Mayibuye Transport Corporation
Financial statements
for the year ended 31 March 2023

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Mayibuye Transport Corporation is Schedule 3D Provincial Government Business Enterprise providing subsidised public transport, governed by the Public Finance Management Act 1 of 1999 as amended.
Members	Mr. B Makambi Executive: Ms. PN Roboji (Chief Executive Officer) Mr. R Surajbali Mrs. P Nazo-Makatala (Board Chairperson) Mrs. N Mbokoma Ms. L Mpepo Adv. PV Msiwa Mrs. N Ntshanga Ms. S Dyantyi
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
Secretary	Ms Thandeka Mandleni

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The reports and statements set out below comprise the financial statements presented to the provincial legislature:

Abbreviations used:

COID	Compensation for Occupational Injuries and Diseases
MTC	Mayibuye Transport Corporation
GRAP	Generally Recognised Accounting Practice
SDL	Skills Development Levy
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
UIF	Unemployment Insurance Fund
Members	Board Members' - Accounting Authority
MEC	Member of the Executive Council
GBE's	Government Business Enterprise
SARPBAC	South African Road Passenger Burgaining Council
CEO	Chief Executive Officer

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 judgements 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 2024 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 6 - 49, which have been prepared on the going concern basis, were approved by the board of members on 31 May 2023 and were signed on its behalf by:

Executive: Ms. PN Roboji (Chief Executive Officer)	**Member** **Mr. P Mayapi Board Charperson**

Board Members' Report

The members submit their report for the year ended 31 March 2023.

1. Nature of business

Main business and operations

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

2. Going concern

We draw attention to the fact that at 31 March 2023, the entity had an accumulated (deficit) of R (157,983,643) and that the entity's total assets exceed its total liabilities by R 90,372,432.

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 which 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 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 continue to rely on funding by 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 other than information disclosed in the financial statements

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.

7. Board of Members

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

Name	Nationality	Changes
Mr. B Makambi	South African	Appointed 01 April 2022
Executive: Ms. PN Roboji (Chief Executive Officer)	South African	
Mr. R Surajbali	South African	
Mrs. P Nazo-Makatala (Board Chairperson)	South African	Appointed 01 April 2022
Mrs. N Mbokoma	South African	Appointed 01 August 2022
Ms. L Mpepo	South African	Appointed 01 August 2022

Board Members' Report

. Board of Members (continued)

Adv. PV Msiwa	South African	Appointed 01 August 2022
Mrs. N Ntshanga	South African	Appointed 01 August 2022
Ms. S Dyantyi	South African	Appointed 01 August 2022

Mr. R Surajbal was appointed from Eastern Cape Provincial Treasury as support from Shareholder on 01 February 2019 and his appointment continued until 31 July 2022, then Ms. S Dyatyi was then appointed as a replacemnt from 01 August 2022 to current.

8. Secretary

The secretary of the entity is Ms Thandeka Mandleni of:

Business address

Baruch Memoirs (Pty) Ltd
3 Gonubie Glen
2 Dikkop Avenue
Gonubie, East London
5247

Postal address

11 Surrey Road
11 Surrey Road
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 6 - 49, which have been prepared on the going concern basis, were approved by the board of members on 31 May 2023 and were signed on its behalf by:

Executive: Ms. PN Roboji (Chief Executive Officer)

Member
Mr. P Mayapi Board Charperson

Statement of Financial Position as at 31 March 2023

	Note(s)	2023 R	2022 R
Assets			
Current Assets			
Inventories	7	2,144,086	2,484,499
Receivables from exchange transactions	5	2,459,693	964,872
Receivables from non-exchange transactions	6	2,332,754	1,473,820
Non- Current Assets Held for Sale	10	1,706,179	-
Cash and cash equivalents	4	12,206,144	3,809,399
		20,848,856	**8,732,590**
Non-Current Assets			
Property, plant and equipment	8	87,367,675	111,129,451
Intangible assets	9	1,665,734	1,665,734
		89,033,409	**112,795,185**
Total Assets		**109,882,265**	**121,527,775**
Liabilities			
Current Liabilities			
Payables from exchange transactions	11	17,860,596	20,360,178
Payables from non-exchange transactions	12	565,490	565,490
Unspent conditional grants and receipts	36	1,083,749	1,217,248
		19,509,835	**22,142,916**
Total Liabilities		**19,509,835**	**22,142,916**
Net Assets		**90,372,430**	**99,384,859**
Share capital / contributed capital	13	248,356,075	248,356,075
Accumulated deficit		(157,983,643)	(148,971,213)
Total Net Assets		**90,372,432**	**99,384,862**

Statement of Financial Performance

	Note(s)	2023 R	2022 R
Revenue			
Revenue from exchange transactions			
Private hire	17	2,857,666	620,123
Passanger fare	17	19,521,148	15,597,764
Other income	15	1,354,518	252,446
Interest received - investment	14	647,816	691,605
Total revenue from exchange transactions		**24,381,148**	**17,161,938**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	16	143,392,221	145,942,933
Total revenue	17	**167,773,369**	**163,104,871**
Expenditure			
Employee costs	18	(76,844,925)	(75,924,579)
Operating expenses	19	(55,163,181)	(48,741,723)
Depreciation and amortisation	8	(8,954,332)	(11,848,915)
Lease rentals on operating lease	20	(343,444)	(2,761,487)
Debt Impairment	6	-	(11,287,838)
Administrative expenses	21	(21,068,663)	(23,442,770)
Total expenditure		**(162,374,545)**	**(174,007,312)**
Loss on disposal of assets and liabilities	23	-	(665,497)
Gain/(Loss) on lease liability settlement	8	-	(3,209,101)
Impairment loss	8	(14,411,254)	-
		(14,411,254)	**(3,874,598)**
Deficit for the year		**(9,012,430)**	**(14,777,039)**

Statement of Changes in Net Assets

	Share capital / contributed capital	Accumulated surplus / deficit	Total net assets
	R	R	R
Balance at 01 April 2021	**248,356,075**	**(134,194,174)**	**114,161,901**
Changes in net assets			
(Deficit)Surplus for the year	-	(14,777,039)	(14,777,039)
Total changes	-	(14,777,039)	(14,777,039)
Balance at 01 April 2022	**248,356,075**	**(148,971,213)**	**99,384,862**
Changes in net assets			
(Deficit)/Surplus for the year	-	(9,012,430)	(9,012,430)
Total changes	-	(9,012,430)	(9,012,430)
Balance at 31 March 2023	**248,356,075**	**(157,983,643)**	**90,372,432**
Note(s)	13		

Cash Flow Statement

	Note(s)	2023 R	2022 R
Cash flows from operating activities			
Receipts			
Sale of goods and services		20,564,385	15,621,359
Grants		143,258,722	145,064,740
Interest income		647,816	691,605
Other receipts		1,354,518	252,446
		165,825,441	161,630,150
Payments			
Employee costs		(76,844,925)	(75,924,579)
Suppliers		(79,273,783)	(77,821,206)
		(156,118,708)	(153,745,785)
Net cash flows from operating activities	24	**9,706,733**	**7,884,365**
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(1,309,989)	(7,319,868)
Proceeds from sale of property, plant and equipment	8	-	1,692,287
Net cash flows of discontinued operations		-	38,500
Net cash flows from investing activities		**(1,309,989)**	**(5,589,081)**
Cash flows from financing activities			
Finance lease payments		-	(22,000,000)
Net (decrease)/increase in cash and cash equivalents		**8,396,744**	**(19,704,716)**
Cash and cash equivalents at the beginning of the year		3,809,399	23,514,116
Cash and cash equivalents at the end of the year	4	**12,206,143**	**3,809,400**

Mayibuye Transport Corporation

Financial Statements for the year ended 31 March 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget R	Adjustments R	Final Budget R	Actual amounts on comparable basis R	Difference between final budget and actual R	Reference
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Rendering of services	-	-	**-**	-	**-**	
Private hire	3,815,000	-	**3,815,000**	2,857,666	**(957,334)**	note 37
Passanger fare	18,511,019	-	**18,511,019**	19,521,148	**1,010,129**	
Other income	-	-	**-**	1,354,518	**1,354,518**	note 37
Interest received - investment	-	-	**-**	647,816	**647,816**	note 37
Total revenue from exchange transactions	**22,326,019**	**-**	**22,326,019**	**24,381,148**	**2,055,129**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	143,226,000	-	**143,226,000**	143,392,221	**166,221**	note 37
Total revenue	**165,552,019**	**-**	**165,552,019**	**167,773,369**	**2,221,350**	
Expenditure						
Personnel	(79,930,993)	-	**(79,930,993)**	(76,844,925)	**3,086,068**	note 37
Operating expenses	(51,938,052)	-	**(51,938,052)**	(55,163,181)	**(3,225,129)**	note 37
Depreciation and amortisation	-	-	**-**	(8,954,332)	**(8,954,332)**	note 37
Impairment loss/ Reversal of impairments	-	-	**-**	(14,411,254)	**(14,411,254)**	note 38
Lease rentals on operating lease	(617,872)	-	**(617,872)**	(343,444)	**274,428**	note 37
Administrative expenses	(26,500,888)	-	**(26,500,888)**	(21,068,663)	**5,432,225**	note 37
Total expenditure	**(158,987,805)**	**-**	**(158,987,805)**	**(176,785,799)**	**(17,797,994)**	
Deficit before taxation	**6,564,214**	**-**	**6,564,214**	**(9,012,430)**	**(15,576,644)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**6,564,214**	**-**	**6,564,214**	**(9,012,430)**	**(15,576,644)**	
Reconciliation						

Mayibuye Transport Corporation
Financial Statements for the year ended 31 March 2023

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Statement of Financial Position						
Assets						
Current Assets						
Inventories	-	-	-	2,144,086	**2,144,086**	note 37
Receivables from exchange transactions	-	-	-	2,459,693	**2,459,693**	note 37
Receivables from non-exchange transactions	-	-	-	2,332,754	**2,332,754**	note 37
Non- Current Assets Held for Sale	-	-	-	1,706,179	**1,706,179**	note 37
Cash and cash equivalents	-	-	-	12,206,144	**12,206,144**	note 37
	-	**-**	**-**	**20,848,856**	**20,848,856**	
Non-Current Assets						
Property, plant and equipment	6,564,215	-	**6,564,215**	87,367,675	**80,803,460**	note 37
Intangible assets	-	-	-	1,665,734	**1,665,734**	note 37
	6,564,215	**-**	**6,564,215**	**89,033,409**	**82,469,194**	
Total Assets	**6,564,215**	**-**	**6,564,215**	**109,882,265**	**103,318,050**	
Liabilities						
Current Liabilities						
Payables from exchange transactions	-	-	-	17,860,596	**17,860,596**	note 37
Taxes and transfers payable (non-exchange)	-	-	-	565,490	**565,490**	note 37
Unspent conditional grants and receipts	-	-	-	1,083,749	**1,083,749**	note 37
	-	**-**	**-**	**19,509,835**	**19,509,835**	
Total Liabilities	**-**	**-**	**-**	**19,509,835**	**19,509,835**	
Net Assets	**6,564,215**	**-**	**6,564,215**	**90,372,430**	**83,808,215**	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity						
Share capital / contributed capital	-	-	-	248,356,075	**248,356,075**	note 37
Reserves						
Accumulated deficit	6,564,215	-	**6,564,215**	(157,983,645)	**(164,547,860)**	note 37
Total Net Assets	**6,564,215**	**-**	**6,564,215**	**90,372,430**	**83,808,215**	

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.

1.1 Presentation currency

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

1.2 Going concern assumption

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

1.3 Significant judgements and sources of estimation uncertainty

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

The key assumptions, estimates and judgements concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amount of the assets and liabilities within the next financial year are discussed below.

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

Impairment testing

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. 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 of tangible assets are inherently uncertain and could materially change over time.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 11 - of the financial statements.

1.3 Significant judgements and sources of estimation uncertainty (continued)

Contigent liabilities/Assets

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

1.4 Property, plant and equipment

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

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

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to 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
Plant and machinery	Straight-line	Useful life of buses-Body; Buses Chasis; Engine etc.
Furniture and fixtures	Straight-line	3 to 8
Motor vehicles	Straight-line	3 to 10
Office equipment	Straight-line	3 to 12
Furniture and Fixtures	Straight-line	3 to 12
Computer software	Straight-line	5 to 25

Accounting Policies

1.4 Property, plant and equipment (continued)

Buses - Body	Straight-line	7 to 15
Community	Straight-line	5 to 30
Other property, plant and equipment	Straight-line	5 to 10
Lease equipment	Straight-line	3 to 8
Buses - Chasis, Engine etc	Straight-line	7 to 15

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

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

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

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

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

1.6 Financial instruments (continued)

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

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

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

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

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:
- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

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

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

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

A financial asset is past due when a 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.

Accounting Policies

1.6 Financial instruments (continued)

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 amortised cost
Receivables from exchange transactions	Financial asset measured at amortised cost
Cash and cash equivalent	Financial asset measured at amortised 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 transaction	Financial liability measured at amortised 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.

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

Accounting Policies

1.9 Inventories (continued)

- 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.

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.

1.12 Employee benefits (continued)

Composite social security programs are established by legislation and operate as multi-employer plans to provide post-employment 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.

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 28.

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

The Corporation also disclose approved but not yet contracted commitments that are non-cancelable, this is where institution has committed itself itself into a transaction through constructive obligation as defined and contracts under RT.

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.

1.15 Revenue from exchange transactions (continued)

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 (non-contractual) 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 .

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.

Accounting Policies

1.16 Revenue from non-exchange transactions (continued)

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.

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 -

1.21 Irregular expenditure (continued)

(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 authorisation's (or equivalent), which is given effect through authorising legislation, appropriation or similar.

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

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 2022-04-01 to 2023-03-31.

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

The financial statements and the budget are not on the same basis of accounting therefore a reconciliation between the statement of financial performance and the budget have been included in the financial statements. Refer to 37

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 ventures).

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

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

1.23 Related parties (continued)

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.

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 2023 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 104 (amended): Financial Instruments	01 April 2099	Impact is currently being assessed
• Guideline: Guideline on the Application of Materiality to Financial Statements	01 April 2023	Impact is currently being assessed

Amendments to this Standard of GRAP, are primarily drawn from the IASB's Amendments to IAS 1.

Summary of amendments are:

Materiality and aggregation

The amendments clarify that:
- information should not be obscured by aggregating or by providing immaterial information;
- materiality considerations apply to all parts of the financial statements; and
- even when a Standard of GRAP requires a specific disclosure, materiality considerations apply.

Statement of financial position and statement of financial performance

The amendments clarify that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.

Notes structure

The amendments add examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order listed in GRAP 1.

Disclosure of accounting policies

Remove guidance and examples with regards to the identification of significant accounting policies that were perceived as being potentially unhelpful.

An entity applies judgement based on past experience and current facts and circumstances.

The effective date of this amendment 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.

2.2 Standards and interpretations not relevant

GRAP 18 - Segment definition

A segment is an activity of an entity :

(a) that generates economic benefits or service potential (including economic benefits or service potential relating to transactions between activities of the same entity);

(b) whose results are regularly reviewed by management to make decisions about resources to be allocated to that activity and in assessing its performance; and

Notes to the Financial Statements

2. New standards and interpretations (continued)

(c) for which separate financial information is available. Terms defined in other Standards of GRAP are used in this Standard with the same meaning as in those other Standards.

The Corporation does not have segments as defined.

The mandate of the Corporation is to provide public transport service. This is the only activity that the Corporation is pushing towards. In providing this service it has administration offices that support the mandate, Finance to ensure the money's collected are banked, Human Resource to ensure the employment of drivers and support staff and the Office for Oversight for reporting since this is a Public Entity reporting to the Department of Transport and Treasury.

These support units as explained cannot be separated as activities within Corporation as the activity is one of providing public transport services.

The four (4) Depots that Corporation owns are just areas to keep buses closer to their servicing routes, these are not allocated their revenue or expenditure to operate but Revenue is all centralised.

There is no performance information that is monitored that is separate from the main mandate of the Corporation.

There are no separate financial results that are regularly reviewed. There is no distinction between the financial statements of the Corporation and revenue from buses. Therefore, this requirement is also not met.

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

	2023 R	2022 R

4. Cash and cash equivalents

Cash and cash equivalents consist of:

	2023	2022
Bank balances	12,206,144	3,809,399

The entity had the following bank accounts

Account number / description	Bank statement balances 31 March 2023	31 March 2022	31 March 2021	Cash book balances 31 March 2023	31 March 2022	31 March 2021
FNB - Ewallet Cash	190	190	-	190	190	-
FNB - Bank account	-	1,474	-	-	1,474	-
Standard Bank KWT - Current account	2,084,706	686,487	-	2,084,706	686,487	-
Standard Bank - Call accoun	10,121,248	3,121,248	-	10,121,248	3,121,248	-
Total	**12,206,144**	**3,809,399**	**-**	**12,206,144**	**3,809,399**	**-**

5. Receivables from exchange transactions

	2023	2022
Trade debtors	2,441,832	955,804
Staff Study Loans	17,861	9,068
	2,459,693	**964,872**

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

Debtors Aging	**180 days or More**	**90 days or More**	**30 days or more**	**Current**	**Total**
Receivables from Exchange Transactions	1,887,154	1,905	98,486	472,148	2,459,693

6. Receivables from non-exchange transactions

	2023	2022
Sundry debtors	1,707,836	1,118,887
Other debtors	144,409	11,357,532
Prepayments	480,509	285,239
Provision for Impairment	-	(11,287,838)
	2,332,754	**1,473,820**

Receivables from non-exchange transactions impaired

As of 31 March 2022, the lease debtor under receivables from non-exchange transactions of R 11,287,838- were impaired and provided for. The debtor is still currently under business rescue and as per the letters from the lawyers it does not have assets or cash to be able to settle its liabilities. The Corporation on assessment based on the factors decided to make a provision for the impairment of the lease debtor.

The amount of the provision was R11,287,838 as of 31 March 2022, this was raised due to uncertainty on the recoverability of this receivable, an impairment loss equal to entire value of the debtor has been raised.

The ageing of this debt is as follows:

	2023	2022
180 days or more	1,855,638	4,591,498
90 days or less	483,136	6,696,340

Reconciliation of provision for impairment of receivables from non-exchange transactions

	2023	2022
Opening balance	11,287,838	-

Notes to the Financial Statements

	2023 R	2022 R
6. Receivables from non-exchange transactions (continued)		
Provision for impairment	-	11,287,838
Amounts written off as uncollectible	(11,287,838)	-
	-	**11,287,838**

The creation and release of provision for impaired receivables have been raised in 2021/22 financial year, this amount has been assessed for recoverability in 2022/23 financial years and correspondence from Corporation lawyers confirmed amounts to be irrecoverable, the amount of R11,287,838 has been written off in full in the financial year under review as confirmations exists that there is no expectation of recovering these monies from the responsible debtor.

Debtors Aging	**180 days or More**	**90 days or More**	**30 days or More**	**Current**	**Total**
Receivables from Non - Exchange Transactions	1,855,638	-	287,378	189,738	2,332,754

7. Inventories

	2023	2022
Inventories	2,144,086	2,484,499
Inventory adjustments recognised by the Corporation		
Inventory loss adjustment	297,999	955,885
Inventory movement reconciliation		
Opening balance of year	2,484,499	2,953,590
Additions	3,217,292	19,704,629
Consumption	(3,259,706)	(19,217,835)
Inventory adjustment	(297,999)	(955,885)
	2,144,086	**2,484,499**

Breakdown of the Inventory balance at year end	**2023**	**2022**
Fuel	-	51,182
Tyres & units	269,117	402,416
Consumables (Spares, stationery)	1,831,133	1,956,858
Lubricants	43,836	74,043
	2,144,086	**2,484,499**

During the year under review the diesel was purchased directlty from the fuelling stations no diesel was stocked in the premises.

8. Property, plant and equipment

	2023			2022		
	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	(15,396,979)	14,372,035	29,769,014	(14,344,573)	15,424,441
WIP - Revenue system	-	-	-	6,928,751	-	6,928,751
Workshop Equipment	2,044,697	(1,705,078)	339,619	2,791,589	(2,533,733)	257,856
Ancillary vehicles	2,397,336	(1,316,341)	1,080,995	4,008,325	(2,570,419)	1,437,906
Office equipment	6,298,902	(4,149,671)	2,149,231	6,881,230	(4,825,032)	2,056,198
Office Furniture	2,186,106	(1,692,329)	493,777	2,218,894	(1,585,248)	633,646
Property fencing	1,315,503	(986,927)	328,576	1,315,503	(961,861)	353,642
Buses	107,667,297	(44,314,487)	63,352,810	119,894,103	(41,375,642)	78,518,461
Internal Roads	1,577,575	(1,577,576)	(1)	1,577,575	(1,577,576)	(1)
Operating equipment	11,576,094	(10,203,206)	1,372,888	11,092,803	(9,451,997)	1,640,806
Total	**168,710,269**	**(81,342,594)**	**87,367,675**	**190,355,532**	**(79,226,081)**	**111,129,451**

Reconciliation of property, plant and equipment - 2023

	Opening balance	Additions	Transfers	Depreciation	Impairment loss	Total
Land	3,877,745	-	-	-	-	3,877,745
Buildings	15,424,441	-	-	(1,052,406)	-	14,372,035
WIP - Revenue System	6,928,751	-	-	-	(6,928,751)	-
Workshop equipment	257,856	160,996	-	(79,233)	-	339,619
Ancillary vehicles	1,437,906	-	(82,732)	(170,902)	(103,277)	1,080,995
Office equipment	2,056,198	527,844	-	(434,811)	-	2,149,231
Office furniture	633,646	17,745	-	(157,614)	-	493,777
Property fencing	353,642	-	-	(25,066)	-	328,576
Buses	78,518,461	-	(1,623,447)	(6,317,186)	(7,225,018)	63,352,810

	2023 R	2022 R

8. Property, plant and equipment (continued)

Internal roads	(1)	-	-	-	-	(1)
Operating equipment	1,640,806	603,404	-	(717,114)	(154,208)	1,372,888
	111,129,451	**1,309,989**	**(1,706,179)**	**(8,954,332)**	**(14,411,254)**	**87,367,675**

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	3,877,745	-	-	-	-	3,877,745
Buildings	16,996,961	-	-	-	(1,572,520)	15,424,441
WIP - Revenue System	-	6,928,751	-	-	-	6,928,751
Lease buses	46,523,059	-	-	(43,802,222)	(2,720,837)	-
Workshop Equipment	263,226	81,614	-	-	(86,984)	257,856
Ancillary vehicles	1,738,041	-	(48,397)	-	(251,738)	1,437,906
Office equipment	2,294,892	206,070	-	-	(444,764)	2,056,198
Office furniture	648,821	103,433	-	-	(118,608)	633,646
Property fencing	382,107	-	-	-	(28,465)	353,642
Buses	43,110,209	-	(2,183,519)	43,802,222	(6,210,451)	78,518,461
Internal roads	(1)	-	-	-	-	(1)
Operating equipment	2,055,354	-	-	-	(414,548)	1,640,806
	117,890,414	**7,319,868**	**(2,231,916)**	**-**	**(11,848,915)**	**111,129,451**

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		
Repairs & maintenance	18,044,726	21,103,351

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

8. Property, plant and equipment (continued)

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 Public Works and Infrastructure. Improvement to property are capitalised.

Property Plant and Equipment has been assessed for impairment in the current financial year, different categories of assets have been assessed for impairment. The assessment losses have been raise this has been contributed by number of factors e.g. agin gof the institution fleet due to terrains it operates under making it difficult for assets to be kept to generate revenue, another being Fare collection equipment not usable due to its functionality not equitable to the revenue collection needs of the institution and not user friendly this resulted for the equipment not economically to the revenue collection of the institution.

During assessments other classes of Property Plant and Equipment were reclassified as Non-Current Assets Held for Sale as they have reached their economic useful life. These assets classified as Non-Current Asset Held for Sale have not yet been disposed at year end but transfered from PPE to asset held for sale. The assessement has contributed for other assesets to be written off in the year under review.

Internal Road of the institution are currently are sitting at carrying amount of R1 and there is no economic value that can be attached to these assets due to their current condition.

	2023	2022
	R	R

9. Intangible assets

	2023			2022		
	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 - 2023

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

Reconciliation of intangible assets - 2022

	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.

Notes to the Financial Statements

	2023 R	2022 R

10. Non-Current Assets Held For Sale (NCAHS)

The Corporation decided to dispose certain class of its Property Plant and Equipment (PPE) as disclosed in note 8 of the AFS, asset categories as per tranfer column in the AFS..

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(NCAHFS) have not yet been disposed at year end hence reclassified from PPE to asset held for sale refer to note 8 for asset gaterories transfered from PPE to NCAHFS

For the Comparative years

The assets classified as Non-Current Asset Held for Sale as at 31 March 2021 year has since been disposed off in the 2021/22 which is comparative year under financial year under review..

Reconciliation		
Transfer from PPE(Buses & Vehicles as per note 8)	1,706,179	164,368
Disposal	-	(164,368)
	1,706,179	**-**

11. Payables from exchange transactions

Trade payables	5,738,135	5,767,905
Payments received in advanced - contract in process	87,603	407,211
Accrued leave pay	4,882,042	4,181,761
Accrued bonus	1,620,235	1,216,947
Accrued workmens compensation	1,174,301	1,182,250
Other accrued expenses	4,358,280	7,604,104
	17,860,596	**20,360,178**

Accruals as presented relates to all third party payments e.g.(Provident Fund, PAYE, UIF etc.) accrued but not yet paid as at year end and those suppliers for services rendered at year end but not yet paid.

12. Payables from non-exchange transactions

Deposits by Indwe Risk Services	565,490	565,490

The deposit received of R565,490 is still under investigations of what they are relating as at year end.

13. Share capital / contributed capital

Authorised		
Ordinary shares of R1	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.

14. Investment revenue

Interest revenue		
Bank	647,816	691,605

Notes to the Financial Statements

	2023 R	2022 R
15. Other income		
Sundry income	1,264,516	150,901
Advertising	90,002	101,545
	1,354,518	**252,446**

16. Government grants and subsidies

	2023 R	2022 R
Operating grants		
Grant in Aid	143,359,499	145,817,673
Teta grant	32,722	125,260
	143,392,221	**145,942,933**

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 **R1,083,749** for 2022/23 financial year and **R1,217,248** as comparative figure for 2021/22 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 **R32,722** for the financial year under review and **R125 259.90** in the comparative year.

	2023	2022
Conditional grants opening balance	1,217,248	1,844,921
Unconditional grants received	143,226,000	145,190,000
Conditional grants received	32,722	125,260
Unspent Conditional gran	(1,083,749)	(1,217,248)
	143,392,221	**145,942,933**

Description	**Grant received 2021 and previous years**	**Grant Utilised 2021 and previous years**	**Grant utilised 2022**	**Grant Utilised 2023**	**Total**
Grant for purchase of Bus	10,800,000	(10,621,672)	-	-	178,328
Grant for Maintenance of Buses	5,131,000	(5,131,000)	-	-	-
Covid 19	4,474,300	(2,807,707)	(627,673)	(133,499)	905,421
	20,405,300	**(18,560,379)**	**(627,673)**	**(133,499)**	**1,083,749**

Notes to the Financial Statements

	2023 R	2022 R

16. Government grants and subsidies (continued)

Grant reconciliation

Balance unspent at beginning of year	1,217,248	1,844,921
Conditions met - transferred to revenue	(133,499)	(627,673)
	1,083,749	**1,217,248**

Conditions still to be met - remain liabilities (see note 36).

17. Revenue

Private hire	2,857,666	620,123
Passenger fare	19,521,148	15,597,764
Other income	1,354,518	252,446
Interest received - investment	647,816	691,605
Government grants & subsidies	143,392,221	145,942,933
	167,773,369	**163,104,871**

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

Private hire	2,857,666	620,123
Passanger fare	19,521,148	15,597,764
Other income	1,354,518	252,446
Interest received - investment	647,816	691,605
	24,381,148	**17,161,938**

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

Transfer revenue

Government grants & subsidies	143,392,221	145,942,933

18. Employee related costs

Basic	55,391,576	56,546,890
Medical aid - company contributions	4,960,148	5,129,928
UIF	440,121	429,989
Workman's Compensation	1,128,956	1,072,812
SDL	618,576	632,410
Leave pay provision charge	1,609,646	(253,811)
Defined contribution plans	7,278,354	7,584,684
Overtime payments	1,124,359	545,783
13th Cheque	3,256,141	3,084,019
Transport allowance (bus coupons)	43,000	95,100
Car allowance	619,785	716,245
Housing benefits and allowances	3,992	3,992
Bargaining council levy	63,775	68,359
Other allowance	306,496	268,179
	76,844,925	**75,924,579**

	2023 R	2022 R

19. Operating expenses

Fuel	24,494,870	16,143,999
Tyres	2,374,828	2,385,545
Licences and permits	2,064,172	2,626,016
Fines and penalities	1,803	-
Repairs and maintenance	18,044,726	21,103,351
Consumables (lubricants and grease)	533,400	688,291
Motor vehicle expenses	112,168	88,336
Inventory loss adjustment	297,999	955,885
Other operating expenses	2,037,935	815,836
Fleet management	601,020	593,947
Insurance	4,600,260	3,340,517
	55,163,181	**48,741,723**

20. Lease rentals on operating lease

Premises and Copiers		
Contractual amounts	343,444	2,761,487

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 had 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 ending in June 2019. The contract also had a renewal option for a period of two years starting from July 2019 to June 2021. The contract had no restrictions imposed on it. The option for renewal was exercised in the previous financial year and extenison was made until 31 March 2022.

Copiers rental

The entity had 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 ending in June 2021. The contract had a renewal option and no restrictions imposed on it. The option for renewal was exercised in 2021/22 financial year which is the previous financial year and extenison was made 31 March 2022.

In the financial year under review the Corporation has rented printing rights on a month to monthly basis

Notes to the Financial Statements

	2023 R	2022 R

21. Administrative expenses

	2023 R	2022 R
Auditors remuneration	2,795,681	3,746,464
Computer expenses	271,429	91,333
Consulting and professional fees	3,588,060	2,235,069
Recruitment costs	285,675	177,857
Printing and stationery	156,948	239,507
Security expenses	4,536,587	4,587,526
Telephone, cellphone and postage	1,156,517	1,807,386
Training cost	100,391	418,057
Subsistence, Travel and accomodation	1,051,717	743,821
Water and Electricity	2,196,135	2,581,487
Legal expenses	646,079	1,451,225
Internal audit	596,614	702,214
Board members fees and expenses	1,301,606	1,911,325
Other expenses	2,385,224	2,749,499
	21,068,663	**23,442,770**

22. Operating deficit

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

Operating lease charges
Premises & Copiers

	2023 R	2022 R
• Contractual amounts	343,444	2,761,487

	2023 R	2022 R
Loss on sale of property, plant and equipment	-	(539,629)
Loss on sale of Non- Current Assets Held for Sale	-	(125,868)
Impairment on property, plant and equipment	14,411,254	-
Depreciation on property, plant and equipment	8,954,332	11,848,915
Employee costs	76,844,925	75,924,579

Notes to the Financial Statements

	2023 R	2022 R

23. Loss on disposal of assets

Property, plant and equipment	-	(539,629)
Gain/Loss of Non Current Assets held for sale	-	(125,868)
	-	**(665,497)**

24. Cash generated from operations

Deficit	(9,012,430)	(14,777,039)
Adjustments for:		
Depreciation and amortisation	8,954,332	11,848,915
Loss on sale of assets and liabilities	-	665,497
Loss on lease liability settlement	-	3,209,101
Impairment deficit	14,411,254	-
Debt impairment	-	11,287,838
Changes in working capital:		
Inventories	340,413	469,091
Receivables from exchange transactions	(1,494,821)	(668,833)
Consumer debtors	-	(11,287,838)
Other receivables from non-exchange transactions	(858,934)	3,998,978
Payables from exchange transactions	(2,499,582)	4,001,913
Payables from non exchange transactions	-	(235,585)
Unspent conditional grants and receipts	(133,499)	(627,673)
	9,706,733	**7,884,365**

25. Auditors' remuneration

Fees	2,795,681	3,746,464

26. Financial instruments disclosure

Categories of financial instruments

2023

Financial assets

	At cost	Total
Trade and other receivables from exchange transactions	2,459,693	2,459,693
Receivables from non-exchange transactions	2,332,754	2,332,754
Cash and cash equivalents	12,206,144	12,206,144
	16,998,591	**16,998,591**

Financial liabilities

	At cost	Total
Trade and other payables from exchange transactions	17,860,596	17,860,596
Payable from on-exchange transactions	565,490	565,490
	18,426,086	**18,426,086**

26. Financial instruments disclosure (continued)

2022

Financial assets

	At cost	Total
Trade and other receivables from exchange transactions	964,872	964,872
Other receivables from non-exchange transactions	12,761,658	12,761,658
Cash and cash equivalents	3,809,399	3,809,399
	17,535,929	**17,535,929**

Financial liabilities

	At cost	Total
Trade and other payables from exchange transactions	19,967,572	19,967,572
Taxes and transfers payable (non-exchange)	565,490	565,490
	20,533,062	**20,533,062**

Notes to the Financial Statements

	2023 R	2022 R

27. Commitments

Authorised capital expenditure

Already contracted for but not provided for		
• Property, plant and equipment	-	3,698,352
• Intangible assets	-	9,630,000
	-	**13,328,352**

Not yet contracted for and authorised by members		
• Property, plant and equipment	4,600,000	-

Total capital commitments		
Already contracted for but not provided for	-	13,328,352
Not yet contracted for and authorised by members	4,600,000	-
	4,600,000	**13,328,352**

Total commitments

Total commitments		
Authorised capital expenditure	4,600,000	13,328,352

This committed expenditure relates to property and this will be financed by , existing cash resources.

In the previous years 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 was planned to be financed by the additional 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.

Operating leases - as lessee (expense)

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

Rental expenses relating to operating leases		
Minimum lease payments	343,444	2,761,487

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 had 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 ending in June 2019. The contract also had a renewal option for a period of two years starting from July 2019 to June 2021. The contract had no restrictions imposed on it. The option for renewal was exercised in the previous financial year and extenison was made until 31 March 2022.

Copiers rental
The entity had 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 2018e ending in June 2021. The option for renewal was exercised in 2021/22 financial year which is the previous financial year and extenison was made until 31 March 2022.

In the financial year under review the Corporation has rented printing rights on a month to monthly basis

28. Contingencies

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.

2023	Anticipated legal fees	Estimated claim	Nature	Referred to	Total contingent liabilities
MTC / Kubapay – Breach of contract	150,000	-	Breach of contract	Mbabane Attorneys	150,000
Madyibi / MTC – claim of outstanding salary payment	150,000	1,300,000	Breach of contract	Mbabane Attorneys	1,450,000
Gazi / MTC – claim of outstanding salary payment	250,000	1,000,000	Breach of contract	Mbabane Attorneys	1,250,000
MTC / Xtremetec – Breach of contract	200,000	42,000,000	Breach of contract	Mbabane Attorneys	42,200,000
	750,000	**44,300,000**			**45,050,000**

2022	Anticipated legal fees	Nature	Referred to	Total contingent liabilities
Mayibuye Transport vs Questec/Vix Technology	350,000	Breach of contract	Mbabane Attorneys	350,000
Mayibuye Transport vs Questec/Vix Technology	400,000	Breach of contract	Mbabane Attorneys	400,000
Tonise Attorneys-Amusa obo Mlungiseleli Mhambi	87,550	Labour dispute	Labour Court	87,550
Mayibuye Transport vs N Madyibi	350,000	Labour dispute	Labour dispute	350,000
Tonise Attorneys- Mr Makhaya Fuba- Labour Court - Claim for compensation of injuries on duty	60,000	Labour dispute	Labour Court	60,000
Bowes Loon & Connellan Incorporated t/a BLC Attorneys - Arbitration proceedings in respect of SIGA Capital Asset Finance and Lease Solutions (Pty) Ltd	700,000	Arbitration	Arbitration	700,000
Mayibuye Transport vs Business Connecction	300,000	Breach of contract	Mbabane Attorneys	300,000
	2,247,550			**2,247,550**

	2023 R	2022 R

29. Related parties

Relationships	
Members	Refer to members' report note 30
Members of key management	Refer to note 29

Related party transactions

	2023 R	2022 R
Grant aid received		
Eastern Cape Department of Transport	143,226,000	145,190,000
Eastern Cape Department of Transport		
Private Hire revenue/debtor	377,196	90,149
In the previous financial year 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.	-	169,977

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

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

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

29. Related parties (continued)

Remuneration of management

Senior management

2023

Name	Basic salary	Car Allowance	Cash Allowance	Acting Allowance	Termination benefits	Reimbursement ent KM'S	Back Pay	Other benefits received	Total
CEO: Ms. PN Roboji	1,425,243	180,000	497,571	-	-	69,752	128,763	301,449	2,602,778
CFO: S Galada	559,525	75,000	164,796	-	147,544	5,877	-	10,437	963,179
Acting COO: P Somyo	-	-	-	342,158	-	-	-	-	342,158
A Mhlambi-Nqikashe	196,633	-	86,794	249,008	-	-	58,107	35,516	626,058
CSE: L Mazibuko	399,052	-	178,294	-	-	-	59,913	113,578	750,837
	2,580,453	**255,000**	**927,455**	**591,166**	**147,544**	**75,629**	**246,783**	**460,980**	**5,285,010**

2022

Name	Basic salary	Car Allowance	Cash Allowance	Reimbursement ent KM'S	Acting Allowance	Other benefits received	Total
Acting CEO: K Gazi	-	-	-	464	169,513	-	169,977
CFO: S Galada	1,342,859	180,000	395,511	2,077	-	21,170	1,941,617
Acting COO: P Somyo	-	-	-	-	525,359	-	525,359
CEO: Ms. PN Roboji	1,141,919	147,460	396,055	22,133	-	241,240	1,948,807
	2,484,778	**327,460**	**791,566**	**24,674**	**694,872**	**262,410**	**4,585,760**

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

	2023 R	2022 R

29. Related parties (continued)

Mrs A Mhlambi-Nqikashe appointed as Acting CFO from 01 September 2022 to 31 January 2023 and subsequently appointed as the CFO of the institution from 01 February 2023.

30. Members' emoluments

Members

2023

	Other benefits*	Members' fees	Total
Mrs. P Nazo-Makatala (Board Chairperson)	11,246	442,000	453,246
Mrs. N Mbokoma	8,011	148,000	156,011
Ms. L Mpepo	7,376	126,500	133,876
Adv. PV Msiwa	17,444	62,000	79,444
Mrs. N Ntshanga	4,325	114,500	118,825
	48,402	**893,000**	**941,402**

2022

	Other benefits*	Members' fees	Total
Adv. A Mini (Board Chairperson)	9,245	276,525	285,770
Rev. L Mantini (Deputy Chairperson)	159	199,100	199,259
Mr. T Khumalo	274	138,600	138,874
Dr. N Khewu	90	73,300	73,390
Ms. N Pietersen CA(SA)	103	163,400	163,503
Mr. M Metuse	1,004	207,400	208,404
Mr. G Qotywa	1,140	161,635	162,775
Ms. Z Pakati	115	186,508	186,623
	12,130	**1,406,468**	**1,418,598**

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

31. Audit committee

Fees for attending the meetings.

2023	Meetings	Total
Mrs. N Ntshanga (Chairperson)	31,500	31,500
Ms N. Mnconywa CA(SA)	108,500	108,500
Mrs. N Mbokoma	19,000	19,000
Ms. L Mpepo	9,500	9,500
Mrs W. Dukuza	43,000	43,000
Mr A. Latchu	52,500	52,500
	264,000	**264,000**

2022	Meeting	Total
Ms N. Pietersen CA(SA) (Chairperson)	60,000	60,000
Mr T. Khumalo	53,000	53,000
Mr G Qotywa	62,000	62,000
Mrs W. Dukuza	60,500	60,500
Mrs N Mnconywa CA(SA)	60,500	60,500
Mr A. Latchu	68,000	68,000
	364,000	**364,000**

32. Going concern

We draw attention to the fact that at 31 March 2023, the entity had an accumulated (deficit) of R(157,983,643) and that the entity's total assets exceed total liabilities by R90,372,432.

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 which 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 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 continue relying on funding by government into the foreseeable future.

	2023	2022
	R	R

33. 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 other than those disclosed in the financial statements.

34. Irregular, Fruitless and Wasteful Expenditure

	2023	2022
Irregular Expenditure - current year and prior year adjustment	37,168,596	8,204,264
Fruitless and wasteful expenditure	2,597	157
	37,171,193	**8,204,421**

- Disciplinary action has been instituted against responsible officials and the action is in progress with regards to irregular, fruitless and wasteful expenditure incurred in the current financial year.

35. Prior-year adjustments

Presented below are disclosure items that have been affected by prior-year adjustments:

Irregular Expenditure error

The following prior period errors occurred during the financial year:

Error 1

An Irregular Expenditure amount of R 8,204,264 was incurred in 2021/22 financial statements for repairs and maintanance, this expenditure was incurred without properly following Supply Chaim Management processes, this has been confirmed by an investigation process conducted which confirmed amount incurred to be irregular. A prior period adjustment under the Irregular expenditure had to be disclosed as movement under 2021/22 figures as presented in note 35 above.

The correction of the error results in adjustment as follows:

2022/23 financial year Irregular Expenditure cumulatively will increase by an amount of R8,204,264.

36. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

	2023	2022
Unspent conditional grants and receipts		
Covid 19 & Bus Purchase, with Maintanance	1,083,749	1,217,248

Movement during the year

	2023	2022
Balance at the beginning of the year	1,217,248	1,844,921
Income recognition during the year	(133,499)	(627,673)
	1,083,749	**1,217,248**

See note 16 for reconciliation of grants from the Corporation parent Eastern Cape Department of Transport.

37. 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	(957,334)	The under-collection was mainly contributed by challenges the Corporation experienced in fully maximizing the Private hire & Contract hire revenue targets due to the non- availability of buses on the road as a result of major mechanical issues (aging fleet) currently operating at 48% of the overall fleet and therefore there weren’t enough buses to cater for special trips.
Passanger Fare	1,010,129	The over-collection in the Passenger fare was achieved due to developed revenue enhancement strategies that assisted towards the improvement of revenue generation which include; •Availability of buses through timeous servicing of current operational buses to adequately service planned routes. •Due to the number of imposed risks on manual collection of revenue, cash collection controls have been implemented to ensure that all revenue is collected.
Other Income	1,354,518	No budget allocated for this item
Interest received-Investment	647,816	No budget allocated for this item

	2023 R	2022 R

37. Budget differences (continued)

Government Grant & Subsidies	166,221	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 Covid-19 grant allocation.
Employee Cost	3,086,068	The underspending on Employee costs is due to vacant budgeted posts such as the COO position including other budgeted management positions which were only filled during the financial year, natural attrition.
Operating Expenses	(3,225,129)	The overspending on Operating expenses is mainly contributed by the national unprecedented increase in fuel prices as compared to the prior years including the increased costs for the repair and maintenance of buses (major machinal issues due to ageing fleet).
Depreciation and amortisation	(8,954,332)	No budget allocated for item because the Corporation currently has insufficient resources to account for non-cash items on its budget as a result of financial constraints.
Impairment loss	(14,411,254)	No budgeted allocated for this item.
Lease Rentals on operating lease	274,428	The underspending is caused by the decreased usage of the leased equipment as a result of connection issues interrupted by the move of offices from Beacon bay head offices to the MTC depots.

	2023 R	2022 R

37. Budget differences (continued)

Administrative expenses	(5,432,225)	The underspending on Administrative expense is caused by the reprioritisation on the procurement of goods and services that were a hinderance on service delivery this also includes various cost savings incurred mainly on External Audit Fees, Communication & Computer services expenses including the Board of Directors Fees due to the reduced number of members serving in the Board and also that members are all local therefore there was a reduction in the travel costs as compared to the prior year.Also, this has been contributed by the reprioritisation that had to be done due to accrual institution had at the beginning of the financial year amounting to R14m. These accruals were not not backed by cash and had to be paid utilising budget allocations for the current year.
Loss on disposal of assets and liabilities	(45,249)	No budget allocated for this item.
Inventories	2,144,086	No direct budget allocated for this item as the purchase of stock item goes through via issues which have been allocated as part of the operating expenses
Receivables from exchange transactions	2,459,693	No budget allocated for this item.
Receivables from non-exchange transactions	2,332,754	No budget allocated for this item.
Non-Current Asset Held for Sale	1,706,179	No budget allocated for this item.
Cash & cash equivalents	12,206,144	No budget allocated for this item.

Notes to the Financial Statements

	2023 R	2022 R

37. Budget differences (continued)

Property,plant & Equipment	80,803,460	The allocated budget for the 2022/23 financial period is compared with the cumulative actuals from prior years as per the report and therefore the actual spending for 2022/23 is not reflected correctly due to the CaseWare difference calculation design, meaning the actual variance should be R5 254 225 gainst the main approved operational budget. The reason for the underspending in capital expenditure is due to the unspent budget for the acquisition of buses not yet paid since procurement was being done under RT Contract, and the transaction is still WIP however the money has been committed and saved as such at year end.
Intangible assets	1,665,734	There was no budget allocated for intangible assets during the 2022/23 financial period and the actual amount only reflects cumulative actuals from prior years as per the AFS report, therefore the actual spending for 2022/23 is not reflected correctly due to the CaseWare difference calculation design meaning the actual variance should be R0 against the main approved operational budget.
Payables from exchange transactions	18,212,074	No budget allocated directly for this item as the budget is allocated per expenditure and is therefore reflected in the Statement of Financial Performance agisnt Operating expenses and Administrative expenses.
Payables from non-exchange transactions	565,490	No budget allocated for this item.
Unspent conditional grants and receipts	1,083,749	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)	(164,547,860)	No budget allocated for this item.
	180,501,235	