G Qotywa	1,796	241,051	242,847
Ms. Z Pakati	793	262,012	262,805

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

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 brought to the attention of the Corporation.

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

Health, Safety and Environmental compliance issues still pose a great challenge at the MTC. This is a result of depot revamps or upgrades that have been put on hold due to the unavailability of capital budgets which ensure that the value of an immovable asset is optimised throughout its lifecycle. The MTC is fully committed to complying with facilities regulations, National Building Regulations and Environmental Management Laws. An Occupational Health and Safety Policy has been established, implemented and maintained. A risk assessment has been conducted and all non-conformances are addressed at very early stages.

Interventions, corrective action, remedial actions and compliance matters have been greatly hampered by the unavailability of funding for infrastructure capital projects. Financial challenges at the MTC have affected the implementation of Immovable Assets Management Plans which require committed funding over multiple years. The Mayibuye Transport Corporation will develop an Environmental Management Plan whose sole purpose is to provide a structured framework for the proactive identification, elimination, or acceptable management and mitigation of some environmental issues that may be associated with the day-to-day running of the MTC operations.

To achieve this, the MTC must invest, investigate and implement measures, where appropriate, within the terms of the legal requirements. The MTC is committed to ensuring the proper storage of hazardous chemical substances such as 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. However, urgent upgrades are required to avoid further deterioration and in order to 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 growth, vandalism, cable theft, illegal electricity connections and the supply of potable water has a huge effect on the MTC. The Mayibuye Transport Corporation must take steps to conserve scarce water resources and explore best practices in the industry.

The installation of sufficient lighting such as high masts will improve safety and security. The installation of energy-saving lights will contribute to low energy use. Alternative energy sources and methods need to be investigated and explored thoroughly as well as their economic benefits. Waste management, minimisation, disposal and recycling options need to be explored as the Waste Disposal Centres at the municipalities in which the MTC operates are under severe strain and they running out of space with rehabilitation being costly.

Fire risks mitigation measures need a major investment in the form of fire suppression tanks at all depots. An investment in fire detection systems at the MTC is needed urgently as it operates highly flammable chemical substances and liquids including the bus fleet and ancillary vehicles. This will have a great impact on the environment, and on the safety and security of the MTC's neighbours and adjoining properties and vice versa should a fire start on the side of the community and other businesses.

COMPANY SECRETARY

The Company Secretary has an arms-length relationship with the Board and is not a Board member of the Corporation. The Company Secretary's duties include, but are not restricted to:

- Guides the Board collectively, and each member individually, as to their duties and responsibilities and to make them aware of all legislation and regulations relevant to the entity;
- Ensures the proper induction and orientation of members, including assessing their specific training needs and those of executive management in regard to their fiduciary and other responsibilities;
- Is always available to provide comprehensive practical support and guidance to members;
- Ensures unhindered access to information by all Board and Committee members so that they can contribute to Board meetings and other discussions;
- Compiles the Board papers and paginates them to ensure compliance with the required standards of good governance;
- Raises all matters that warrant the attention of the Board;
- Ensures compliance with all relevant statutory and regulatory requirements, having due regard for the specific business interests of the company;
- Also assist carrying out corporate strategies by ensuring that the Board's decisions and instructions are clearly communicated to the relevant persons;
- Ensuring Board and Committee Charters are kept up to date;
- Preparing and circulating board papers;
- Elicit responses, input, feedback for Board and Board Committee meetings;
- Ensuring that minutes of all Board and Board Committees' meetings are recorded in accordance with the relevant laws and prescripts;
- Ensuring the preparation and circulation of minutes of Board and committee meetings;
- Assisting with the evaluation of the Board, Committees and individual members; and
- Assisting with Board member induction, training and education.

AUDIT AND RISK COMMITTEE REPORT

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MAYIBUYE TRANSPORT CORPORATION

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 2021.

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 Board is responsible for the Corporation-wide's risk governance by ensuring that adequate systems are in place to identify, evaluate and manage key business risks. The Board retains the overall responsibility to review and approve the annual financial statements for the Corporation. The coronavirus pandemic (COVID-19) which hit South Africa at the end of March 2020 had a significantly negative impact on the activities and economics of the MTC operations. In response to this and as informed by the Committee, the Committee expanded its risk strategy and framework regarding crisis management to specifically address the COVID-19 pandemic. Internal controls impacted by the pandemic continue to be assessed, monitored and amended where relevant, including controls which address the following risks:

- Health, safety and human resources;
- Liquidity and going concern;
- Governance and regulatory;
- Strategy and operations implications;
- Financial reporting.

In addition, business continuity and disaster recovery plans continue to be assessed and, where necessary, amended.

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	No of Meetings attended
Ms Nolitha Pietersen (Chairperson),	Master of Business Administration (MBA); CA (SA); B Com (Accounting) Honours /CTA; B Com (Accounting)	1 Feb 2019	8	8
Mr Gcinimuzi Qotywa	MBA; 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	8	7
Major Gen. (Retired) Tsoku 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	8	7
Mrs Tracy Cumming	CA (SA), BCom	17 Oct 2016	8	7
Ms Ntombentsha Mnconywa	B.Com, HDE, B.Com Honours, CA(SA), M.Com in Accounting Sciences, Prof. Affiliated with: SAICA and IRBA	13 Feb 2018	8	6

Board member	Qualifications	Date Appointed	Scheduled meetings	No of Meetings attended
Dr Samuel Bosire	Master of Business Administration (MBA), Bachelor of Business Administration- Management Information Systems, Certificate: Corporate Governance, Certificate: Business Research, Certificate: Strategic Risk Management, Certificate: Project Management, Certificate: Tax Administration	26 Sep 2018	8	8
Ms Welekazi Dukuza	BProc Degree; Certificate in Labour Relations Management; Master of Business Administration	1 Jan 2021	1	1
Mr Ashley Latchu	Sc Degree.BSc IT Management Degree & Honours Degree. Degree in Financial Accounting & Internal Auditing (current). Diploma in Networking. Microsoft Certified Systems Engineer (MCSE). Microsoft Certified Solutions Developer (MCSD). Microsoft Certified Systems Administrator (MCSA). Microsoft Certified Database Administrator (MCDBA). Mining and Minerals Business and Technology Certification	1 Jan 2021	1	1

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 effectively implemented during the year under review through the assistance of the Internal Audit function on a consultancy basis.

In accordance with the requirements of the Public Finance Management Act, 1999 (Act No. 1 of 1999) as amended, an appropriate risk assessment was 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 a 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 independently 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 monitor the operation of the internal control system and the 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 and 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 information of the 2020/21 financial year prior to submission to the Board and to the Provincial Treasury.

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

REVIEW AND EVALUATION OF FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION

The Audit and Risk Committee has:

- been afforded time to review the annual financial statements with management and the Auditor-General;
- Reviewed and discussed the audited annual financial statements; and
- 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 deliberated on the Corporation's non-compliance with legal and regulatory provisions and drawing the attention of management and the Board to the irregular expenditure being incurred. However, we are pleased to report that no irregular expenditure was incurred in the period under review.

The Internal Auditors continued placing emphasis in these areas being specific in the areas of non-compliance to assist management in improving the control environment.

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

Mr G Qotywa

Member

Major General (Retired) TM Khumalo

Member

Ms T Cumming CA(SA)

Independent Member

Ms N Mnconywa CA(SA)

Independent Member

Dr S Bosire

Independent Member

Ms W Dukuza

Independent Member

Mr A Latchu

Independent Member

ANNUAL FINANCIAL STATEMENTS

F

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 79 to 120, which comprise the statement of financial position as at 31 March 2021, the statement of financial performance, statement of changes in net assets, cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as 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 Mayibuye Transport Corporation as at 31 March 2021, and its financial performance and cash flows for the year then ended in accordance with South African Standards of Generally Recognised 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 my report.

4. I am independent of the entity in accordance with the International Ethics Standards Board for Accountants' International code of ethics for professional accountants (including International Independence Standards) (IESBA code) as well as other 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 code.

5. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the accounting authority for the financial statements

6. The board of directors, 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 the financial statements that are free from material misstatement, whether due to fraud or error.

7. 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

8. 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.

9. 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

10. In accordance with the Public Audit Act 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 predetermined objectives for selected programmes presented in the annual performance report. I performed procedures to identify material findings but not to gather evidence to express assurance.

11. My procedures address the usefulness and reliability of the reported performance information, which must be based on the entity's approved performance-planning documents. I have not evaluated the completeness and appropriateness of the performance indicators included in the planning documents. My procedures do not examine whether the actions taken by the entity enabled service delivery. My procedures do not extend to any disclosures or assertions relating to the extent of achievements in the current year or 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.

12. 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 presented in the entity's annual performance report for the year ended 31 March 2021:

Strategic goal	Pages in the annual performance report
Programme 2 – Operations	40- 43

13. I performed procedures to determine whether the reported performance information was properly presented and whether performance 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.

Programme 2 – Operations

14. I did not identify any material findings on the usefulness and reliability of the reported performance information for the selected programme.

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

Introduction and scope

15. 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.

16. The material findings on compliance with specific matters in key legislation are as follows:
    Financial statements and annual report

17. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and supported by full and proper records, as required by section 55(1) (a) and (b) of the PFMA. Material misstatements within the cash flow statement identified by the auditors in the financial statements submitted were adequately corrected and the supporting records were provided subsequently, which resulted in the financial statements receiving an unqualified opinion.

OTHER INFORMATION

18. The accounting authority is responsible for the other information. The other information comprises the information included in the annual report which includes the director's report, the audit committee's report and the company secretary's certificate as required by the Companies Act of 2008 (Act No. 71 of 2008). 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 on in the auditor's report.

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

20. 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 programmes presented in the annual performance report, or our knowledge obtained during the audit or otherwise appears to be materially misstated.

21. 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

22. 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 compliance with legislation included in this report.

23. Although the accounting authority exercised oversight over the preparation of the financial statements, the review processes by management, internal audit and the audit committee were not sufficient to identify errors on the cash flow statement, resulting in material misstatements to the financial statements. Although management subsequently corrected the misstatements, this results in non-compliance with the applicable legislation.

Auditor - General.

East London
31 August 2021

AUDITOR-GENERAL
SOUTH AFRICA
Auditing to build public confidence

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 financial statements and the procedures performed on reported performance information for the selected programme 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 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, which constitutes the accounting authority
- conclude on the appropriateness of 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 provide the accounting authority with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear 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 2021

General Information

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

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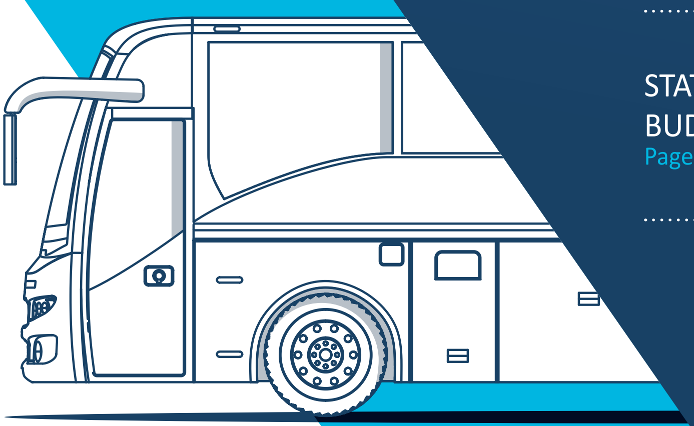

MAYIBUYE
TRANSPORT CORPORATION

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 of 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 2022 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 entity is wholly dependent on the entity for continued funding of operations. The financial statements are prepared on the basis that the entity is a going concern and that the entity has neither the intention nor the need to liquidate or curtail materially the scale of the entity.

Although the board of members are primarily responsible for the financial affairs of the entity, they are supported by the entity's external auditors.

The external auditors are responsible for independently reviewing and reporting on the entity's financial statements. The financial statements have been examined by the entity's external auditors and their report is presented on page 4.

The financial statements set out on page 4, which have been prepared on the going concern basis, were approved by the board of members on 31 May 2021 and were signed on its behalf by:

Pashee Nompelo Roboji
Chief Executive Officer

Adv. Andile Mini
Board Chairperson

Board Members' Report

The members submit their report for the year ended 31 March 2021.

1. NATURE OF BUSINESS

Main business and operations

Mayibuye Transport Corporation is a Scheduled 3D provincial government business enterprise providing subsidised public transport, governed by the public finance management act 1 of 1999 as amended. The entity operates principally in South Africa.

2. GOING CONCERN

We draw attention to the fact that at 31 March 2021, the entity had an accumulated (deficit) of R(134,194,174) and that the entity's total assets exceed total liabilities by R95,161,901. 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 R23,842,098. This also confirms 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 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 which negatively impact going concern as detailed above.. The most significant of these factors 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 financial year.

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.

Board Members' Report (cont.)

7. BOARD MEMBERS

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

Name	Nationality	Changes
Mr. K Gazi (Acting Chief Executive Officer)	South African	Appointed 01 August 2019
Rev. L Mantini (Deputy Chairperson)	South African	
Major Gen. (Retired) T Khumalo	South African	
Dr. N Khewu	South African	
Ms. N Pietersen CA(SA)	South African	
Mr. M Metuse	South African	
Mr. G Qotywa	South African	
Mr. LM Sisilana	South African	
Mr. R Surajbali	South African	
Ms. Z Pakati	South African	

8. Company Secretary

The Company Secretary of the entity is Adv. U Tshikovhi :

Business address

Shop No.15
Beacon Bay Crossing East London
5247

Postal address

Shop No.15
Beacon Bay Crossing East London
5247

9. Auditors

Auditor General of South Africa will continue in office for the next financial period.
The financial statements set out on page 79 - 120, which have been prepared on the going concern basis, were approved by the board of members on 31 May 2021 and were signed on its behalf by:

Pashee Nompelo Foboji
Chief Executive Officer

Adv. Andile Mini
Board Chairperson

Statement of Financial Position as at 31 March 2021

Figures in Rand thousand	Note(s)	2021 (R)	2020 (R)
Assets			
Current Assets			
Inventories	7	2,953,590	2,504,538
Receivables from exchange transactions	5	296,039	191,027
Receivables from non-exchange transactions	6	5,472,798	1,533,032
Non-Current Asset Held for Sale	10	164,368	-
Cash and cash equivalents	4	23,514,116	15,172,127
		32,400,911	**19,400,724**
Non-Current Assets			
Property, plant and equipment	8	117,890,414	136,089,551
Intangible assets	9	1,665,734	1,665,734
		119,556,148	**137,755,285**
Total Assets		**151,957,059**	**157,156,009**
Liabilities			
Current Liabilities			
Finance lease obligation	13	18,790,899	14,863,363
Payables from exchange transactions	11	16,358,265	27,603,888
Payables from non-exchange transactions	12	801,075	-
Unspent conditional grants and receipts	38	1,844,921	6,530,396
		37,795,160	**48,997,647**
Non-Current Liabilities			
Finance lease obligation	13		6,187,380
Total Liabilities		**37,795,160**	**55,185,027**
Net Assets		**114,161,899**	**101,970,982**
Share capital / contributed capital	14	248,356,075	248,356,075
Accumulated deficit		(134,194,174)	(146,385,096)
Total Net Assets		**114,161,901**	**101,970,979**

Statement of Financial Performance

Figures in Rand thousand	Note(s)	2021 (R)	2022 (R)
Revenue			
Revenue from exchange transactions			
Private hire	18	77,802	3,938,331
Passanger fare	18	15,425,849	24,442,338
Other income	16	196,853	144,999
Interest received- investment	15	359,568	575,379
Total revenue from exchange transactions		**16,060,072**	**29,101,047**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	17	154,465,540	146,853,075
Total revenue	18	**170,525,612**	**175,954,122**
Expenditure			
Employee costs	19	(77,465,054)	(77,833,005)
Operating expenses	20	(34,720,655)	(49,424,727)
Depreciation and amortisation		(18,753,182)	(18,253,850)
Finance costs	21	(1,754,007)	(3,100,758)
Lease rentals on operating lease	22	(2,691,163)	(2,723,945)
Administrative expenses	23	(22,241,429)	(25,796,104)
Total expenditure		**(157,625,490)**	**(177,132,389)**
Operating surplus (deficit)	24	**12,900,122**	**(1,178,267)**
Loss on disposal of assets and liabilities	25	(709,202)	(274,389)
Surplus (deficit) for the year		**12,190,920**	**(1,452,656)**

Statement of Changes in Net Assets

Figures in Rand thousand	Share capital / contributed capital	Accumulated deficit	Total net assets
Balance at 01 April 2019	**248,356,075**	**(144,932,440)**	**103,423,635**
Changes in net assets			
Deficit for the year	-	(1,452,656)	(1,452,656)
Total changes	-	(1,452,656)	(1,452,656)
Balance at 01 April 2020	**248,356,075**	**(146,385,094)**	**101,970,981**
Changes in net assets			
Surplus for the year	-	12,190,920	12,190,920
Total changes	-	12,190,920	12,190,920
Balance at 31 March 2021	**248,356,075**	**(134,194,174)**	**114,161,901**
Note(s)	14		

Cash Flow Statement

Figures in Rand thousand	Note(s)	2021 (R)	2022 (R)
Cash flows from operating activities			
Receipts			
Sale of goods and services		15,134,609	28,290,113
Grants		149,780,065	146,853,075
Interest income		359,568	575,379
Other receipts		196,853	144,999
		165,471,095	175,863,566
Payments			
Employee costs		(77,465,054)	(77,833,005)
Suppliers		(74,222,583)	(57,681,192)
		(151,687,637)	(135,514,197)
Net cash flows from operating activities	26	**13,783,458**	**40,349,369**
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(1,571,267)	(11,459,159)
Proceeds from sale of property, plant and equipment	8	143,650	1,015,050
Net cash flows from investing activities		**(1,427,617)**	**(10,444,109)**
Cash flows from financing activities			
Finance lease payments		(4,013,851)	(17,393,356)
Net increase/(decrease) in cash and cash equivalents		**8,341,990**	**12,511,904**
Cash and cash equivalents at the beginning of the year		15,172,127	2,660,223
Cash and cash equivalents at the end of the year	4	**23,514,117**	**15,172,127**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand thousand	Approved budget (R)	Adjustments (R)	Final Budget (R)	Actual amounts on comparable basis (R)	Difference between final budget and actual (R)
Statement of Financial Performance					
Revenue					
Revenue from exchange transactions					
Rendering of services	-	-	-	-	-
Private hire	5,500,000	-	**5,500,000**	77,802	**(5,422,198)**
Passanger fare	28,833,432	-	**28,833,432**	15,425,849	**(13,407,583)**
Other income	-	-	**-**	196,853	**196,853**
Interest received- investment	-	-	**-**	359,568	**359,568**
Total revenue from exchange transactions	**34,333,432**	**-**	**34,333,432**	**16,060,072**	**(18,273,360)**
Revenue from non-exchange transactions					
Transfer revenue					
Government grants & subsidies	130,657,000	-	**130,657,000**	154,465,540	**23,808,540**
Total revenue	**164,990,432**	**-**	**164,990,432**	**170,525,612**	**5,535,180**
Expenditure					
Personnel	(82,956,104)	-	**(82,956,104)**	(77,465,054)	**5,491,050**
Operating expenses	(42,925,127)	-	**(42,925,127)**	(34,720,655)	**8,204,472**
Depreciation and amortisation	-	-	**-**	(18,753,182)	**(18,753,182)**
Finance costs	(1,269,363)	-	**(1,269,363)**	(1,754,007)	**(484,644)**
Lease rentals on operating lease	(2,455,000)	-	**(2,455,000)**	(2,691,163)	**(236,163)**
Administrative expenses	(21,969,484)	-	**(21,969,484)**	(22,241,429)	**(271,945)**
Total expenditure	**(151,575,078)**	**-**	**(151,575,078)**	**(157,625,490)**	**(6,050,412)**
Operating surplus	**13,415,354**	**-**	**13,415,354**	**12,900,122**	**(515,232)**
Loss on disposal of assets and liabilities	-	-	**-**	(709,202)	**(709,202)**
Surplus before taxation	**13,415,354**	**-**	**13,415,354**	**12,190,920**	**(1,224,434)**
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**13,415,354**	**-**	**13,415,354**	**12,190,920**	**(1,224,434)**

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

Figures in Rand thousand	Approved budget (R)	Adjustments (R)	Final Budget (R)	Actual amounts on comparable basis (R)	Difference between final budget and actual (R)
Statement of Financial Position					
Assets					
Current Assets					
Inventories	-	-	-	2,953,590	**2,953,590**
Receivables from exchange transactions	-	-	-	296,039	**296,039**
Receivables from non-exchange transactions	-	-	-	5,472,798	**5,472,798**
Non-Current Asset Held for Sale	-	-	-	164,368	**164,368**
Cash and cash equivalents	-	-	**-**	23,514,116	**23,514,116**
	-	**-**	**-**	**32,400,911**	**32,400,911**
Non-Current Assets					
Property, plant and equipment	13,415,355	-	**13,415,355**	117,890,414	**104,475,059**
Intangible assets	-	-	**-**	1,665,734	**1,665,734**
	13,415,355	**-**	**13,415,355**	**119,556,148**	**106,140,793**
Total Assets	**13,415,355**	**-**	**13,415,355**	**151,957,059**	**138,541,704**
Liabilities					
Current Liabilities					
Finance lease obligation	-	-	-	18,790,899	**18,790,899**
Payables from exchange transactions	-	-	-	16,358,265	**16,358,265**
Taxes and transfers payable (non-exchange)	-	-	-	801,075	**801,075**
Unspent conditional grants and receipts	-	-	-	1,844,921	**1,844,921**
	-	**-**	**-**	**37,795,160**	**37,795,160**
Total Liabilities	**-**	**-**	**-**	**37,795,160**	**37,795,160**
Net Assets	**13,415,355**	**-**	**13,415,355**	**114,161,899**	**100,746,544**
Net Assets					
Net Assets Attributable to Owners of Controlling Entity					
Share capital / contributed capital	-	-	-	248,356,075	**248,356,075**
Reserves	-	-	-		
Accumulated deficit	13,415,355	-	**13,415,355**	(134,194,176)	**(147,609,531)**
Total Net Assets	**13,415,355**		**13,415,355**	**114,161,899**	**100,746,544**

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.Additional text

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.Additional text

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 11 - of the financial statements.

Contingent liabilities/Assets

Contingencies recognised in the current year required estimates and judgments, refer to note 30 of the financial statements.

Accounting Policies

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 bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

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

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

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

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

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 Chasis; Engine etc.
Workshop equipment	Straight line	3 to 8
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
Buses- Body	Straight line	7 to 12
Internal roads	Straight line	5 to 30
Operating equipment	Straight line	5 to 10
Lease equipment	Straight line	3 to 8
Buses- Chasis, Engine etc	Straight line	7 to 15

Accounting Policies

1.4 Property, plant and equipment (continued)

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 unless it is included in the carrying amount of another asset.

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

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

1.5 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

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

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.

Accounting Policies

1.6 Financial instruments (continued)

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 counterpart 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

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.

Accounting Policies

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 replacement 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.

Accounting Policies

1.10 Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale measured at the lower of their carrying amount and fair value less costs to sell.

A non-current asset is not depreciated while it is classified as held for sale.

1.11 Share capital / contributed capital

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

1.12 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.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programs are established by legislation and operate as multi-employer plans to provide postemployment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.
A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

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 recognises 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 recognises 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.

Accounting Policies

1.12 Employee benefits (continued)

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 recognises 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.

1.13 Provisions and contingencies

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

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

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

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

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

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

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

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

Provisions are not recognised for future operating (deficit).
Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 30.

Accounting Policies

1.14 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-cancellable or only cancellable 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.

1.15 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.

The amount of revenue arising on a transaction which is statutory (non-contractual) in nature is usually measured by reference to the relevant legislation, regulation or similar means. The fee structure, tariffs or calculation basis specified in legislation, regulation or similar means is used to determine the amount of revenue that should be recognised. This amount represents the fair value, on initial measurement, of the consideration received or receivable for revenue that arises from a statutory (noncontractual) arrangement (see the accounting policy on Statutory Receivables).

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.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

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

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by.

Accounting Policies

1.16 Revenue from non-exchange transactions

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

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

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

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

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

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

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

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.

1.17 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.

1.18 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

1.19 Borrowing costs

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

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

Accounting Policies

1.20 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.

1.21 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.

1.22 Budget information

Entity are typically subject to budgetary limits in the form of appropriations or budget authorisations (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.

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 2020-04-01 to 2021-03-31.

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.

1.23 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 venturers).

Accounting Policies

1.23 Related parties (continued)

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 those family members who may be expected to influence, or be influenced by that person 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.

1.24 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 are mandatory for the entity's accounting periods beginning on or after 01 April 2021 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 104 (amended): Financial Instruments	01 April 2021	Unlikely there will be a material impact
GRAP 34: Separate Financial Statements	31 March 2022	Unlikely there will be a material impact
IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue	31 March 2022	Unlikely there will be a material impact

As per the background to this Interpretation of the Standards of GRAP, there are a number of legislative and regulatory processes that govern how entities levy, charge or calculate revenue, in the public sector. Adjustments to revenue already recognised in terms of legislation or similar means arise from the completion of an internal review process within the entity, and/or the outcome of an external appeal or objection process undertaken in terms of legislation or similar means. Adjustments to revenue include any refunds that become payable as a result of the completion of a review, appeal or objection process. The adjustments to revenue already recognised following the outcome of a review, appeal or objection process can either result in a change in an accounting estimate, or a correction of an error.

As per the scope, this Interpretation of the Standards of GRAP clarifies the accounting for adjustments to exchange and non-exchange revenue charged in terms of legislation or similar means, and interest and penalties that arise from revenue already recognised as a result of the completion of a review, appeal or objection process. Changes to the measurement of receivables and payables, other than those changes arising from applying this Interpretation, are dealt with in accordance with the applicable Standards of GRAP. The principles in this Interpretation may be applied, by analogy, to the accounting for adjustments to exchange or non-exchange revenue that arises from contractual arrangements where the fact patterns are similar to those in the Interpretation.

The interpretation sets out the issues and relating consensus with accounting for adjustments to revenue.

The effective date of the interpretation is for years beginning on or after 01 April 2020.

The entity expects to adopt the interpretation for the first time in the 2020/2021 financial statements.

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

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.

Notes to the Financial Statements

Figures in Rand thousand	2021 (R)	2020 (R)

4. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	23,514,116	15,172,127

The entity had the following bank accounts

Account description	Bank statement balances			Cash book balances		
	31 March 2021	31 March 2020		31 March 2021	31 March 2020	1 March 2019
FNB-Ewallet Cash	190	(1)	-	190	(1)	-
FNB- Bank account	(121)	12,202	-	(121)	12,202	-
Standard Bank KWT- Current Account	13,121,549	6,967,428	-	13,121,549	6,967,428	-
Standard Bank- Call Account	10,392,498	8,192,498	-	10,392,498	8,192,498	-
Total	**23,514,116**	**15,172,127**	**-**	**23,514,116**	**15,172,127**	**-**

5. Receivables from exchange transactions

Trade debtors	250,891	167,821
Staff Study Loans	45,148	23,206
	296,039	**191,027**

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

Debtors Aging	180 days or More	Current	Total
Receivables from Exchange Transactions	248,193	47,846	296,039

6. Receivables from non-exchange transactions

Sundry debtors	526,620	444,594
Other debtors	4,410,855	827,844
Prepayments	535,323	260,594
	5,472,798	**1,533,032**

Notes to the Financial Statements

Figures in Rand thousand	2021 (R)	2020 (R)

6. Receivables from non-exchange transactions (continued)

Debtors Aging	180 days or More	30 days or More	Current	Total
Receivables from Non- Exchange Transactions	824,588	4,609,826	38,384	5,472,798

7. Inventories

Inventories	2,953,590	2,504,538

Inventory adjustments recognised by the Corporation		
Inventory loss adjustment	350,786	550,218

Inventory movement reconciliation		
Opening balance of year	2,504,538	3,322,808
Additions	13,939,229	23,239,567
Consumption	(13,139,391)	(23,507,619)
Inventory adjustment	(350,786)	(550,218)
	2,953,590	**2,504,538**

Breakdown of the Inventory balance at year end	2021	2020
Fuel	397,845	272,661
Tyres & units	473,536	464,801
Consumables (Spares,lubricants, stationery)	2,082,209	1,767,076
	2,953,590	**2,504,538**

Notes to the Financial Statements

Figures in Rand thousand	**2021 (R)**	**2020 (R)**

8. Property, plant and equipment

	2021			**2020**		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Land	3,877,745	-	3,877,745	3,877,745	-	3,877,745
Buildings	29,769,014	(12,772,053)	16,996,961	29,760,939	(11,189,148)	18,571,791
Lease buses	81,894,351	(35,371,292)	46,523,059	81,894,351	(28,256,254)	53,638,097
Workshop equipment	2,709,975	(2,446,749)	263,226	2,561,340	(2,403,941)	157,399
Ancillary vehicles	4,056,721	(2,318,680)	1,738,041	4,560,639	(3,065,574)	1,495,065
Office equipment	6,675,160	(4,380,268)	2,294,892	6,407,675	(3,825,091)	2,582,584
Office furniture	2,119,655	(1,470,834)	648,821	2,116,907	(1,248,681)	868,226
Property fencing	1,315,503	(933,396)	382,107	1,315,503	(898,518)	416,985
Buses	83,472,281	(40,362,072)	43,110,209	84,837,989	(34,590,248)	50,247,741
Internal roads	1,577,575	(1,577,576)	(1)	1,577,575	(1,559,546)	18,029
Operating equipment	11,092,804	(9,037,450)	2,055,354	11,105,908	(6,890,019)	4,215,889
Total	**228,560,784**	**(110,670,370)**	**117,890,414**	**230,016,571**	**(93,927,020)**	**136,089,551**

Reconciliation of property, plant and equipment - 2021

	Opening balance	**Additions**	**Disposals**	**Classified as Assets Held for Sale**	**Depreciation**	**Total**
Land	3,877,745	-	-	-	-	3,877,745
Buildings	18,571,791	8,075	-	-	(1,582,905)	16,996,961
Lease buses	53,638,097	-	-	-	(7,115,038)	46,523,059
Workshop equipment	157,399	148,635	-	-	(42,808)	263,226
Ancillary vehicles	1,495,065	984,710	(248,027)	(164,368)	(329,339)	1,738,041
Office equipment	2,582,584	267,485	-	-	(555,177)	2,294,892
Office furniture	868,226	2,749	-	-	(222,154)	648,821
Property fencing	416,985	-	-	-	(34,878)	382,107
Buses	50,247,741	159,613	(604,825)	-	(6,692,320)	43,110,209
Internal roads	18,029	-	-	-	(18,030)	(1)
Operating equipment	4,215,889	-	-	-	(2,160,535)	2,055,354
	136,089,551	**1,571,267**	**(852,852)**	**(164,368)**	**(18,753,184)**	**117,890,414**

Notes to the Financial Statements

Figures in Rand thousand	2021 (R)	2020 (R)

8. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening 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
	144,173,680	**11,459,159**	**(1,289,439)**	**(18,253,849)**	**136,089,551**

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

General expenses	**13,497,739**	**16,926,268**

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

Notes to the Financial Statements

Figures in Rand thousand	2021 (R)	2020 (R)

9. Intangible assets

	2021			2020		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	1,665,734	-	1,665,734	1,665,734	-	1,665,734

Reconciliation of intangible assets - 2021

	Opening balance	Total
Computer software, other	1,665,734	1,665,734

Reconciliation of intangible assets - 2020

	Opening 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

10. Non-Current Assets Held For Assets

The Corporation decided to dispose certain class of its Property Plant and Equipment (PPE).

The decision was approved by Management in the current financial year under review to dispose certain assets that have reached their economic useful lives.
The assets classified as Non-Current Asset Held for Sale have not yet been disposed at year end hence reclassified from PPE to asset held for sale.

Reconciliation

Transfer from PPE	164,368	-

Notes to the Financial Statements

Figures in Rand thousand	2021 (R)	2020 (R)

11. Payables from exchange transactions

Trade payables	7,178,836	4,994,255
Amounts received in advance	334,905	598,935
Accrued leave pay	4,726,546	3,880,089
Accrued bonus	1,385,214	1,528,020
Accrued workmen's compensation	1,141,659	749,404
Other accrued expenses	1,591,105	15,853,185
	16,358,265	**27,603,888**

12. Payables from non-exchange transactions

Deposit by Eastern Cape Department of Transport	552,997	-
Deposit by Indwe Risk Services	248,078	-
	801,075	**-**

The deposits received of R801 075 were still under investigations of what they are relating to at year end.

13. Finance lease obligation

Minimum lease payments due		
- within one year	18,795,661	16,055,405
- in second to fifth year inclusive	-	6,235,989
	18,795,661	22,291,394
less: future finance charges	(4,762)	(1,240,651)
Present value of minimum lease payments	**18,790,899**	**21,050,743**

Present value of minimum lease payments due		
- within one year	18,790,899	14,863,363
- in second to fifth year inclusive	-	6,187,380
	18,790,899	**21,050,743**

Non-current liabilities	-	6,187,380
Current liabilities	18,790,899	14,863,363
	18,790,899	**21,050,743**

Notes to the Financial Statements

Figures in Rand thousand	2021 (R)	2020 (R)

13. Finance lease obligation (continued)

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% (2020: 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.

14. Share capital / contributed capital

Authorised		
Ordinary shares of R1 each	250,000,000	250,000,000
Issued		
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.

15. Investment revenue

Interest revenue		
Bank	359,568	575,379

16. Other income

Sundry income	114,335	137,799
Advertising	82,518	7,200
	196,853	**144,999**

17. Government grants and subsidies

Operating grants		
Grant in Aid	154,342,475	145,871,904
Teta grant	123,065	981,171
	154,465,540	**146,853,075**

Notes to the Financial Statements

Figures in Rand thousand	2021 (R)	2020 (R)

17. Government grants and subsidies (continued)

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.

Conditional amounts not yet spent in full by the Corporation for the current year and allocated, amounts to **R1 844 921** for 2020/21 financial year and **R6 530 396** as comparative figure for 2019/20 financial year.

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.
The Corporation claimed an amount of **R123 065** for the financial year under review.

Conditional grant Opening balance	6,530,396	-
Unconditional grants received	149,657,000	131,997,000
Conditional grant received	123,065	21,386,471
Unspent Conditional grant	(1,844,921)	(6,530,396)
	154,465,540	**146,853,075**

Description	Grant received 2020	Grant Utilised 2020	Grant Utilised 2021	Grant received 2021	Total
Grant for purchase of Bus	10,800,000	(10,463,879)	(157,793)	-	178,328
Grant for Maintenance of Buses	5,131,000	(3,256,057)	(1,874,943)	-	-
COVID-19	4,474,300	(154,968)	(2,652,739)	-	1,666,593
TETA Grant/Re-imbursement	981,171	(981,171)	(123,065)	123,065	-
	21,386,471	**(14,856,075)**	**(4,808,540)**	**123,065**	**1,844,921**

Grant reconciliation

Balance unspent at beginning of year	6,530,396	6,530,396
Conditions met- transferred to revenue	(4,685,475)	-
	1,844,921	**6,530,396**

Conditions still to be met- remain liabilities (see note 38).

Notes to the Financial Statements

Figures in Rand thousand	2021 (R)	2020 (R)

18. Revenue

Private hire	77,802	3,938,331
Passanger fare	15,425,849	24,442,338
Other income	196,853	144,999
Interest received- investment	359,568	575,379
Government grants & subsidies	154,465,540	146,853,075
	170,525,612	**175,954,122**

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

Private hire	77,802	3,938,331
Passanger fare	15,425,849	24,442,338
Other income	196,853	144,999
Interest received - investment	359,568	575,379
	16,060,072	**29,101,047**

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

Transfer revenue

Government grants & subsidies	154,465,540	146,853,075

19. Employee related costs

Basic	56,724,815	56,773,030
Medical aid- company contributions	5,192,709	4,952,577
UIF	407,187	428,453
Workman's Compenastion	1,100,000	624,975
SDL	627,832	644,430
Leave pay provision charge	1,336,703	1,045,804
Defined contribution plans	7,538,987	7,480,655
Overtime payments	420,409	1,064,920
13th Cheque	3,234,156	3,169,723
Transport allowance	88,465	85,560
Car allowance	545,177	1,139,236
Housing benefits and allowances	9,323	31,441
Bargaining council levy	70,252	58,141
Other allowance	169,039	334,060
	77,465,054	**77,833,005**

Notes to the Financial Statements

Figures in Rand thousand	2021 (R)	2020 (R)

20. Operating expenses

Fuel	9,706,012	19,660,965
Tyres	2,974,474	2,996,029
Licences and permits	2,597,737	2,367,421
Fines and penalties	9,314	134,619
Repairs and maintenance	13,497,739	16,926,268
Consumables (lubricants and grease)	458,905	850,625
Motor vehicle expenses	211,546	207,147
Inventory loss adjustment	350,786	550,218
Other operating expenses	79,753	327,236
Fleet management	560,875	549,887
Insurance	4,273,514	4,854,312
	34,720,655	**49,424,727**

21. Finance costs

Finance leases	1,754,007	3,100,758

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

22. Lease rentals on operating lease

Premises and Copiers

Contractual amounts	2,691,163	2,723,945

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.

Notes to the Financial Statements

Figures in Rand thousand	2021 (R)	2020 (R)

23. Administrative expenses

Auditors remuneration	3,062,994	3,794,357
Computer expenses	55,662	183,950
Consulting and professional fees	596,345	1,917,935
Recruitment costs	371,204	597,325
Printing and stationery	293,140	342,134
Security expenses	4,439,127	3,930,502
Telephone, cellphone and postage	1,691,553	1,636,682
Training cost	106,886	495,883
Subsistence, Travel and accomodation	468,819	822,055
Water and Electricity	2,320,634	2,391,034
Legal expenses	896,103	1,609,984
Internal audit	1,821,969	845,227
Board members fees and expenses	3,068,153	4,630,228
Other expenses	3,048,840	2,598,808
	22,241,429	**25,796,104**

24. Operating surplus

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

Operating lease charges		
Premises & Copiers		
• Contractual amounts	2,691,163	2,723,945
Loss on sale of property, plant and equipment	(709,202)	(274,389)
Depreciation on property, plant and equipment	18,753,182	18,253,850
Employee costs	77,465,054	77,833,005

25. Loss on disposal of assets

Property, plant and equipment	(709,202)	(274,389)

Notes to the Financial Statements

Figures in Rand thousand	2021 (R)	2020 (R)

26. Cash generated from operations

Surplus (deficit)	12,190,920	(1,452,656)
Adjustments for:		
Depreciation and amortisation	18,753,182	18,253,850
Loss on sale of assets and liabilities	709,202	274,389
Finance costs- Finance leases	1,754,007	3,100,758
Movements in operating lease assets and accruals	-	99,374
Changes in working capital:		
Inventories	(449,052)	818,270
Receivables from exchange transactions	(105,012)	337,296
Other receivables from non-exchange transactions	(3,939,766)	(427,852)
Payables from exchange transactions	(11,245,623)	12,815,544
Taxes and transfers payable (non exchange)	801,075	-
Unspent conditional grants and receipts	(4,685,475)	6,530,396
	13,783,458	**40,349,369**

27. Auditors' remuneration

Fees	3,062,994	3,794,357

28. Financial instruments disclosure

Categories of financial instruments

2021
Financial assets

	At cost	Total
Receivables from exchange transactions	296,039	296,039
Receivables from non-exchange transactions	5,472,798	5,472,798
Cash and cash equivalents	23,514,116	23,514,116
	29,282,953	**29,282,953**

Financial liabilities

	At cost	Total
Payables from exchange transactions	16,358,265	16,358,265
Payables from non-exchange transaction	801,075	801,075
	17,159,340	**17,159,340**

Notes to the Financial Statements

Figures in Rand thousand	2021 (R)	2020 (R)

28. Financial instruments disclosure (continued)

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
	16,896,186	**16,896,186**

Financial liabilities

	At cost	Total
Trade and other payables from exchange transactions	27,603,890	27,603,890

29. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	10,627,103	-
• Intangible assets	9,630,000	-
	20,257,103	**-**

Total capital commitments		
Already contracted for but not provided for	20,257,103	-

Total commitments

Total commitments		
Authorised capital expenditure	20,257,103	**-**

The capital committed expenditure relates to Fare Evasion and Collection equipment installation costs of the newly acquired system over lease contract which was awarded at year end. The costs committed will be financed by the conditional grant of R19 million received from the parent Eastern Cape Department of Transport, the remainder will be financed through rentals over a period of the lease. This amount is also appearing as cash on hand at the end of the financial year under Cash and Cash equivalents.

Notes to the Financial Statements

Figures in Rand thousand	2021 (R)	2020 (R)

29. Commitments (continued)

Operating leases - as lessee (expense)

Minimum lease payments due		
- within one year	685,864	2,756,054
- in second to fifth year inclusive	-	700,353
	685,864	**3,456,407**

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 contigent rentals payable by the entity.

Rental expenses relating to operating leases		
Minimum lease payments	2,691,163	2,723,945

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.

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.

30. Contingencies

Contingent asset
2021 Contigent asset narrartion note
Based on the merit of the cases and assessments done by the Corporation lawyers in delibarating with the Questec and Business Connection case raised as the Contingent asset in the previous years. The lawyers confirmed a zero probability of the Corporation receiving the money from the respective service providers hence the contingent asset has been disclosed as nil in the 2021 financial year

2020 Contingent asset narration note
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.

Notes to the Financial Statements

Figures in Rand thousand	2021 (R)	2020 (R)

30. Contingencies (continued)

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
Penalty on acquisition of equipment to curb fare evasion from Questek	-	855,000
Estimates by Mbabane Maswazi & Mkosana Inc. Business Connection breach of contract	-	1,800,000
	-	**2,655,000**

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.

2021	Anticipated legal fees	Estimated claim	Nature	Referred to	Total contingent liabilities
Tonise Attorneys-L Busika & others- Mutual interest Dispute	-	214,357	CCMA	CCMA	214,357
Ntsiki Pakade attorneys S Jali	140,000	110,000	Labour dispute	Labour court	250,000
Ntsiki Pakade attorneys Futshane	140,000	110,000	Labour dispute	Labour court	250,000
Tonise Attorneys- Mr Makhaya Fuba - Labour Court- Claim for compensation of injuries on duty	-	39,440	Labour dispute	Labour court	39,440
Bowes Loon & Connellan Incorporated t/a BLC Attorneys- Arbitration proceedings in respect of SIGA Capital Asset Finance and Lease Solutions (Pty) Ltd	1,050,000	-	Arbitration	Arbitration	1,050,000
	1,330,000	**473,797**			**1,803,797**

Notes to the Financial Statements

Figures in Rand thousand	2021 (R)	2020 (R)

30. Contingencies (continued)

2020	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
	1,480,000	**4,405,020**			**5,885,020**

31. Related parties

Relationships Members	Refer to members' report note 32
Members of key management(Senior Management)	Refer to note 31

Related party balances

Related party transactions

	2021 (R)	2020 (R)
Grant aid received		
Eastern Cape Department of Transport	149,657,000	152,402,300
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.	692,640	520,914

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 32 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 31for detail of transactions with key personnel. Management is responsible for the day-to-day operations of the Corporation.

Notes to the Financial Statements

Figures in Rand thousand	2021 (R)	2020 (R)

31. Related parties (continued)

Remuneration of management

Senior management

2021

Name	Termination lumpsum	Basic salary	Car allowance	Cash allowance	Reimbursement KM'S	Back Pay	Acting Allowance	Other benefits received	Total
Acting CEO: K Gazi	-	-	-	-	5,548	-	678,051	9,041	692,640
CFO: S Galada	254,514	895,239	120,000	263,674	-	634,864	-	25,839	2,194,130
Acting COO: P Somyo	-	-	-	-	-	-	525,359	-	525,359
Acting CFO: A Nqikashe	-	-	-	-	-	-	199,207	-	199,207
COO: D Gwabeni	799,321	-	-	-	-	-	-	-	799,321
	1,053,835	**895,239**	**120,000**	**263,674**	**5,548**	**634,864**	**1,402,617**	**34,880**	**4,410,657**

2020

Name	Termination leave	Basic salary	Car allowance	Cash allowance	Reimburse-ment KM'S	Provident fund	Acting Allowance	Back Pay	Total
CEO: N Madyibi	656,959	891,796	280,000	221,144	-	126,615	-	168,744	2,345,258
CFO: S Galada	-	1,342,859	180,000	395,511	35,661	-	-	-	1,954,031
COO: D Gwabeni	206,562	1,055,104	201,667	346,214	59,339	149,745	101,082	-	2,119,713
Acting CEO: K Gazi	-	-	-	-	12,108	-	508,806	-	520,914
Acting COO: P Somyo	-	-	-	-	-	-	262,680	-	262,680
	863,521	**3,289,759**	**661,667**	**962,869**	**369,788**	**276,360**	**609,888**	**168,744**	**6,939,916**

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

Termination lumpsum for Mr. Gwabeni relate to the settlement that was agreed to be paid by Mayibuye Transport Corporation to him as a 6 months remuneration subsequent to his termination which was on the 28th of February 2020. The portion disclosed relate to amount paid for the remaining 5 months.

Notes to the Financial Statements

Figures in Rand thousand	2021 (R)	2020 (R)

32. Members' emoluments

Members

2021	Other benefits*	Members' fees	Total
Adv. A Mini (Board Chairperson)	20,941	496,743	517,684
Rev. L Mantini (Deputy Chairperson)	364	313,091	313,455
Major Gen. (Retired) T. Khumalo	-	187,933	187,933
Dr. N Khewu	795	327,121	327,916
Ms. N Pietersen	757	312,787	313,544
Mr. M Metuse	1,559	374,893	376,452
Mr. G Qotywa	1,796	241,051	242,847
Ms. Z Pakati	793	262,012	262,805
	27,005	**2,515,631**	**2,542,636**

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
Major Gen. (Retired) T. Khumalo	12,704	266,233	278,937
Dr. N Khewu	5,255	378,952	384,207
Ms. N Pietersen CA(SA)	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**

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

Notes to the Financial Statements

Figures in Rand thousand	2021 (R)	2020 (R)

33. Audit committee

Fees for attending the meetings.

2021	Meetings	Travel	Total
Ms N. Pietersen CA(SA) (Chairperson)	73,223		73,223
Ms N. Mnconywa CA(SA)	52,035	-	52,035
Major Gen. (Retired) T. Khumalo	60,335	-	60,335
Mr G Qotywa	49,221	-	49,221
Dr Bosire	28,814	-	28,814
Mrs T. Cumming	49,056	-	49,056
Mrs W. Dukuza	17,000	-	17,000
Mr A. Latchu	17,000	-	17,000
	346,684	**-**	**346,684**

2020	Meetings	Travel	Total
Ms N. Pietersen CA(SA) (Chairperson)	83,814	605	84,419
Major Gen. (Retired) T. Khumalo	49,099	3,157	52,256
Mr G Qotywa	56,227	2,842	59,069
Ms. T Cumming CA(SA)	28,512	-	28,512
Dr Bosire	65,842	20,230	86,072
Mrs N Mnconywa CA(SA)	56,227	-	56,227
	339,721	**26,834**	**366,555**

Notes to the Financial Statements

Figures in Rand thousand	2021 (R)	2020 (R)

34. Going concern

We draw attention to the fact that at 31 March 2021, the entity had an accumulated (deficit) of R(152,404,106) and that the entity's total assets exceed total liabilities by R114,161,901.

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 R5,394,249. 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 which negatively impact going concern as detailed above. The most significant of these factors is that the entity is funded by the government into the foreseeable future.

35. Events after the reporting date

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.

36. Irregular expenditure

Reconciliation of Irregular

Opening balance	25,925,077	24,037,640
Add: Irregular Expenditure- current year	-	1,887,437
	25,925,077	**25,925,077**

Details of irregular expenditure – prior year

Continous service with no contract	Investigations completed	186,194
Deviation not sought from PT	Investigations completed	1,013,832
Exceeded 15% variation	Investigations completed	17,276
Single-source deviation	Investigations completed	670,135
		1,887,437

Notes to the Financial Statements

Figures in Rand thousand	2021 (R)	2020 (R)

36. Irregular expenditure (continued)

Disciplinary steps taken

Investigations have been completed and Disciplinary action has been instituted against responsible officials for all irregular expenditure incurred in the affected years. The recommendation for condonation of of irregular expenditure incurred is in the process of being submitted by Corporation Management to the Accounting Authority for final resolution.

37. Fruitless and wasteful expenditure

Reconciliation of Fruitless and Wasteful Expenditure

Fruitless and wasteful expenditure	1,427,127	1,300,819
Add: Movement in current year	7,542	126,308
	1,434,669	**1,427,127**

Incident		
Penalties on late payment & cancellation	-	17,540
Interest due to late payment	7,542	99,718
Traffic fines	-	9,050
	7,542	**126,308**

Disciplinary steps taken

Investigations have been completed and Disciplinary action has been instituted against responsible officials for all irregular expenditure incurred in the affected years. The recommendation for condonation of of irregular expenditure incurred is in the process of being submitted by Corporation Management to the Accounting Authority for final resolution.

38. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Fare Collection/Evasion system, COVID 19 & Bus Purchase, with Maintanance	1,844,921	6,530,396

Movement during the year		
Balance at the beginning of the year	6,530,396	-
Additions during the year	-	21,386,471
Income recognition during the year	(4,685,475)	(14,856,075)
	1,844,921	**6,530,396**

See note 17 for reconciliation of grants from the Corporation parent Eastern Cape Department of Transport.

Notes to the Financial Statements

Figures in Rand thousand	2021 (R)	2020 (R)

39. Budget differences

Material differences between budget and actual amounts

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

There are no changes from approved budget to final. The variances are as explained in the table below.

Component	Variance Amount	Reason for Variance
Private Hire	(5,422,198)	The contributing factor causing a major decline in the 2020/21 targeted private hire budget was mainly due to the outbreak of the Coronavirus (COVID-19) Pandemic and as a result of the restrictions and regulations imposed with each national lockdown level, this therefore limited the movement of people and the number of people that are permitted to attend certain events or to be in one space e.g. funerals and other social gathering events, hence the private bookings came to a standstill as compared to prior years before the pandemic
Passanger Fare	(13,407,583)	The contributing factors causing a major decline in the 2020/21 targeted own revenue budget was the sudden outbreak of the Coronavirus (COVID-19) pandemic which lead to nation-wide lockdown's resulting in restrictions and regulations being imposed with each lockdown level and this therefore negatively impacted the Corporation operations in the year 2020 onwards. In addition, from mid-September 2020 to mid-October 2020 some of the Corporation employees embarked on a strike which led to operations being put on halt in order to avoid any damages of the existing fleet during the strike
Other Income	205,853	No budget allocated for this item
Interest received-Investment	359,568	No budget allocated for this item
Government Grant & Subsidies	23,808,540	The Government grant received by the entity is based on the approved Treasury allocations to the entity and therefore the variance in the grant is affected by the recognition of income against the 2019/20 conditional grant rollover funds utilized within the current financial period for the Fleet & COVID-19 allocations and the grant recived at year end for the purchase of fare evasion & collection system.
Employee Cost	5,491,050	The underspending in the COE is mainly caused through the savings attained on employee costs as a result of vacant positions that had been budgeted for at the start of the financial period which became vacant due to resignations/terminations and another major factor contributing to the decline is the saving made against the budgeted salary increase of the employees who earn above R1m whose salary increase was not effected as a result of Provincial Treasury instruction and also all other categories below the R1m threshold had a lower salary increase than anticipated, therefore resulting in COE underspending.

Notes to the Financial Statements

Figures in Rand thousand	2021 (R)	2020 (R)

39. Budget differences (continued)

Component	Variance Amount	Reason for Variance
Operating Expenses	8,204,472	The underspending budget variance in Operating expenses is mainly caused by fuel costs which have significantly reduced as compared to prior years due to minimal operations during the current financial period, the reduction in the fuel costs was also affected by an internal industrial strike that took place between the month of September 2020 & October 2020 which led the operations coming to a halt.
Depreciation and amortisation	(18,753,182)	No budgeted allocated for this item.
Finance Costs	(484,644)	The overspending variance in the interest portion of the finance lease repayment is caused by the fluctuations against the initial projected calculated spending that was tabled as per the amortisation schedule dated 31 March 2020, these fluctuations are caused by payment not being effected on the anticipated day of the month as initially projected.
Lease Rentals on operating lease	(236,163)	The overspending variance in the interest portion of the finance lease repayment is caused by the fluctuations against the initial projected calculated spending that was tabled as per the amortisation schedule dated 31 March 2020, these fluctuations are caused by payment not being effected on the anticipated day of the month as initially projected
Administrative expenses	(271,945)	Not significant and therefore no explanation needed.
Loss on disposal of assets and liabilities	(709,202)	No budget allocated for this item.
Inventories	2,953,590	No direct budget allocated for this item as the purchase of stock item goes through via issues whichhave been allocated as part of the operat-ing expenses
Receivables from exchange transactions	296,039	No budget allocated for this item.
Receivables from non-exchange transactions	5,472,798	No budget allocated for this item.
Non-Current Asset Held for Sale	164,368	No budget allocated for this item.
Cash & cash equivalents	23,514,116	No budget allocated for this item.
Property,plant & Equipment	104,475,059	9 The allocated budget for the 2020/21 financial period is compared with the cumulative actual's from prior years as per the report and therefore the actual spending for 2020/21 is not reflected correctly due to the CaseWare difference calculation design, meaning the actual variance should be R9 472 683 against the main approved operational budget *take note that the balance excludes the expenditure incurred for the capital expense amounting to R984 710 and R159 613 which is allocated against the conditional grant/budget*. The reason for the underspending in capital expenditure is mainly impacted by the non-payment of the finance lease for certain months within the period since the lease contract is still under review (Legal matter/case).

Notes to the Financial Statements

Figures in Rand thousand	2021 (R)	2020 (R)

39. Budget differences (continued)

Component	Variance Amount	Reason for Variance
Intangible assets	1,665,734	There was no budget allocated for intangible assets during the 2020/21 financial period and the actual amount only reflects cumulative actuals from prior years as per the AFS report, therefore the actual spending for 2020/21 is not reflected correctly due to the CaseWare difference calculation design meaning the actual variance should be R0 against the main approved operational budget.
Finance Lease obligation	18,790,899	The allocation reflected on the main approved budget in Property plant and equipment includes the capital portion of R11 780 355 and therefore the variance for the overall Finance lease obligation should reflect a potential overspending amount of R5 600 389 which is impacted by budget cuts/reductions during the budget process.
Payables from exchange transactions	16,280,765	No budget allocated for this item as the budget is allocated per expenditure item stated in the Statement of Financial Performance.
Payables from non-exchange transactions	801,075	No budget allocated for this item.
Unspent conditional grants and receipts	1,844,921	The variance is mainly caused by grant not yet spent at year end.
Share Capital & Equity	248,356,075	No budget allocated for this item.
Accumulated Surplus/(Loss)	(166,609,531)	No budget allocated for this item.
	256,790,474	

MAYIBUYE

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