MAYIBUYE
TRANSPORT CORPORATION

ANNUAL REPORT 2018/19

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ANNUAL REPORT 2018/19

MAYIBUYE
TRANSPORT CORPORATION

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PUBLIC ENTITY'S GENERAL INFORMATION

Registered Name	Mayibuye Transport Corporation
Registration Number:	Not Applicable
PFMA Status:	Schedule 3 D Public Entity
Postal Address:	P.O. Box 19596, Tecoma 5214
Email Address:	info@mtcec.co.za
Website Address:	www.mayibuyetransport.co.za
External Auditors:	Auditor General of South Africa
Banker:	Standard Bank
Company Secretary (Acting):	Kivela Secretarial

HEAD OFFICE:

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QUEENSTOWN DEPOT:

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8 Faraday Road, Queendustria, Queenstown, Province of the Eastern Cape, 5319

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REESTON DEPOT:

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GENERAL INFORMATION

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MAYIBUYE
TRANSPORT CORPORATION

ACRONYMS & ABBREVIATIONS

AFS	Annual Financial Statements
AGSA	Auditor-General of South Africa
AO	Accounting Officer
BBBEE	Broad-Based Black Economic Empowerment
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COO	Chief Operations Officer
CSI	Corporate Social Investment
DoT	Department of Transport
DM	Divisional Manager
EM	Executive Manager
EWP	Employee Wellness Policy
FMS	Fleet Management System
GAAP	Generally Accepted Accounting Practices
GDP	Gross Domestic Product
HRD	Human Resource Development
HRM	Human Resource Management
IA	Internal Audit
IAS	International Accounting Standard
ICT	Information and Communication Technology
MEC	Member of the Executive Council
MTC	Mayibuye Transport Corporation
MTEF	Medium Term Expenditure Framework
MTSF	Medium Term Strategic Framework
NTR	National Treasury Regulations
OD	Organisational Development
OHSA	Occupational Health and Safety Act (No. 85 of 1993)
PFMA	Public Finance Management Act (No. 1 of 1999 as amended)
PGDP	Provincial Growth and Development Plan
PMDS	Performance Management Development System
SABEA	South African Bus Employer's Association
SABOA	South African Bus Operator's Association
SCM	Supply Chain Management
SCOPA	Standing Committee on Public Accounts
SLA	Service Level Agreement

PRESENTATION OF THE MAYIBUYE TRANSPORT CORPORATION ANNUAL REPORT

2018/2019

In terms of the requirements of section 55(1) of the Public Finance Management Act, Act 1 of 1999, the Accounting Authority presents the Annual Report of the Mayibuye Transport Corporation (MTC), for the period 1 April 2018 to 31 March 2019, to the Executive Authority, Department of Transport of the Eastern Cape. We declare that the Annual Report fairly presents the state of affairs of the MTC, its business, financial results, performance against predetermined objectives and financial position as at the end of the financial period under review.

Adv. A Mini
Board Chairperson

Mr K B Gazi
Acting Chief Executive Officer

Rev. L Mantini
Board Deputy Chairperson

Mr S Galada
Chief Financial Officer

Ms N Pietersen
Board Member

Maj Gen Ret T M Khumalo
Board Member

Mr G B Qotywa
Board Member

Mr M Metuse
Board Member

Dr N Khewu
Board Member

Mr R Surajbali
Board Member

Mr L Sisilana
Board Member

Kivela
COMPANY SECRETARIAL SERVICES
IMPARTIALLY WE SERVE

Kivela Secretarial
Acting Company Secretary

FOREWORD BY THE CHAIRPERSON

The Mayibuye Transport Corporation (MTC) is a uniquely-positioned to support the development of vibrant economic participation as well as social inclusion for those located in the periphery of the formal economy. Therefore, the delivery of the MTC mandate is based on a demonstrable impact which puts a human face to the numbers which characterise the corporate reporting regime. In essence, the Board instructed management to ensure that its operations are geared toward crafting a superior lived customer experience which touches the fibre of the communities within which the Corporation operates.

The impact of the MTC's value offering is demonstrated in the 1,7 million passengers who boarded its buses in the 2018/19 financial year. I am pleased to report that the Corporation also maintained its solid safety track record by recording no fatalities in the period under review. This is an important achievement in a period which recorded a rise in road accident fatalities and casualties. This is a significant undertaking which requires the development and sustenance of operational and financial efficiencies. The development of these internal efficiencies therefore became a key focal area for the Board to ensure that the MTC remains on course to effecting the desired outcomes envisioned in the five-year growth strategy. The growth strategy prioritises the development of a reliable and safe fleet and improved revenue generation aimed at boosting the MTC's operational and financial capacity.

The period under review was also the penultimate year of the five-year strategy cycle which provided a moment for incisive reflection. This reflection revealed that funding constraints continue to hamper the Corporation's growth strategy and its overall viability. While the Corporation welcomes the R129,5 million grant funding from the Department of Transport (DoT), it is cognisant that this is not nearly enough to address the massive backlogs in the overall transport system. There is a clear business case for the continued existence of the MTC. However, the Corporation requires recapitalisation in order to effect the desired outcomes. This is an ongoing conversation with the Shareholder and the Board is confident it will soon reach an amicable conclusion.

AUDIT OUTCOME

It is worth noting that the financial injections from the Shareholder are crucial for the going concern position of the MTC and these allocations ensure that the ordinary passenger is able to afford a bus ticket. Similarly, I am pleased to announce that the MTC has achieved a fourth consecutive unqualified audit opinion in the 2018/19 financial year. This is an admirable financial management and governance track record which builds public and funder confidence.

COST MANAGEMENT

Having assumed the reigns of the Corporation in the last quarter of the 2018/19 financial year, the new Board has also identified cost reduction and robust expenditure management as a key element in improving the revenue base. There is therefore a concerted effort to manage cost of employees and stricter fleet management. I am pleased that the Corporation has introduced a Fleet Management System which is aimed at improved revenue collection while driving down escalating repair and maintenance costs which are a significant cash drag. In 2018/19 repair and maintenance costs were R13.9 million. The Board has therefore impressed on management the need to develop its own skills in critical operational areas which should support cost-containment measures. In particular, this relates to the development of an artisan skills base which is critical to reducing maintenance costs.

HIGH VALUE PARTNERSHIPS

The Board is aware that the efficient provision of a bus passenger service requires effective partnerships with industry bodies, government as well as the MTC's various publics. The development of forums which include passenger representatives, government, small bus operators and the taxi industry are geared toward creating a harmonious atmosphere and collaboration. It allows for effective conflict management and resolution. During the period under review, these relationships were carefully managed which ensured services were not interrupted. The Corporation's participation in the Buffalo City Metropolitan Municipality's Integrated Public Transport Network (IPTN) planning committee will infuse further energy in the development of an integrated transport network within the metro.

APPRECIATION

Lastly, I offer my sincere appreciation to the Honourable MEC of Transport for ongoing Shareholder support which ensures that the Corporation is capacitated to effect the desired mandate outcomes. Further appreciation is extended to the Portfolio Committee on Transport and the Standing Committee on Public Accounts for their empowering oversight role. The Board is also thankful to the Chief Executive Officer and the MTC staff complement for their resilience and dedication to the effective delivery of the MTC's mandate.

Adv. Andile Mini
Chairperson of the Board
Mayibuye Transport Corporation
23 August 2019

OVERVIEW BY THE ACTING CHIEF EXECUTIVE OFFICER

I am pleased to present an appraisal of organisational performance for the year ended March 2019. Occupying the Chief Executive Officer position at the Mayibuye Transport Corporation is a formidable commission which calls for inspired leadership acumen and a strategic outlook that is in tune with the needs of the business and in particular with those of its customers.

The Corporation is vested in the provision of a reliable, affordable and safe transport service offering which elevates and places a premium on superior customer experiences. This is an important undertaking which requires an MTC that is fit-for-purpose and which is able to mobilise its collective energy for imaginative and innovative responses to challenges in the service delivery environment.

The provision of an effective transport system and network, remains a core element of the state's delivery apparatus. As a special purpose vehicle of government, the MTC is a delivery arm of government bequeathed with an enormous responsibility of facilitating mobility and economic participation for those on the margins of the mainstream economy. The impact of the MTC's offering is felt directly by the millions of passengers who reside mainly in the Eastern Cape's rural areas. Without the MTC bus service, thousands of rural residents would lose a key conduit to social development and economic participation.

A consequence of the MTC's value proposition is facilitating access to key state services such as the health and schooling system, social services and general economic activity among others. In essence, the sustainability and longevity of the MTC is a non-negotiable.

As such, the Corporation is occupied with the delivery of a bus service that is affordable to facilitate socio-economic inclusion. Affordability is therefore a key pillar of the mandate delivery exercise. This affordability attitude reemphasizes the need to balance development imperatives with financial sustainability. This is increasingly important in an environment characterised by significant budgetary constraints with immense pressures on the national and provincial fiscus. The macroeconomic environment reminds the MTC of the need to do more with less in discharging its stated mandate.

The appointment of a new Board at the end of the financial year should also infuse additional energy in the strategy implementation process.

In this regard, the Corporation is mindful of the need for improved cost-containment measures which prioritise organisational sustainability. The support from the state is welcomed in covering costs. Without government intervention, the ordinary passenger would therefore never be able to afford a bus ticket. It remains essential for government to continue funding public transport.

However, one of the key cost drivers is the road network within which the MTC operates its fleet. The underdeveloped road infrastructure and rural terrain contribute to an increase in the cost of doing business. This translates to higher maintenance costs. The Corporation is continuously engaged with the Shareholder representative on the most suitable alternatives to improve road infrastructure in the routes the MTC operates.

The Corporation welcomes the R129,5 million budget allocation it received from the Department of Transport (DoT) in 2018/19. This allocation allowed the MTC to sustain its operations and to reach 1,7 million passengers in the period under review while servicing 74 duties on 81 routes. From a financial perspective, the period under review presented the organisation with a myriad of challenges due to the increased running costs versus the demands of the business. The month long labour strike in 2018/19 had a negative impact on revenue and passenger numbers. Without the strike, the MTC would have recorded higher revenue and passenger numbers and trips.

The financial position of the Corporation therefore remains precarious and it presented an opportunity for further recapitalisation discussions with the Shareholder.

FINANCIAL PRUDENCE

However, the MTC is pleased that it continued to assume a judicious and astute financial posture in the face of a declining fiscal allocation. This is reflected in the Corporation's financial management of these public resources which resulted in a fourth consecutive unqualified audit opinion. This strengthens the business case for the MTC's recapitalisation. The Corporation is engaged in a reconfiguration and organisational design process which should move it toward self-sufficiency. Recapitalisation will form a significant component for long-term sustainability.

STRATEGY IMPLEMENTATION

The period under review also represents the penultimate year of the Corporation's five-year strategy cycle. The growth strategy has been hindered due to the reduction in the budget allocation emanating from the devoted funds.

As such, passenger numbers in 2018/19 are lower than those recorded in the 2017/18 financial year which was closer to 2 million. The regression in passenger numbers is a result of the impact of the devoted funds that had been reduced which affected operations. By 2018/19, the strategy had envisaged a revamp of its four depots. However, this could not materialise because of funding limitations.

In an attempt to improve operational efficiencies and to stay on course of the strategy targets, the organisation has implemented a Fleet Management System that enables the MTC to improve its fleet management capabilities. The system assists in monitoring driver behaviour which should lead to a reduction in costs. It will also assist in passenger safety. I am pleased to report that despite all the road fatalities recorded throughout the country during the financial year, the MTC did not contribute a single fatality to the number.

While about 70% of the MTC's fleet is still under 10 years, the other 30% is nearing the end of its life cycle which exacerbates the need for replacement. An aged fleet increases maintenance costs. At current prices, the MTC would require an estimated R2 million for each new bus to augment the current total fleet of 94 buses and more as part of growing the business.

HUMAN CAPITAL

The Corporation is also acutely aware that the development and retention of highly skilled human capital remains the most critical element of the MTC delivery machinery. The organisation recognises that it is empowered human resources which are the brand ambassadors of the MTC story and they therefore need to be empowered and capacitated to write a new growth chapter underpinned by world-class operational efficiencies and financial efficacy. More importantly, the new narrative should be premised on an enhanced socio-economic impact. There is therefore a continuous culture of self-improvement within the organisation to ensure that its people are able to respond to the changing demands of the fourth industrial revolution. These improvements prepare and gear the MTC's 287 people for the digital economy. The organisation is moving toward modernisation with the implementation of digital systems.

However, challenges remain. In this regard, the MTC is aware that the high vacancy rate within the organisation has led to a high work load on individual staff members. Resignations during the review period created these gaps which could not be filled because of funding constraints. Funds from these previously funded posts had to be diverted to fund operations.

In order to capacitate the organisation and to widen the MTC's critical skills base, the organisation implemented an apprenticeship programme aimed at developing crucial artisan skills. The programme is training apprentices to qualify as artisans which would provide the technical acumen required to bolster the Corporation's operations division.

During the period under review, there were still vacancies at operations, corporate services, finance and at the strategy units. Some of these positions are anticipated to be filled in the new financial year.

STRATEGIC PARTNERSHIPS

I am also pleased with the various strategic partnerships cultivated by the Corporation during the financial year which are aimed at supporting a more effective mandate delivery proposition. In 2018/19, the Transport Education Training Authority (TETA) assisted in funding the MTC Apprenticeship Programme. A total of 9 TVET engineering graduates were recruited as part of this programme and 6 are now qualified artisans. TETA also funds the MTC Internship Programme which is implemented in partnership with TVET colleges and universities. The programme is focused on transferring skills and on the job training of young people. In 2018/19, the MTC recruited 19 learners as part of the programme.

I am delighted to announce that relations with the taxi industry and small bus operators remain strong. Continuous engagements aimed at conflict resolution and on areas of mutual interest have resulted in an improved and collaborative operational environment. The Corporation is equally pleased with its participation in the Buffalo City Metropolitan Municipality's (BCMM) Integrated Public Transport Network (IPTN) planning committee. This participatory approach should ensure that the MTC's position is accommodated. The IPTN is aimed at the integration of the various transport modes available within the metropolitan municipality.

FINANCIAL REVIEW

Grant income for the 2018/19 financial year of R129,581,000 was allocated by the Eastern Cape Department of Transport for operating activities and capital investment. There was also an additional grant of R528 300 from the Transport Education and Training Authority (TETA). This took the total grant allocation to R130 109 300. Actual own revenue generated during the financial year was R28, 719 993.

REVENUE GENERATION

I am pleased to report that the MTC collected a total revenue of R28 million. This figure is made up of R23,6 million generated from core operations and R4,49 million from the private hire business. A total of 1,7 million passengers accounted for this total revenue figure. There was an average of 823 passenger trips per week.

FLEET MANAGEMENT AND MAINTENANCE

During the year the organisation implemented a Fleet Management System which monitors driver behaviour. This system is envisaged to contribute to significant cost reductions in future. The Corporation reported no fatalities in 2018/19. There were only 38 minor accidents which were caused by private vehicles. However, there is a need to significantly reduce operational expenditure which stood at R43,250 million in the period under review.

FUTURE OUTLOOK

Finally, the Corporation is exploring various means to support the revenue generation function. These interventions are aimed at curtailing rising costs of doing business and they are targeted at protecting the revenue base. As such, there are plans to reintroduce the inspectorate function which will provide an essential oversight system at the point of sale. The inspectorate will ensure the validity of passenger tickets to avoid and detect potential revenue losses and to take the requisite action required.

Furthermore, the Corporation is also investigating a cashless payment system which will provide a safe and reliable alternative.

APPRECIATION

I extend sincere appreciation to the outgoing Board for their immense contribution to the continued growth of the Mayibuye Transport Corporation. Their leadership acumen has infused a robust institutional culture which is focussed on energised mandate delivery. I am also grateful to the new Board for their immediate support and identification of the levers the MTC needs to pull to stay on course for long-term viability. I am thankful to the Shareholder representative and the Corporation's many partners and allies which provide immeasurable support in the commission of the Corporation's work. I am deeply thankful to the MTC's management team and entire staff for their resilience and support in a tough operating environment.

Mr Khanyisa Gazi
Acting Chief Executive Officer
Mayibuye Transport Corporation
23 August 2019

OVERVIEW BY THE CHIEF FINANCIAL OFFICER

I am pleased to present an overview of the financial performance of the Mayibuye Transport Corporation. At MTC, the corporate finance function plays a decisive role in the delivery of the MTC's core business delivery areas. Corporate finance ensures that the demands of the core business are adequately funded in order to ensure an improved socio-economic dividend. Furthermore, finance mobilises funding support on behalf of the Corporation and it ensures through a robust financial management system that public resources are spent wisely in order to consolidate public trust in the Corporation.

A critical component of this finance management function is the management of cost drivers which have the potential to erode Shareholder value. Being a public entity, the Corporation is in a unique position which demands that it strikes a delicate balance between development objectives and financial sustainability. The success and effectiveness of the MTC is not solely measured on its profitability, but on the qualitative effects of its core business on the communities the Corporation serves. As such, the Corporation is inclined to exercise extreme caution on cost-containment to ensure that the business remains sustainable and viable.

The MTC began the 2018/19 financial year with a shortfall in funding with a net unfavourable position of R13 million. The operating cash balance was R378 521 at the beginning of 2018/19. This amplified the need and emphasis on meeting the revenue budget and the focus on expenditure management.

In 2018/19 the budget allocation from the Department of Transport (DoT) was R114 million which was increased by a further R15 million later in the year. Own budget and revenue was R37 million.

Total employee costs were R72 million and operating expenses R43 million. There were finance costs of R3,3 million, lease rentals of R2,2 million, lease rentals on operating lease of R2,4 million and administrative expenses of R22 million.

The introduction of the Fleet Management System in 2018/19 should help in cost-containment and it should ensure an improvement in revenue generation. The system should help with reducing fuel costs, maintenance costs and ensure that drivers are being more careful. From an employee cost perspective, this means the organisation has to focus on filling only critical vacancies which will lead to greater operational efficiencies and revenue collection.

Cost-containment is particularly important in a situation where the Corporation is unable to meet its revenue targets. Costs then have to be managed against available revenue. This also had an impact on the MTCs ability to fill vacancies.

Maintenance expenditure remains high. A contributing factor to high maintenance costs are the road conditions the MTC fleet operates on. As such, the Corporation has submitted all the routes it operates to the transport department so that they can be prioritised for maintenance and improvement in order to reduce costs of repair and wear and tear.

The Corporation is also focussed on making sure it has the efficiencies to manage the proportion of own revenue versus grant allocation to a desirable position. The Corporation intends to improve the ratio between own generated income versus grant funding to 72 (grant funding):28 (own revenue).

The 2018/19 financial year also highlighted the need for further capitalisation of the business as the basis for improved operational performance and in the financial position of the business. I am pleased that there are ongoing conversations with the Shareholder on the capitalisation debate. The recapitalisation of the business should result in a net positive effect on revenue generation and income. On an operational level, recapitalisation will ensure that the Corporation is able to operate all its trips. It will also build up spare capacity for the MTC which will be utilised to improve its private hire business for improved revenue generation.

I am pleased to report that the Corporation has successfully converted the reporting frame work of preparing Annual Financial Statements from South African Generally Accepted Accounting Practice (SA GAAP) to Generally Recongnised Accounting Practice (GRAP) as required by the Accounting Standards Baord (ASB).

I am equally pleased with the unqualified audit opinion that the Corporation received from the Auditor General. This is an indication that the Corporation is an able steward of public assets. This financial management posture should strengthen the business case for recapitalisation of the business as it indicates that the MTC is accountable and it practices financial prudence. In essence and in practice, this means the Shareholder can be assured that its allocated resources will be utilised in a responsible manner.

In addition, during 2018/19, there was no additional irregular expenditure incurred in the figure recorded in 2017/18. The R6 million irregular expenditure incurred relates to two contracts and four transactions that the MTC was not able to eliminate. A total of 70% of expenditure went to suppliers who are B-BBEE Levels 1, 2 and 3 which account for majority Black-owned businesses.

GENERAL FINANCIAL REVIEW OF THE MTC

The total budget allocation to the Corporation by the Eastern Cape Department of Transport for the 2018/19 financial year amounted to R129 581 000. The Corporation budgeted for own generated revenue an amount of R37 271 000. The total income was allocated as follows:

Economic Classification	2018/19	%
Goods and Services	R78,852,000	47.26
Cost of Employment	R76,044,000	45.57
Capital	R11,956,000	7.17
Total	**R166,852,000**	**100.00**

Grant income for the 2018/19 financial year of R129 581 000 was allocated by the Eastern Cape Department of Transport for operating activities and capital investment. There was also an additional grant of R528 300 from the Transport Education and Training Authority (TETA). This took the total grant allocation to R130 109 300. Actual own revenue was R28 719 993.

BUDGET ADJUSTMENT

The Corporation was requested by the Eastern Cape Provincial Treasury to surrender R36 610 000 at the end of the 2015/16 financial year. This amount was utilised for the acquisition of buses. The request for the surrender was due to administrative processes that were not adequately followed by the Department of Transport in transferring the funds to the Corporation and delays by the Corporation in rolling out the procurement process for buses.

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

Details	Amount
Main Appropriation	R114,581,000
Add: Additional Allocation	R15,000,000
Revised Appropriation	R129,581,000

The R114 581 000 main appropriation is net of the R10 870 000 that was devoted. The movement between the Main Appropriation and the Adjusted Appropriation is because of the adjustment passed in the Adjustment Estimate of 2018/19. The Corporation made a plea to the Department of Transport for the allocation of additional funding to assist the Corporation's cash flows toward the end of the third quarter of the financial year. The request was made by the Department of Transport on behalf of the Corporation to the Provincial Treasury. The Provincial Treasury through the Department of Transport transferred an amount of R15 000 000 to the Corporation.

REVENUE MANAGEMENT

The revenue of the Corporation was received as follows:

GOVERNMENT GRANTS AND SUBSIDIES RECEIVED

Description	Amount
Grant-in-Aid	R129,581,000
TETA Grant	R528,300
Total	**R130,109,300**

The total grant allocated for the 2018/19 financial year was received in total during the financial year.

OWN REVENUE

Economic Classification	Actual	Budget	Variance	%
Passenger Revenue	R23,600,427	R33,234,051	(R9,633,624)	(28,99%)
Private Hire Revenue	R4,493,994	R4,036,949	R457,045	11,32%
Other Income	R625,572	-	R625,572	100%
Total Income	**R28,719, 993**	**R37,271,000**	**(8,551,007)**	**(22,94%)**

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

- The 2018/19 financial year came with many unforeseen challenges that negatively impacted the operations of the MTC, which ultimately resulted in some key targets not being achieved as planned.
- During the first quarter of the year, workers embarked on a national-wide industrial strike which negatively affected the MTC. The strike started on 18 April and ended on 15 May 2018, resulting in the MTC loosing 21 operational days. During this time, no buses were operated, and an estimated 131 955 passengers could not be transported.
- During the second quarter of the year, the MTC was faced with further challenges which included the following: (1) On 19 September 2018 there was a taxi industry shutdown which resulted in the MTC having to suspend its services for the day; (2) An average of 30 buses were off the road due to mechanical defects during the last two weeks of the quarter.
- During the last quarter, the MTC was unable to undertake all its planned trips due to a shortage of operating buses. Out of a fleet of 94 buses there were on average 40 buses out of order at any given time mainly due to mechanical defects. The fleet was constantly being repaired as they kept breaking down, due to the terrains in which they travel on.

The Corporation continues to work on the improvement of revenue collection and utilizing all resources available to improve the control environment in the collection of revenue from casual passengers. The focus going forward will be the improvement of the service offering to attract and retain passengers.

SPENDING TRENDS OF THE MTC

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

ACTUAL EXPENDITURE AGAINST BUDGET EXPENDITURE

Economic Classification	Actual	Budget	Variance	%
Goods and Services	R71,309,495	R78,851,398	R7,282,359	9.24%
Cost of Employment	R72,104,388	R76,044,336	R3,939,978	5.18%
Capital Expenditure	R9,237,198	R 11,956,266	R2,719,068	22.74%
Total	**R152,651,081**	**R166,852,030**	**R13,941,405**	**8.36%**

The Corporation incurred a total expenditure of R152 651 081 for the financial year against a budget of R166 852 030. This is under-expenditure of R1 3941 405 653 (8.36%). The figures above exclude depreciation which is a non-cash amount of R19 563 848. The depreciation amount is not funded and the impact of that is that the Corporation can not make a provision for the replacement of the buses and other assets when they become due for replacement.

The Corporation managed the expenditure within the available resources as there was under-collection of revenue as reflected above to the extent of R8,551,007. The Corporation applied very strict measure on curbing expenditure.

OPERATING EXPENDITURE

Economic Classification	Actual	Budget	Variance	% Variance
Operating Expenses	R43,252,383	R48,820,580	R5,568,197	11.41%
Administration Expenses	R22,206,911	R23,884,384	R1,677,473	7.02%
Lease Rentals on Operating Lease	R2,455,382	R2,492,071	R36,689	1.47%
Finance costs	R3,394,819	R3,654,363	R259,544	7.10%
Total Goods and Services	**R71, 309,495**	**R78,851,398**	**R7,541,903**	**9.56%**

The Corporation has closely managed its expenditure budget which has resulted in the under-expenditure on the goods and services budget of the Corporation of 9.56%. This was done to minimise the impact of the revenue targets that were not met by the Corporation in the financial year. The operating cost of the Corporation remain high due to the high maintenance cost of the buses. This is as a result of the poor state of most roads within which the buses operate.

COST OF EMPLOYMENT

Economic Classification	Actual	Budget	Variance	% Variance
Cost of Employment	R72,104,388	R76,044,336	R3,939,948	5.18%
Performance Bonus	-	-	-	-
Total Cost of Employment	**R72,104,388**	**R76,044,336**	**R3,939,948**	**5.18%**

The Corporation was within budget in terms of the Cost of Employment estimate. It has been strictly maintained and controls have improved in the management of overtime expenditure which was a challenge in the previous financial year. The underspending is a result of the budgeted posts that became vacant and also budgeted posts that were not filled during the financial year as a cost saving measure. This has however had some negative impact on the workload of the existing employees.

CAPITAL EXPENDITURE

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

Classification	Actual	Budget	Balance	% Spent
Refurbishment of Depots	R77,600	R78,000	R400	99.49%
Workshop Equipment	R47,858	R200,000	R152,142	23.93%
Computer Equipment	R63,261	R213,000	R149,739	29.70%
Buses (Leased)	R9,048,479	R11,465,000	R2,416,521	78.92%
Total Amount	**R9,237,198**	**R11, 956,000**	**R2,718,802**	**77.26%**

The Corporation spent a total of R9,237,198 of the R11,956,000 capital budget in the current year. This is mainly due to the fact that the installment on the finance lease were not up-to-date at the end of the financial year and R2,718,802 was underspent in this regard.

DISCONTINUED ACTIVITIES / ACTIVITIES TO BE DISCONTINUED

None of the MTC's business activities which were planned for the 2018/19 financial year is set to be discontinued in the foreseeable future.

REQUESTS FOR ROLLOVER OF FUNDS

There was no roll-over request for the financial year 2018/19 as the Corporation was in a net deficit position. This was because accruals and commitments at the end of the financial year exceeded available cash after deduction of accruals.

Roll-over application shortfall	
Total cash at year-end	2,660,221
Add: Receivables from exchange transactions	528,323
Receivables from non-exchange transactions	1,105,180
Less: Payables from exchange transactions*	(10,919,427)
Deficit	(6,625,703)

Note * This amount excludes leave pay provision of R3,868,916.

This therefore results in the Corporation having to fund these commitments from the following year's (2019/20) funding to the extent of R6,625,703. This will put strain on the 2019/20 budget allocation.

SUPPLY CHAIN MANAGEMENT

There were no unsolicited bids approved during the financial year under review and management has implemented mechanisms to prevent irregular transactions. Such mechanisms include checklists and procedures to identify requests prior to the initiation of transactions.

There is currently insufficient human capital within the supply chain unit. Due to financial constraints, vacancies within this unit could not be filled during the financial year.

AUDIT REPORT MATTERS

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

The findings on compliance relate to consequence management, procurement and contract management, expenditure management and revenue management.

The Corporation incurred irregular expenditure in the review period by continuing contracts that need Provincial Treasury approval for condonation. Fruitless and wasteful expenditure incurred during the financial year related to traffic fine penalties and interest charged due to the late payment of suppliers. Because of the financial constraints experienced during the financial year, it proved difficult to honour payments as and when they became due.

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

2014/15	2015/16	2016/17	2017/18	2018/19
Qualified Revenue (Prior year)	Unqualified	Unqualified	Unqualified	Unqualified

The Corporation has focused it efforts on obtaining a clean audit report in the 2019/20 financial year.

EMPHASIS OF MATTER

Other than the above-mentioned compliance matters, an emphasis of matter was placed on the restatement of corresponding figures for the 31 March 2018 financial statements.

EVENTS AFTER THE REPORTING DATE

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

a) Those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and

b) Those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

No post adjustments to the Annual Financial Statements were made.

OUTLOOK/ PLANS FOR THE FUTURE TO ADDRESS FINANCIAL CHALLENGES

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

The need to focus on bus maintenance in order to reduce out of order buses and in turn improve service delivery of the organization has been recognised. In addition to that a strategy to this end has been adopted and implemented which includes entering into maintenance contracts. This process will continue in the new financial year with funds being allocated for the ongoing maintenance of the buses. Improving asset management continues to be a focus for MTC as it is the area from which services are delivered to the passengers within the area of MTC's operations.

Mr Spelele Galada
Chief Financial Officer
Mayibuye Transport Corporation
23 August 2019

OVERVIEW BY THE CHIEF OPERATIONS OFFICER

The 2018/19 financial year was a reaffirmation that the Mayibuye Transport Corporation (MTC) remains a pivotal pillar of the Eastern Cape's development agenda. The Corporation assumes an emphatic socio-economic development posture which brings mobility to some of the Eastern Cape's most disadvantaged populace as well as encouraging improved economic participation particularly for those in the rural hinterland. A prolonged absence of the MTC service offering would undoubtedly inflict significant socio-economic harm to the social development and economic aspirations of its passengers. Every year, the MTC fleet transcends and breaks down the rural urban divide criss-crossing a geographic spread which stretches from the Amathole District Municipality to the Chris Hani District Municipality and the Buffalo City Metropolitan linking commuters to areas of social and economic participation.

Therefore, the significance of the MTC service requires the establishment and consolidation of sound operational efficiencies which are directed not only at financial sustainability but more importantly, at a superior customer experience. All available economic data indicates that there is an overwhelming need for the MTC's service arsenal. However, the Corporation is cognisant that the development and maintenance of a reliable fleet is a non-negotiable in the delivery of an energised mandate.

OPERATIONAL EFFICIENCIES

As such, the Corporation placed a special emphasis on the maintenance of a robust fleet and the introduction of systems and processes which should augment the requisite operational efficiencies. In addition, the Corporation was acutely aware of the need to develop, train and attract skilled personnel in scarce skills areas such as artisans in order to consolidate the efficacy of the operations function.

In 2018/19, this resulted in the introduction of a Fleet Management System which not only monitors driver behaviour, but it contributes to cost-containment measures. It promotes the development of a responsible driving culture which should translate in savings on high maintenance and repair costs.

SCARCE SKILLS DEVELOPMENT AND RETENTION

Furthermore, the Corporation is confronted with a skills deficit in the critical artisan trade. The shortage of artisan skills is not unique to MTC. South Africa is faced with a significant shortage of artisan skills. From an MTC perspective, the effect of this critical skills shortage manifests itself in high maintenance and repair costs because of the unavailability of in-house artisan skills which leads to this function being largely outsourced. However, I am pleased that the Corporation has taken the preparatory steps in the development of a crucial artisan talent pool which should become central to cost-curtailment measures in the medium to long-term. In 2018/19, the Corporation sent 6 apprentices to a trade test in Port Elizabeth which they successfully completed.

The auto electrical artisans were hosted at the Volkswagen South Africa plant in Uitenhage. The objective is to gradually, where there are vacant positions, recruit these apprentices into the operations function in order to improve internal efficiencies within the engineering unit to enhance repairs and maintenance. Similarly, the development of an internal artisan pool within MTC would lead to a reduction in time and opportunity costs as the Corporation would be able to get its buses on the road within a reasonable time-frame. These measures should result in the development and maintenance of a solid operational and reliable fleet.

INFRASTRUCTURE UPGRADES

While there exists a compelling business case for the continued existence of the MTC service offering, the Corporation has also identified a need to upgrade infrastructure at its four depots in Zwelitsha, Alice, Reeston and Queenstown. An upgrade of the depots is crucial in supporting and accommodating modern equipment, health and safety as well as helping with compliance with national building regulations.

The Corporation is feverishly working toward ensuring that its full complement of 94 buses is on the road on time every day in order to improve the customer experience as well as to support revenue growth. Opportunities have been identified in the area of scholar transport for the MTC to play a substantial role. The MTC is building its capacity and it is preparing its fleet to respond to the demands of this new potential revenue stream.

PASSENGER SAFETY

Furthermore, I am equally pleased that the Corporation continues to place passenger safety at the centre of its operations. Of the 1,7 million passengers that made use of the MTC's buses not a single fatality was recorded in 2018/19 on the 81 routes the Corporation operates. There were a total of 38 minor accidents which mainly involved private cars bumping into the MTC's buses.

During the period under review, the operations function also set its sights on supporting revenue collection while reducing its dependency on the Department of Transport's (DoT) budget allocations. In the period under review, the allocation from the Shareholder went toward repairs and maintenance of the fleet, tyres and fuel. Without reliable buses that are fit for the purpose, it could prove impossible to achieve set revenue targets.

HIGH VALUE PARTNERSHIPS

In addition, the Corporation is aware that the development of strategic alliances and high value partnerships is crucial in the implementation of the MTC's mandate. The discharge of the MTC's mandate requires a collaborative approach in order to achieve a pronounced socio-economic impact. As a result, in 2018/19 the MTC's relations with the taxi industry remained strong. This is a result of continuous engagement and the development of task teams that are aimed at improving relations. There are forums that exist which are constituted of the MTC, the DoT, small bus operators and the taxi industry as well as with the Buffalo City Metropolitan Municipality (BCMM) which serve as an educational platform on industry regulations.

The Corporation is equally pleased with its involvement in the Integrated Public Transport Network (IPTN) planning committee which allows for the MTC's inputs to find expression The IPTN seeks to integrate the various modes of transport in the Buffalo City municipal area.

OPERATIONAL PERFORMANCE 2018/19

REVENUE COLLECTION

I am pleased to report that the MTC collected a total revenue of R28 million. This figure is made up of R23,6 million generated from core operations and R4,49 million from the private hire business. Although the Corporation underachieved on its targeted revenue figure of R37,2 million on route revenue, it rationalised its operations and capitalised on the private hire business which boosted revenue.

Inadequate fleet capacity experienced in the review period was a result of fleet which was kept longer at repairs and service which affected revenue targets. A total of 1,7 million passengers accounted for this total revenue figure against the targeted passenger number of 1,798 million passengers which was required to meet the revenue target. Passenger trips were also affected with average passenger trips recorded at 823 per week versus the planned 1,145 passenger trips a week.

A month-long industrial action during the national minimum wage negotiations brought operations to a halt. This meant an estimated 131 955 passengers could not be transported during this period further hurting revenue. This translated into an estimated revenue loss of R1,8 million during this period. Service delivery protest action also exacerbated the situation which prevented buses from operating optimally.

FLEET MANAGEMENT AND MAINTENANCE

In 2018/19, the Corporation installed a Fleet Management System which monitors driver behaviour. The system monitors behavioural habits such as hard acceleration, hard braking and speeding which impact on the wear and tear of the fleet. The system provides detailed insight into the movement of the fleet. At all times, the MTC now knows where all its buses are and the location of its drivers. This should translate to the envisaged operational efficiencies. The system also provides information on the ignition status, arrival times and route deviations. It assists in the maintenance of buses as well as in the licensing and registration of buses. It also helps with scheduled maintenance, monitoring mileage and required service. The total usefulness of the system will be fully ventilated in the new financial year.

In 2018/19 total operational expenditure stood at R43,250 million. Of this figure, R13,9 million was spent on repairs and maintenance, R17,4 million on fuel, R2,6 million on tyres, R2,7 million on licences and permits. A further R465 756 was spent on consumables such as lubricants and grease. Insurance accounted for R5 million of expenditure and motor vehicle expenses were R47 033. Finance leases for 40 buses were R3,4 million in 2018/19.

TRAFFIC MANAGEMENT

The traffic management function is responsible for route performance, scheduling of buses and it ensures that all buses have valid operating licenses as well as valid driver licences with PDPs. It also monitors the revenue collection system particularly fare increases.

SECURITY AND ENVIRONMENTAL MANAGEMENT

Through its security and environmental management function, the MTC ensures that its depots are safe by procuring the security services. The appointed service provider secures the MTC's infrastructure and buses. The function also works to ensure the safety of workers, visitors and contractors as well as environmental protection in the Corporation's operations.

During the period under review, there was an attempted robbery incident at the Queenstown depot which was promptly

thwarted by the security company on site. There were no other security issues during the period under review. There is a general improvement in the health and safety of workers. The Corporation is also in a process of improving infrastructure by ensuring that storm water drainage is improved when buses are being washed.

FACILITIES AND BUILDING MAINTENANCE

There were no depot upgrades in 2018/19. There was day to day maintenance of facilities. A total of R400 000 was spent on minor maintenance at the four depots during the review period.

FUTURE OUTLOOK

The MTC is investigating bringing back the inspectorate function into the operations of the business. The benefit of the inspectorate is improved oversight and monitoring of revenue collection in order to ensure that the MTC suffers no undue financial losses. Inspectors on buses will be able to check the validity of bus tickets. More stringent focus will be paid to improving revenue collection and fleet maintenance.

Mr David Gwabeni
Chief Operations Officer
Mayibuye Transport Corporation
23 August 2019

STATEMENT OF RESPONSIBILITY AND CONFIRMATION OF ACCURACY OF THE ANNUAL REPORT

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

- All information and amounts disclosed in the annual report are consistent with the annual financial statements audited by the Auditor General;
- The annual report is complete, accurate and is free from any omissions;
- The annual report has been prepared in accordance with the guidelines on the annual report as issued by National Treasury;
- The Annual Financial Statements (Part E) have been prepared in accordance with the South African Generally Recognised Accounting Practice standards applicable to the public entity;
- The accounting authority is responsible for the preparation of the annual financial statements and for the judgements made in this information;
- The accounting authority is responsible for establishing, and implementing a system of internal control which has been designed to provide reasonable assurance as to the integrity and reliability of the performance information, the human resources information and the annual financial statements; and
- The external auditors are engaged to express an independent opinion on the annual financial statements.

In our opinion, the annual report fairly reflects the operations, the performance information, the human resources information and the financial affairs of the Mayibuye Transport Corporation for the financial year ended 31 March 2019.

Yours faithfully

Mr Khanyisa Gazi
Acting Chief Executive Officer
23 August 2019

Adv. Andile Mini
Chairperson of the Board
23 August 2019

STRATEGIC OVERVIEW

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

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

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

Beyond its transport operations, the MTC acts as an implementing agent in artisan development programmes, assisting Government to advance the achievement of the National Skills Development Strategy.

Vision

The vision of the MTC is "To be the Public Transporter of Choice".

Mission

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

Values

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

- **Batho-Pele (Sotho for "People First"):**
  Service orientated organisation which strives for excellence in ser vice delivery and is committed to continuous service delivery im provement for the achievement of a better-life-for-all whilst includ ing all citizens through services and programmes
- **Integrity:**
  Work ethically, honestly and transparently.
- **Consultation:**
  Create an enabling environment for community and stakeholder participation.
- **Innovation:**
  Strive towards radical and revolutionary changes in thinking, ser vices, processes or organisation.
- **Accountability:**
  Act honourably and take ownership of our actions and the out comes thereof.

LEGISLATIVE AND OTHER MANDATES

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

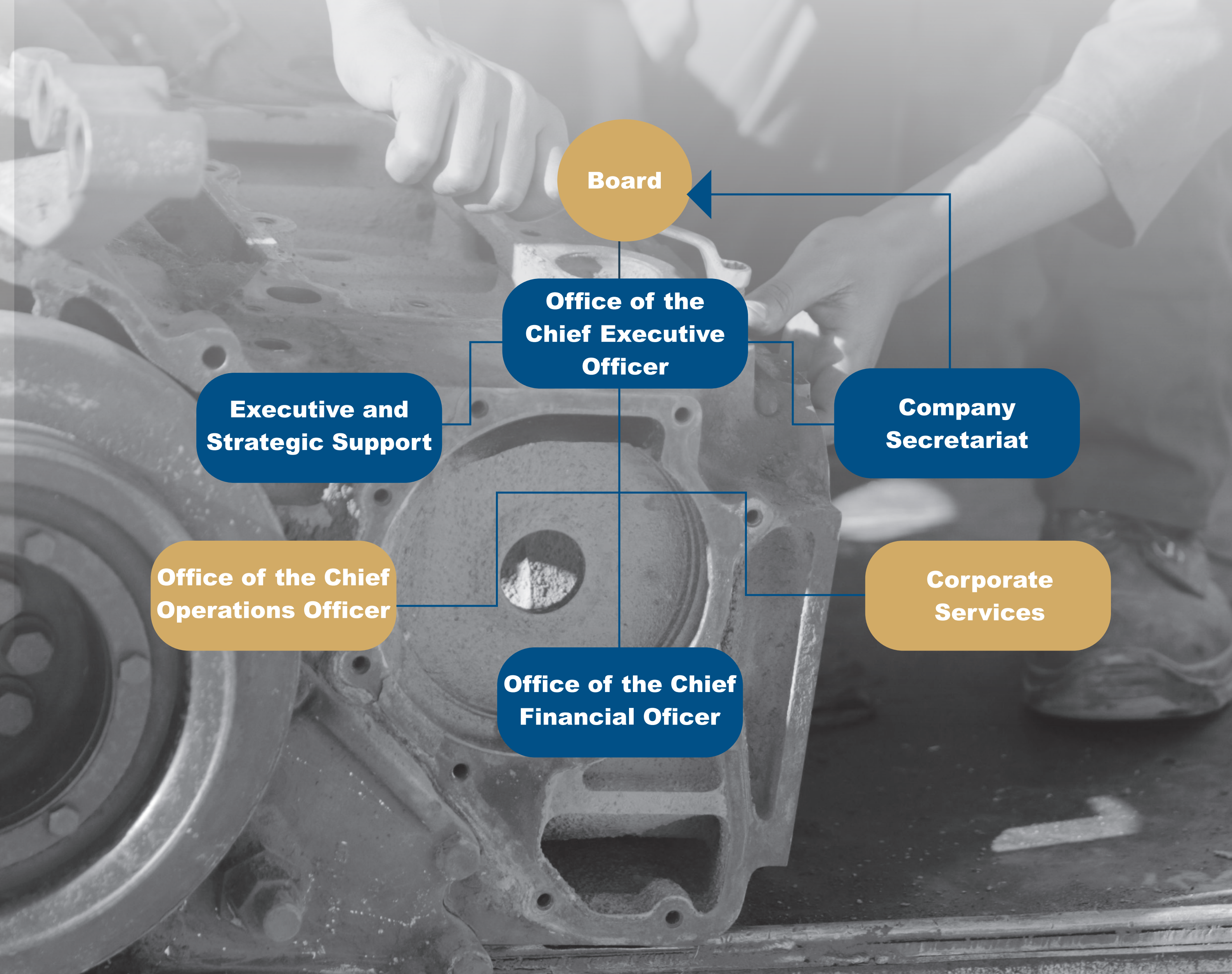
At present, the MTC receives a subsidy in the form of a grant-in-aid to cover the operating expenses of the Corporation.

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

Government has approved a "Protocol on Corporate Governance in the Public Sector", which is to be read in conjunction with the King IV Report. The protocol is applicable to all public entities listed in Schedule 2, 3B and D of the PFMA. It is intended to provide guidance on how to achieve the socio-politico-economic objectives of government; good governance in the public sector; freedom to manage and effective accountability of both financial and non-financial matters. The MTC regards good corporate governance as integral to good performance. It is critical for the MTC to fulfil its mandate in a manner that is consistent with best practices and regarding accountability, transparency, fairness and responsibility. For this reason, the MTC subscribes to the principles of good governance as laid down by the King IV Report and the Protocol on Good Governance in the Public Sector. The MTC undertakes to maintain effective governance and the highest standard of ethical business operations.

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

ORGANISATIONAL STRUCTURE



PERFORMANCE INFORMATION

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MAYIBUYE TRANSPORT CORPORATION

AUDITOR'S REPORT: PRE-DETERMINED OBJECTIVES

The AGSA currently performs the necessary audit procedures on the performance information to provide reasonable assurance in the form of an audit conclusion. Refer to page 79 of the Report of the Auditor General to the Eastern Cape Provincial Legislature, published as Part 5: Financial Information.

SITUATIONAL ANALYSIS

SERVICE DELIVERY ENVIRONMENT

Public transport continues to be an integral part of government's service delivery apparatus as the primary mode of transport to most people in the country. Perhaps the most significant challenge for public transport globally is providing a safe, reliable and affordable service at all times. In South Africa, and throughout the developing world, public transport is a significant contributor to socio-economic development. In rural provinces, public transport is largely the only available resource for commuters to reach their destinations. In the Eastern Cape, the Corporation provides transportation and commuter services to mostly public servants, scholars and daily passengers to various destinations within its four areas of operation. The critical space occupied by the MTC remains a strategic thrust in the socio-economic development agenda of the country and the Eastern Cape Province in particular.

Passenger transportation is the MTC's core business which is in line with its mandate of rendering an effective and efficient public transport service primarily for workers to industries and other places of employment in the Eastern Cape. This mandate is also an integral part of various outcomes in the medium-term strategy framework for public services. During the 2018/2019 financial year, the MTC faced challenges outside its control which impacted on its ability to fully achieve its objectives. These are unpacked under Section 3 of this report. Amidst these challenges, the MTC still strives to provide a safe, reliable and affordable public bus transport service to satisfy customer demands. This continued commitment is evident in the Corporation's record of zero fatal accidents caused by the MTC drivers.

The MTC has a mission to provide a safe, reliable, affordable public bus transport service that is response to its environment. The MTC is very passionate about service delivery and becoming a true transporter of choice to its clientele. For many communities the MTC is the only choice and mode of transport, thus the Corporation owes it to them to deliver on its mandate to transport the poorest of the poor in its areas of operation.

Most of the MTC's service delivery efforts are rendered in the rural outskirts of the province from four depots - Reeston, Alice, Queenstown and Zwelitsha. The MTC's head office is situated in East London, Beacon Bay where the majority of administration staff is located. The MTC services the public with 94 buses that operate 84 routes mainly in rural areas. This puts a strain on the MTC's aging fleet. Despite this, the MTC remains committed to serving the people of the Eastern Cape. The ever present resistance from the taxi association also remains a risk factor concerning the service delivery that the Corporation provides. Regardless of pressures from the competition, the MTC prides itself on providing the most affordable transport coupled with the knowledge of its target market and their demographic and income needs.

One of the best ways to scan the environment in which the MTC will operate in future is to make assumptions about the future in key areas that have an important impact on the Corporation. The service delivery environment relates to what affects the MTC's ability to obtain inputs and to dispose of its outputs. Changes in the environment create opportunities to strengthen the MTC's market position. However, other changes will pose a threat if the MTC is unable to adapt.

The MTC has a fleet of 94 buses which operates 74 duties on 81 routes across the Border area of the Eastern Cape. The MTC operates from four main depots, Alice, Queenstown, Reeston and Zwelitsha. For the period under review, the MTC transported 1 706 125 passengers with no fatal accidents. The MTC operated a total number of 830 trips with 95% delivered on service reliability. Consistent resistance from taxi associations has resulted in the MTC not achieving most of its targets. Continuous engagements with taxi associations facilitated by the Eastern Cape Department of Transport are ongoing. In addition to the resistance against new routes, there were numerous municipal service delivery protests on some of the existing routes thus necessitating the MTC to cancel scheduled trips as a result of obstructions on the affected routes.

The Buffalo City Metro Municipality started a process of reviewing its Bus Rapid Transport (BRT) Plan that was developed in 2010. The BRT Plan has been modified to achieve conformance with the Integrated Public Transport Network (IPTN) guidelines to ensure integration with the Provincial Public Transport Master Plan. The IPTN focuses on a more broad-based approach unlike the BRT. It is designed to integrate modes of transport whether it is road or rail as well as small and large buses. IPTN will have full network coverage with appropriate mixed traffic or dedicated lanes. It will also be universally accessible throughout system.

The reviewed plan will cover the entire Buffalo City Metro Municipality areas, giving rise to:

- 18 Main Route - road based;
- 53 Feeder / community service – road based;
- Retention of the East London – Berlin rail service as a core element of the IPTN – long-term expectation to extend service to King Williams Town.

The MTC is part of the Buffalo City Transport Forum (BCTF) and has attended various meetings IPTN on the implementation of the plan once completed.

ORGANISATIONAL ENVIRONMENT

The Mayibuye Transport Corporation is a public transport operator dedicated to providing scheduled bus services to the people of the Eastern Cape. The MTC operates in furtherance of the Department of Transport's legislative mandate in the field of public transport and is guided periodically by the Eastern Cape Provincial Growth and Development Strategy. In November 2015, the Board approved an organisational redesign for the MTC that will ensure that, progressively, the entity will be well-positioned to continue as the main mode of choice for conventional bus commuter transport within an integrated public transport strategy.

Mayibuye Transport Corporation recognises the increasing importance of contributing to CSI (Corporate Social Investment) initiatives. Over the years, the MTC has strived to plough back to its communities. This year was no different.

As embraced by the World Business Council (WBC) for sustainable development, the MTC and its employees have strengthened their commitment to contributing to sustainable development and working together with its communities to improve their quality of life by donating to the Non-Profit Organisation (NPO) named The Good Samaritan Child and Youth Care Centre, located in Mdantsane – one of the MTC's areas of operation.

During the year under review, unforeseen challenges were experienced which resulted in unmet key targets. This impacted negatively on the operations of the MTC. The MTC employees embarked on a National Wage Negotiation industrial action which negatively affected the MTC. The Industrial Action lasted for 21 operational days. During this time, no buses were operated, and an estimated 131 955 passengers could not be transported. Furthermore, the following challenges were experienced:

- Inadequate fleet capacity to operate scheduled trips caused by, amongst others, buses being kept longer when taken for service due to suspension of the service provider's account.
- Taxi Industry shutdown, which resulted in MTC having to suspend its services for the day;
- Service delivery protests on certain routes;
- An average of 40 buses were off the road due to mechanical defects during the year under review.

The MTC was unable to undertake all its planned trips during due to shortage of operating buses. Out of a fleet of 94 buses an average of 40 buses were out of order during the year under review due to mechanical defects. The fleet was constantly being repaired as it kept breaking down, due to the terrains in which the MTC operates. The MTC will continue its engagements with the Department of Transport for additional funding in order to ensure that buses are back on the road hastily.

KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

No amendments in legislation which are applicable to the Corporation were identified during the 2018/19 financial year.

STRATEGIC OUTCOME-ORIENTED GOALS

The strategic objectives that the MTC were in pursuit of for the 2018-19 performance cycle are as follows:

Strategic Goal	No.	Strategic Objective
1. Ensure accessible, reliable, safe and affordable public bus transport services that satisfy the needs of our customers	1.1	Increase number of passengers transported from 1 735 049 per annum to 2 688 168 per annum by 31 March 2020
	1.2	Increase the customer satisfaction rating from 85% to 90% by 31 March 2020
2. To be a catalyst to the Eastern Cape Developmental Priorities through the provision of a viable public bus transport service	2.1	Reduce dependency on grant from 76% to 72% by 31 March 2020
3. Develop the MTC into a fit-for-purpose public transport provider	3.1	Increase the King IV application rating from AA to AAA by 31 March 2020

SOMETIMES ITS THE JOURNEY THAT TEACHES YOU A LOT ABOUT YOUR DESTINATION.

DRAKE

PERFORMANCE INFORMATION

STRATEGIC OBJECTIVES, PERFORMANCE INDICATORS PLANNED TARGETS AND ACTUAL ACHIEVEMENTS

Strategic Goal:		Ensure accessible, reliable, safe and affordable public bus transport services that satisfy the needs of our customers				
Strategic Objective		Measurable Objective	Performance Indicator	Actual Achievement 2017/2018	Target 2018/2019	Actual Achievement 2018/2019
1.1	Increase the number of passengers transported from 1 735 049 per annum to 2 688 168 per annum by 31 March 2020	Ensure that at least 1 798 295 people per annum use the MTC bus services by 31 March 2019	Number of passengers transported	1 976 040	1 798 295	1 706 125

: GOAL 1

Deviation from Target to Actual Achievement for 2018/2019	Challenges	Improvement Plan
92 170	The target was not achieved. The 2018/19 financial year came with many unforeseen challenges that negatively impacted the operations of the MTC, which ultimately resulted in some key targets not being achieved as planned. During the first quarter of the year workers embarked on a national-wide industrial strike which negatively affected the MTC. The strike started on 18 April and ended on 15 May 2018, resulting in the MTC loosing 21 operational days. During this time no buses were operated, and an estimated 131 955 passengers could not be transported. During the second quarter of the year, as much as the operations picked up, we were faced with further challenges, which included the following: (1) On 19 September there was a Taxi Industry shutdown, which resulted in MTC having to suspend its services for the day; (2) Suspension of the Siga Capital account at Ronnies Motors for servicing of buses, resulted in the MTC buses being kept longer than anticipated; (3) An average of 30 buses were off the road due to mechanical defects during the last 2 weeks of the quarter. During the last quarter, the MTC was unable to undertake all its planned trips during due to shortage of operating buses. Out of a fleet of 94 buses there were on average 40 buses out of order at any given time mainly due to mechanical defects. The fleet was constantly being repaired as they kept breaking down, due to the terrains in which they travel on.	The MTC will continue lobbying the Department of Transport and Provincial Treasury for additional funding which will assist in resolving the time taken to repair buses that have minimal mechanical defects, so that they are back on the road as soon as possible.

PERFORMANCE INFORMATION

STRATEGIC OBJECTIVES, PERFORMANCE INDICATORS PLANNED TARGETS AND ACTUAL ACHIEVEMENTS

Strategic Goal:		Ensure accessible, reliable, safe and affordable public bus transport services that satisfy the needs of our customers				
Strategic Objective		Measurable Objective	Performance Indicator	Actual Achievement 2017/2018	Target 2018/2019	Actual Achievement 2018/2019
1.1	Increase the number of passengers transported from 1 735 049 per annum to 2 688 168 per annum by 31 March 2020	Expand the MTC's area of operations from 1013 trips per week to 1145 trips per week by 31 March 2019	Number of trips operated per week	1 003	1 145	823
1.1	Increase the number of passengers transported from 1 735 049 per annum to 2 688 168 per annum by 31 March 2020	Maintain a rate of zero fatal accidents caused by the MTC	Number of fatal accidents caused by the MTC	0	0	0
1.1	Increase the number of passengers transported from 1 735 049 per annum to 2 688 168 per annum by 31 March 2020	Ensure that no more than 459 planned trips are cancelled due to non-availability of buses	Maximum Number of trips cancelled due to non-availability of buses	2 174	459	8 595
1.2	Increase the customer satisfaction rating from 85% to 90% by 31 March 2020	Ensure a minimum customer satisfaction level of 80% by 31 March 2019	Percentage of respondents which are neutral, somewhat satisfied or very satisfied with the MTC Bus Service	79.43	80	78.93

: GOAL 1

	Deviation from Target to Actual Achievement for 2018/2019	Challenges	Improvement Plan
	322	The target was not achieved. The 2018/19 financial year came with many unforeseen challenges that negatively impacted the operations of the MTC, which ultimately resulted in some key targets not being achieved as planned. During the first quarter of the year workers embarked on a national-wide industrial strike which negatively affected the MTC. The strike started on 18 April and ended on 15 May 2018, resulting in the MTC loosing 21 operational days. During this time no buses were operated, and an estimated 2 189 number of scheduled trips could not be operated. During the second quarter of the year, as much as the operations picked up, we were faced with further challenges, which included the following: (1) On 19 September there was a Taxi Industry shutdown, which resulted in MTC having to suspend its services for the day; (2) Suspension of the Siga Capital account at Ronnies Motors for servicing of buses, resulted in the MTC buses being kept longer than anticipated; (3) An average of 30 buses were off the road due to mechanical defects during the last 2 weeks of the quarter. During the last quarter the MTC was unable to undertake all its planned trips during due to shortage of operating buses. Out of a fleet of 94 buses there were on average 40 buses out of order at any given time mainly due to mechanical defects. The fleet was constantly being repaired as they kept breaking down, due to the terrains in which they travel on.	The MTC will continue lobbying the Department of Transport and Provincial Treasury for additional funding which will assist in resolving the time taken to repair buses that have minimal mechanical defects, so that they are back on the road as soon as possible.
	0	Not applicable. Target Achieved.	Not applicable. Target Achieved.
	8 136	The target was not achieved. During the entire financial year the MTC was challenged with the number of buses that were out of order resulting in scheduled trips being cancelled as there was a shortage of operational buses. The issues continuously persisted during the year with an incline seen every quarter. With more buses being out of order due to mechanical defects the MTC had to rationalise its operations which included cancelling some scheduled trips for the purposes of operating requested private-hire trips. This assisted the entity in being able to raise its revenue, which resulted in an overachievement within the private-hire revenue target.	The MTC will continue lobbying the Department of Transport and Provincial Treasury for additional funding which will assist in resolving the time taken to repair buses that have minimal mechanical defects, so that they are back on the road as soon as possible.
	1,07	The target was not achieved. The effects of the out of order buses rendered the MTC unrealisable to its commuters, as trips had to be cancelled due to a shortage of operational buses.	The MTC will continue lobbying the Department of Transport and Provincial Treasury for additional funding which will assist in resolving the time taken to repair buses that have minimal mechanical defects, so that they are back on the road as soon as possible.

PERFORMANCE INFORMATION

STRATEGIC OBJECTIVES, PERFORMANCE INDICATORS PLANNED TARGETS AND ACTUAL ACHIEVEMENTS

Strategic Goal:		Ensure accessible, reliable, safe and affordable public bus transport services that satisfy the needs of our customers				
Strategic Objective		Measurable Objective	Performance Indicator	Actual Achievement 2017/2018	Target 2018/2019	Actual Achievement 2018/2019
2.1	Reduce dependency on grant from 76% to 72% by 31 March 2020	Reduce reliance ratio of subsidy to own generated income from 76.7:23.3 to 75.5:24.5 by 31 March 2019	Grant versus Own Income Ratio	77.85:22.15	75.5:24.5	82.22:17.78
2.1	Reduce dependency on grant from 76% to 72% by 31 March 2020	Implement phase 1 of the long-term funding strategy	Number of phases in the Long-Term Funding Strategy implemented	-	1	0
2.1	Reduce dependency on grant from 76% to 72% by 31 March 2020	Ensure that each of the 12 core digital systems are on average available 38 hours per week by 31 March 2019	Average number of hours per week each core digital system is available	-	36	161

: GOAL 2

Deviation from Target to Actual Achievement for 2018/2019	Challenges	Improvement Plan
6,72	The target was not achieved. The effects of the challenges experienced during quarter one, being the national-wide industrial strike which resulted in 21 operational days being forgone, as well as the effects of out of order buses during the entire year impacted the achievement of the planned on-route revenue target. However, because of the increased private-hire revenue generated during the financial year the MTC was shortfall by 24% in meeting its revenue target for the year.	The MTC will continue lobbying the Department of Transport and Provincial Treasury for additional funding which will assist in resolving the time taken to repair buses that have minimal mechanical defects, so that they are back on the road as soon as possible.
1	The target was not achieved. The MTC currently does not have a route costing model in place, which would have been used to inform the Long-Term Funding Strategy.	The entity is currently establishing baseline information for the development of a Route Costing Model, using historic and current data to determine the costs of preparing a Long-Term Funding Strategy.
-125	The target was overachieved; this was due to a stable ICT infrastructure, a period of good electrical and telecommunication supply, quick action on reported downed systems.	Not applicable. Target Achieved.

PERFORMANCE INFORMATION

STRATEGIC OBJECTIVES, PERFORMANCE INDICATORS PLANNED TARGETS AND ACTUAL ACHIEVEMENTS

Strategic Goal:		Ensure accessible, reliable, safe and affordable public bus transport services that satisfy the needs of our customers				
Strategic Objective		Measurable Objective	Performance Indicator	Actual Achievement 2017/2018	Target 2018/2019	Actual Achievement 2018/2019
3.1	Increase the King IV application rating from AA to AAA by 31 March 2020	Demonstrate successful, responsible and accountable corporate governance by gaining a level AA King IV application rating by 31 March 2019	King IV Application Rating	0	AA: High Application	0
3.1	Increase the King IV application rating from AA to AAA by 31 March 2020	Resolve all findings that affect the 16/17 audit outcome by 31 March 2019	Number of unresolved findings that affect the prior year audit outcome	8	0	3
3.1	Increase the King IV application rating from AA to AAA by 31 March 2020	Improve the average employee performance score from 3,46 to 3,50 by 31 March 2019	Employee average performance score for the organisation	0	3.50	0

: GOAL 3

	Deviation from Target to Actual Achievement for 2018/2019	Challenges	Improvement Plan
	AA: High Application	The target was not achieved. The MTC was unable to perform the assessment as this tool is no longer available online on the IODSA Website, as was previously offered by the IOD SA for the King III assessment.	The MTC has started a process of Governance training for the Board, which will be filtered down to all employees to ensure that the principles of King IV are applied.
	3	The target was not achieved. Although the MTC managed to reduce the amount of irregular, fruitless and wasteful expenditure as compared to the prior financial years, we were unable to fully prevent the incurrence of irregular, fruitless and wasteful expenditure during the financial year.	In the new financial year, the Finance department will be conducting SCM workshops as well as reviewing policies and procedures to ensure that all end users are kept abreast of legislation they need to comply with, paying attention to laws surrounding irregular, fruitless and wasteful expenditure. The entity also plans on developing a business case that will attract more funding as well as increasing its revenue streams.
	3.50	The target was not achieved during the current financial year due to a poor performance management culture which exists within the MTC.	The MTC management is working on the overhaul of the performance management system including amendment to the policy to ensure that non-adherence is a disciplinable offence by all employees at MTC.

PERFORMANCE INFORMATION

STRATEGIC OBJECTIVES, PERFORMANCE INDICATORS PLANNED TARGETS AND ACTUAL ACHIEVEMENTS

Strategic Goal:		Ensure accessible, reliable, safe and affordable public bus transport services that satisfy the needs of our customers				
Strategic Objective		Measurable Objective	Performance Indicator	Actual Achievement 2017/2018	Target 2018/2019	Actual Achievement 2018/2019
3.1	Increase the King IV application rating from AA to AAA by 31 March 2020	Develop a capable workforce by completing 50 training initiatives in accordance with the CEO approved workplace skills plan by 31 March 2019	Number of training initiatives completed in accordance with the CEO approved workplace skills plan	122	50	75
3.1	Increase the King IV application rating from AA to AAA by 31 March 2020	Maintain the number of interns enrolled in the TETA funded internship program at 17 by 31 March 2019	Number of Interns enrolled in the TETA Internship Programme	28	17	19
3.1	Increase the King IV application rating from AA to AAA by 31 March 2020	Develop a capable workforce by promoting 20 learners from year 1 to year 2 of the 3-year apprenticeship programme by 31 March 2019	Number of learners enrolled in year 2 of the 3-year apprenticeship programme	20	20	20
3.1	Increase the King IV application rating from AA to AAA by 31 March 2020	Reduce 2 of the 11 Strategic Risks to an acceptable level by 31 March 2019	Number of Strategic Risks reduced to an acceptable level	0	2	2

: GOAL 3

Deviation from Target to Actual Achievement for 2018/2019	Challenges	Improvement Plan
-25	The target was overachieved. The MTC sought to provide more opportunity to staff by providing some of the training initiatives in-house which resulted in more staff members being able to attend such trainings.	The MTC will continue to seek out different alternatives which will maximise employee growth and development.
-2	The target was overachieved. The MTC has formed partnerships with institutions of higher learning, where our role in the partnership is to be the host employer for learners from these institutions. We were therefore able to place more interns within our programme then initially planned.	The MTC will continue to support the development and empowerment of the youth.
0	Not applicable. Target Achieved.	Not applicable. Target Achieved.
0	Not applicable. Target Achieved..	Not applicable. Target Achieved.

LINKING PERFORMANCE WITH BUDGETS

Programme/ activity/objective	2017/2018			2018/2019		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Administration	41 954	39 525	2 429	46 643	43 435	3 208
Operations	111 750	118 605	(6 855)	120 209	109 216	10 993

REVENUE COLLECTION

Sources of revenue	2017/18			2018/2019		
	Estimate	Actual Amount Collected	(Over)/Under Collection	Estimate	Actual Amount Collected	(Over)/Under Collection
	R'000	R'000	R'000	R'000	R'000	R'000
Passenger Revenue	30 757	27 133	(3 624)	33,234	23,600	(9,634)
Private Hire Revenue	5 242	5 279	37	4, 037	4,493	456
Grant Income	117 704	117 704	0	129, 581	129,581	-
Total	**153 703**	**150 116**	**(3 587)**	**166,852**	**157,674**	**9,178**

CAPITAL INVESTMENT

There were no major projects carried out during the financial due to non-availability of capital budgets.

Infrastructure projects	2017/2018			2018/2019		
	Budget	Actual Expenditure	(Over)/Under Expenditure	Budget	Actual Expenditure	(Over)/Under Expenditure
	R'000	R'000	R'000	R'000	R'000	R'000
Refurbishment of Depots	2 158	3 134	(976)	78	77,6	0,400

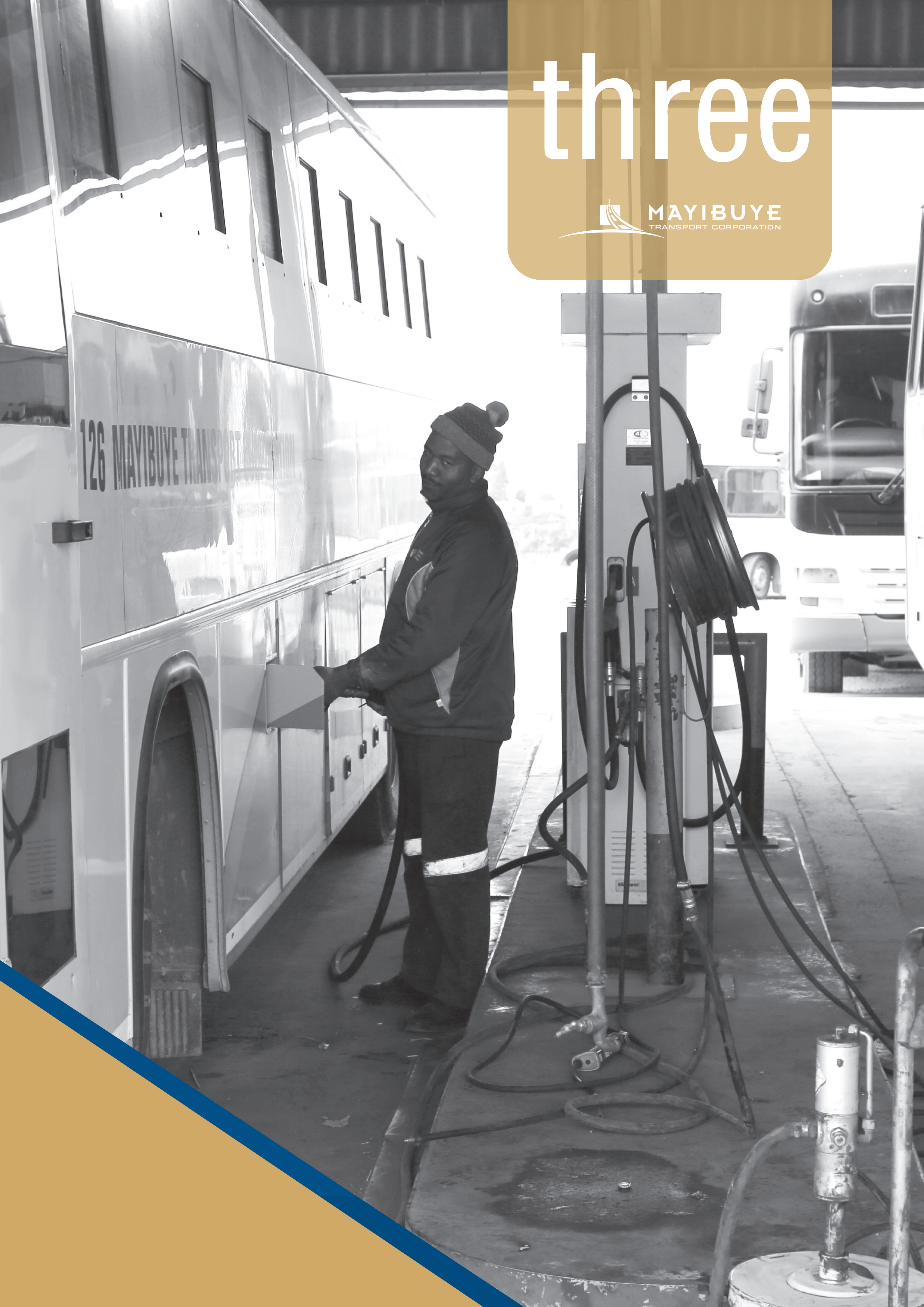
IT ALWAYS SEEMS IMPOSSIBLE UNTIL ITS DONE

NELSON MANDELA

GOVERNANCE

three

MAYIBUYE
TRANSPORT CORPORATION



INTRODUCTION

Corporate governance embodies processes and systems by which public entities are directed, controlled and held to account. In addition to legislative requirements based on a public entity's enabling legislation, and the Companies Act, corporate governance regarding public entities is applied through the precepts of the Public Finance Management Act (PFMA) and run in tandem with the principles contained in the King IV Report on Corporate Governance.

Parliament, the Executive and the Accounting Authority of the public entity are responsible for corporate governance.

THE ACCOUNTING AUTHORITY / BOARD

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

The current Board assumed office on 1 February 2019. The Board comprises nine board members who are appointed by the MEC responsible for Transport.

BOARD CHARTER

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

COMPOSITION OF THE BOARD

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

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

The Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) are ex officio members of the Board.

Irrespective of a director's special expertise or knowledge all members of the Board recognise that they are collectively responsible to the Executive Authority for the performance of the Corporation. The Board Charter sets out the broad governance principles and parameters within which the Board operates and it constitutes an integral part of setting out the composition and meeting procedures for the Board.

COMMITTEES

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

GOVERNANCE COMMITTEE

The Governance Committee provides Leadership, Guidance, Advice, Coordination and Integration to the Board Committees and management, in the execution of their tasks of developing Policies, Strategies, and Plans. The Governance Committee of the Board, in line with its terms of reference, makes appropriate recommendations to the Board on strategic transversal issues. It scrutinises items on the Board agenda. It also identifies Board Development Opportunities.
Furthermore, the purpose of the Governance Committee is to carry out the responsibilities delegated by the Board of Directors of the Mayibuye Transport Corporation and shall act on urgent issues between board meetings.

AUDIT AND RISK MANAGEMENT COMMITTEE

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

FINANCE AND INVESTMENT COMMITTEE

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

OPERATIONS AND ENGINEERING COMMITTEE

The Operations and Engineering Committee provides leadership in the development of the MTC Operations and Engineering Strategies and Plans. The Operations and Engineering Committee provides governance direction, guidance and advice to management on industry Operations and Engineering Norms, Standards and new technological innovations. The committee also monitors progress in the achievement of the core operations.

HUMAN RESOURCES AND REMUNERATION COMMITTEE

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

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

RESPONSIBILITIES

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

- Acted as the focal point for, and custodian of, corporate governance by managing its relationships with management and other stakeholders of the Corporation along sound corporate governance principles.
- Appreciated that strategy, risk, performance and sustainability are inseparable and gave effect to this by:
    - Contributing to and approving the 2018/2020 Corporate Plan;
    - Satisfying it that the strategy and operational plans do not give rise to risks that have not been thoroughly assessed by management;
    - Identifying key performance and risk areas, and monitoring the Corporation's performance against agreed objectives (including the assess ment of the evaluation of the performance of ex ecutive management in terms of defined objec tives and applicable public service and public transport industry standards) ensuring that the strategy will result in sustainable outcomes;
    - Providing effective leadership on an ethical foun dation;
    - Ensuring that the Corporation's ethics are man aged effectively;
    - Retaining full and effective control over the Cor poration, and monitoring management's imple mentation of the strategic plans and financial objectives as de fined by the Board;
    - Defining levels of delegation of authority to Board sub-committees and management and continually monitoring the exercise of delegated powers;
    - Ensuring that a comprehensive system of poli cies and procedures is in place and that appro priate governance structures exist to ensure the smooth, efficient and prudent stewardship of the Corporation;
    - Ensuring compliance by the Corporation with all relevant laws and regulations, audit and account ing principles, the Corporation's code of con

duct, and such other principles as may have been established by the Board from time to time;

- Ensuring that the Corporation has an effective and independent Au dit and Risk Committee;
- Ensuring that there is an effective risk-based internal audit;
- Being responsible for Information Communication Technology (ICT) governance;
- Being responsible for the governance of risk and regularly reviewing and evaluating risks to the Corporation and ensuring the existence of comprehensive, appropriate internal controls to mitigate against such risks;
- Acting in the best interests of the Corporation by ensuring that indi vidual director:
    - o Adhere to legal standards of conduct;
    - o Are permitted to take independent advice about their duties following an agreed proce dure; and
    - o Disclose real or perceived conflicts to the Board and dealing with them accordingly;
- Exercising objective judgement on the business affairs of the Corpo ration, independent from management but with sufficient manage ment information to enable a proper and informed assessment to be made;
- Ensuring that the Corporation is and is seen to be a responsible cor porate citizen by having regard to not only the financial aspects of the business of the Corporation but also the impact that the busi ness operations have on the environment and the society within which it operates;
- Identifying and monitoring non-financial aspects relevant to the busi ness of the Corporation;
- Ensuring the integrity of the Corporation's Annual Report;
- Evaluating the performance of the Chief Executive Officer;
- Together with the CEO evaluating the performance of the Board Sec retary; and
- Reviewing and evaluating the adequacy of the Board Charter.

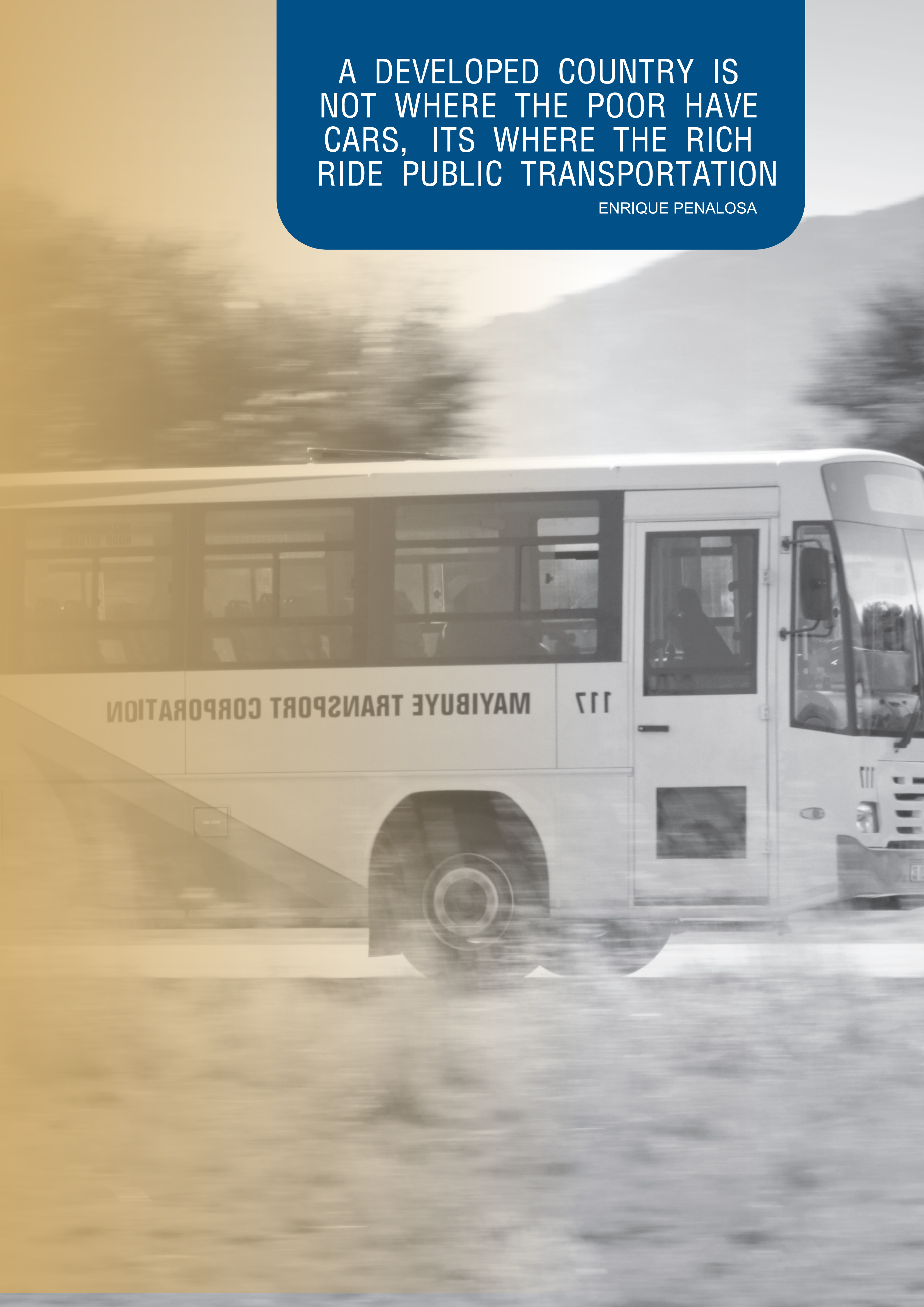
In terms of the Board's oversight function, the Board Chairperson and the Chief Executive Officer held bilateral meetings at least once each month.

FEES AND REIMBURSEMENT OF BOARD MEMBERS

The composition of the Board reflects a variety of skills and experience that are required to govern the Corporation and provides the much-needed strategic direction to take the entity to the next level. Amongst these skills are: Transport Economics, Accounting, Financial Management, Legal, Corporate Services (Inclusive of Human Resource Management), Leadership and Management, Strategic Planning, Performance Management, Risk Management, Engineering, etc. Some of the members must take time from their own private practices to support the government and its agencies and this comes at a cost that cannot easily be matched at times. Failure to recognise this fact through narrowing the gap between revenue streams might compromise the quality of Board members that the Corporation can attract. The Board comprises of highly committed members who can engage meaningfully with the activities of the Corporation at a strategic level and provide the necessary guidance to management.

A DEVELOPED COUNTRY IS NOT WHERE THE POOR HAVE CARS, ITS WHERE THE RICH RIDE PUBLIC TRANSPORTATION

ENRIQUE PENALOSA



BOARD EMOLUMENTS

TABLE 1:

COMPOSITION AND EMOLUMENTS OF THE ERSTWHILE BOARD

APPOINTED FEBUARY 2016

Name	Academic Qualifications	Area of Expertise	Other Boards Currently Serving on
Ms Fezeka Khuthazwa Pearl Ntlemeza (CHAIRPERSON)	Baccalaureus Juris, Law Certificate: Legislative Drafting, Post-Graduate Diploma in Labour Law, Master of Business Administration Degree.	Strategic Management, Public Administration, Governance, Human Resource Management	Audit Committee Member at Joe Gqabi District Municipality and its Agency, Council Member of the University of Fort Hare
Dr Vanguard Mkosana (DEPUTY CHAIRPERSON)	Doctorate in Journalism, Masters in Journalism, Diploma in HR Management, Diploma in Gender Equity, Employment Promotion & Poverty Alleviation; Certificate in Corporate Coaching; Certificate in Public Management & Development, Certificate in Applied IT for Executive Management; Senior Executive Programme for Southern Africa Certificate.	Leadership Development, Strategy development & implementation, Executive Coaching & Mentoring, Negotiations, Conflict resolution, Governance (Ethics based leadership), Social facilitation	Executive Director of Phokophela Investment Holdings (Pty) Ltd, Chairman of the Eastern Cape Rural Development Agency
Mr André Joubert de Vries * (BOARD MEMBER)	BA (Public Admin).	Public Transport Specialist	None
Mrs Thandiwe Godongwana (BOARD MEMBER)	Master of Management in Investment and Finance (current), Bachelor of Science Degree, Business Management Diploma, HDE, BED.	Leadership, Negotiation, Facilitation, Business Development	OR Tambo Premier Hotel, South African National Biodiversity Institute, Pazoware (Pty)Ltd
Mrs Nomalungela Beula Petela-Ngcanga (BOARD MEMBER)	Teachers Diploma, Diploma in Educational Management, Public Speaking and Speed Reading (NQF Level 5) Certificate, Certificate in Advanced Governance and Public Leadership, Governance and Leadership Certificate.	Leadership, Community Development, Education	None
Adv Mathobela Harold Sishuba (BOARD MEMBER)	Baccalaureus Juris, LLB Degree, Certificate in Management Practice.	Law	National Executive Committee Member of Advocates for Transformation (AFT) National, Executive Committee Member of the General Council of the Bar of South Africa (GCB), National Executive Committee Member of the National Association of Democratic Lawyers (NADEL), Member of the Bonza Bay Rotary Club, Member of the Eastern Cape Development Corporation (ECDC) Board, Member of the Eastern Cape Provincial Disciplinary Committee of the ANC (Chief Evidence Leader)

Board	Special Board and Other Meetings	Governance Committee	Audit and Risk Committee	Finance and Investment Committee	HR and Remuneration Committee	Operations and Engineering Committee	Board Fees (Rand)	Special Events (Rand)	Travel (Rand)	Total (Rand)
8	4	4	0	0	6	0	202 962	146 520	129 194	478 676
7	4	4	0	3	0	4	135 821	54 846	1 521	192 188
3	5	0	0	0	6	4	0	0	0	0
7	5	4	5	8	0	0	179 577	5 252	0	184 829
7	4	0	0	0	6	4	139 616	32 190	16 469	188 275
6	4	4	0	8	6	0	160 553	71 502		232 802

BOARD EMOLUMENTS

TABLE 1:

COMPOSITION AND EMOLUMENTS OF THE ERSTWHILE BOARD

APPOINTED FEBUARY 2016

Name	Academic Qualifications	Area of Expertise	Other Boards Currently Serving on
Dr Bridget Ssamula (BOARD MEMBER)	PhD in Transportation Engineering, MBA in Aviation Management.	Strategic Planning, Transportation Network Design, Costing and Optimisation, Transport Operations Planning and Modelling	Member of the panel of experts for the Gauteng Transport Commission, Board Member for ATNS, Chairperson of the Consulting Engineers South Africa (CESA)Transnet Liaison Committee
Mr Radhesh Ramsumer Surajbali * (BOARD MEMBER)	Master's Degree in Public Administration,Post Graduate Diploma in Public Management and Administration,National Diploma in Public Administration,Post Graduate Certificate- Executive Development Programme.	Supply Chain Management Policy, Norms and Compliance Monitoring	None
Mr Phumzile Goodwin Zitumane (BOARD MEMBER)	B. Com, Master of Business Leadership, Emerging Leaders Programme, Executive Development Programme, Leadership Development Programme.	Financial Management, Governance, Strategic Leadership, Organisational Development	Member of the Amathole District Municipality Performance Audit Committee and the Audit and Risk Committee, Member of the Eastern Cape Department of Local Government & Traditional Affairs Audit Committee, Member of the Eastern Cape Department of Sports, Arts and Culture Audit Committee, Chairperson of the Risk and Management Committee for the Department of Sport, Arts and Culture Member of the Eastern Cape Office of the Premier Audit Committee
Total			

* Mr A J De Vries and Mr R R Surajbali were not remunerated by the MTC as they were secondments from Department of Transport and Provincial Treasury respectavly within the Eastern Cape.

Board	Special Board and Other Meetings	Governance Committee	Audit and Risk Committee	Finance and Investment Committee	HR and Remuneration Committee	Operations and Engineering Committee	Board Fees (Rand)	Special Events (Rand)	Travel (Rand)	Total (Rand)
6	4	4	0	8	6	4	183 834	20 000	3 160	206 994
7	3	0	0	8	0	3	0	0	0	0
7	5	4	9	8	0	0	193 803	30 564	2 562	226 929
8	5	4	9	8	6	4	1 196 166	360 874	153 653	1 710 692

BOARD EMOLUMENTS

TABLE 2:

COMPOSITION AND EMOLUMENTS OF THE CURRENT BOARD

APPOINTED FEBUARY 2019

Name	Academic Qualifications	Area of Expertise	Other Boards Currently Serving on
Adv. Andile Mini (CHAIRPERSON)	LLB Degree (Bachelor of Laws); Masters in Public Administration; Certificate in Municipal Finance Management.	Leadership; Strategy Development; Legal Advisory, Litigation; Compliance; Policy Management and Development; Budgeting, Administrative Oversight; Guiding Investigations; Public Prosecution; Local Government Practice; Marketing; Project Management; Organizing & Facilitating Workshops; Facilitation of Motivational Sessions; Entrepreneurship; Business Development; HR Development.	Board Member of University of Fort Hare Foundation : Managing Director of VRC Holding; Executive Chairman of Heroes Holdings.
Rev. Luxolo Mantini (DEPUTY CHAIRPERSON)	Degree: Bachelor of Theology (Honours).	Provision of Ethical and Moral Leadership; Provision of Systems Thinking; Policy Development; Compilation of Vision & Mission Statements; Provide Strategic Direction; Budgeting; Fundraising; Chairing Meetings; Project Management; Development of Programs and Projects for Church Growth and Empowerment; Conducting Seminars; Community Involvement; Youth Development.	None
Mr Mbasa Metuse (BOARD MEMBER)	Bachelor of Social Science; Programme in Project Management.	Youth Work Development and Facilitation; Project Management; Governance; Market Research; Policy Development; Strategic Planning; Capacity Building; Training & Skills Development Facilitation; Fundraising; Research & Data Analysis; Lobbying and Advocacy; Stakeholder Engagement; Monitoring & Evaluation; Change Management & Organisational Development; Business Plans Development.	Member: Council and EXCO King Hintsa TVET College; Board Member of Aspire – Economic Agency for Amathole District Municipality; Executive Chairman: Itsamaya Consulting and Projects; Board Member: National Heritage Council
Mr Gcinumzi Qotywa (BOARD MEMBER)	MBA (Gordon Institute of Business Science); MA in Environment & Society (University of Pretoria); BA (Hons), BA (Ed) (University of Transkei); Programme for Leadership Development (PLD) (Harvard Business School); International Programme for Development Evaluation; Training (IPDET) (Carleton University); Certified Director (IoDSA).	Personal Leadership Development; Strategy Development & Execution; Change Management; Negotiations and Conflict Resolution; Business Administration; Environmental Management; and Monitoring & Evaluation; Corporate Governance.	Director: Nondzaba Investment Holdings (Pty) Ltd; Chairperson & Non-Executive Director: Joe Gqabi Economic Development Agency; Chairperson: KSD TVET College.

Board	Special Board and Other Meetings	Governance Committee	Audit and Risk Committee	Finance and Investment Committee	HR and Remuneration Committee	Operations and Engineering Committee	Board Fees (Rand)	Special Events (Rand)	Travel (Rand)	Total (Rand)
1	2	0	0	0	0	0	72 987	7 034	56 538	136 559
1	2	0	0	0	1	0	58 690	0	1 000	59 690
1	2	0	0	0	1	0	66 125	0	1 819	67 944
1	2	0	0	0	1	0	41 441	0	1 376	42 817

BOARD EMOLUMENTS

TABLE 2:

COMPOSITION AND EMOLUMENTS OF THE CURRENT BOARD

APPOINTED FEBUARY 2019

Name	Academic Qualifications	Area of Expertise	Other Boards Currently Serving on
Mr Lomex Sisilana* (BOARD MEMBER)	Bachelor of Personnel Management; Current Studies (MBA).	Personnel Administration; Labour Relations; Budgeting; HR Planning; Skills Development; Project Management; Strategy; Leadership; Compliance; Employee Wellness; Governance; Change Management; Performance Management; CSI Initiatives; Organisational Development; Employee Relations; Information Technology; Risk Management and Ethics; Legal Services.	None
Ms Nolitha Pietersen (BOARD MEMBER)	Masters in Business Administration (MBA); CA (SA); B. Com (Accounting) Honours/CTA; B. Com (Accounting).	Internal and external audit in Private and Public Sector; Financial Management including revenue enhancement strategies; Business Process re-engineering and/improvement strategies; Business, Accounting and Tax advisory; Policy development, review and/or improvement; Public Sector SCM and audit readiness support services; Performance Management and Compliance improvement services	Board Member - Eastern Cape Development Corporation (ECDC); Chairperson – Risk Management Committee EC Department of Health; Chairperson – Association for the Advancement of Black Accountants of Southern Africa (ABASA) Eastern Cape Region; Director – Building Supplies Direct (Pty) Ltd.; Director: Zamindlela Consulting (Pty) Ltd.
Dr Noncedo Khewu (BOARD MEMBER)	PhD in Education; Masters in Philosophy: Applied Ethics (Environmental Ethics); Bachelor of Technology: Education Management; Diploma in Psychology; Secondary Education Diploma (English and History).	Research (Academic and Commissioned Research); Management and Leadership; School Based Teaching; University Lecturing; Ethics; Facilitation and Mentoring; Policy Analysis; Teambuilding and Social Facilitation	Faculty Research and Higher Degrees Committee: University of Fort Hare; Levenstein Bursary Committee: University Fort Hare; School Experience Committee: University Fort Hare & Mentorship Committee (Academic): Miss Eastern Cape
Mr Radhesh Ramsumer Surajbali * (BOARD MEMBER) Appointed Feb 2016	Master's Degree in Public Administration, Post Graduate Diploma in Public Management and Administration, National Diploma in Public Administration, Post Graduate Certificate- Executive Development Programme.	Supply Chain Management Policy, Norms and Compliance Monitoring	None

Board	Special Board and Other Meetings	Governance Committee	Audit and Risk Committee	Finance and Investment Committee	HR and Remuneration Committee	Operations and Engineering Committee	Board Fees (Rand)	Special Events (Rand)	Travel (Rand)	Total (Rand)
1	1	0	0	0	0	0	0	0	0	0
1	2	0	0	0	0	0	39 375	0	247	39 622
1	2	0	0	0	0	0	28 750	0	252	29 002
0	0	0	0	0	0	0	0	0	0	0

BOARD EMOLUMENTS

TABLE 2:

COMPOSITION AND EMOLUMENTS OF THE CURRENT BOARD

APPOINTED FEBUARY 2019

Name	Academic Qualifications	Area of Expertise	Other Boards Currently Serving on	
Major General (RET) Tsoku Khumalo (BOARD MEMBER)	Qualified Military Pilot. Served in the South African Air Force almost 20 years. Trained in the Soviet Union (Speak, read and write Russian). Completed Executive National Security Programme and Joint Senior Command Staff Programme.	Leadership; Military Strategy; Military Base Management; Fleet Management; Strategic / Long Term Planning; Corporate Strategy; Business Planning; Personnel Training; Negotiations; Conflict Resolution; Presenting Lectures.	None.	
Total				

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

Board	Special Board and Other Meetings	Governance Committee	Audit and Risk Committee	Finance and Investment Committee	HR and Remuneration Committee	Operations and Engineering Committee	Board Fees (Rand)	Special Events (Rand)	Travel (Rand)	Total (Rand)
1	2	0	0	0	1	0	48 941	0	330	49 271
1	2	0	0	0	1	0	356 309	7 034	61 562	424 904

FRAUD AND CORRUPTION

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

An independent firm, Deloitte, administered the Whistleblowing Hotline on behalf of the MTC. Any cases of actual, suspected or alleged fraud was reported by Deloitte to the Chief Risk Officer (for staff up to Management Level), the CEO for Senior Management and the Audit and Risk Committee and Board for cases involving the CEO. The MTC had also appointed independent Auditors, Marais and Smith Chartered Accountants, who performed various audits of the entity throughout the year. Findings were reported to Management, the Audit and Risk Committee as well as the Board. No fraud related findings have been made. In addition, Deloitte was appointed to conduct a forensic investigation of the MTC Senior and Executive Management. Significant strides have been made by the MTC in dealing with the related findings. Several senior officials were subjected to disciplinary action following the outcome of the Deloitte Forensic Audit. Internal controls have continuously been strengthened. The greatest source of fraud detection remained reconciliations which have been performed at various management levels on a regular basis. Suspected fraud was then investigated and suitable disciplinary action implemented.

CODE OF CONDUCT

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

Where violation or contravention of the provisions of the code occurs, it must be brought to the attention of the Management and the Board and disciplinary action will be taken irrespective of the extent of the matter concerned;

A preliminary investigation is conducted to obtain sufficient evidence for the alleged offender to be dealt with in terms of our Disciplinary Procedures or to refer the matter to an appropriate court of law in the case of an outsider;

No employee may participate, incite or further any strike action unless such action has followed laid down dispute resolution guidelines and is carried out lawfully and within the ambit of Labour Relations Act No. 66 of 1995; and

Serious breaches of the Code of Conduct and malpractices may lead to the termination of any Board member or employee's contract of service or appointment. In the event of conviction by the court, the information regarding the matter concerned will be kept in the Corporation's records and will be conveyed to future potential employers who ask for a reference on any Board member or employee concerned.

HEALTH, SAFETY AND THE ENVIRONMENT

The Health, Safety and Environmental compliance issues still pose a great challenge at MTC. This is a result of depot revamps or upgrades that have been put on hold due to no availability of capital budgets which ensure that the value of an immovable asset is optimized throughout its lifecycle.

MTC is fully committed to comply Facilities regulations, National Building Regulations and Environmental Management Laws. Occupational Health and Safety Policy have been established, implemented and maintained. All non-conformances are addressed and at very early stages with Risk Assessment conducted already.

Interventions, corrective action, remedial actions and compliance matters have been greatly hampered by no funding available for infrastructure capital projects. Immovable Assets Management Plans require committed funding for multi years and at MTC it has been difficult financial times. Mayibuye Transport Corporation will develop an Environmental Management Plan with sole purpose to provide a structured framework for the proactive identification and elimination, or acceptable management and mitigation of some environmental issues that may be associated with the day to day running of MTC Operations. To achieve this MTC must invest and investigate and implement measures, where appropriate, within the terms of the legal requirements.

The MTC is committed to ensure proper storage of hazardous chemical substances like lubricants, oils, fuel, detergents, disinfectants, construction material and any other material used in the operations that will adversely affect the environment.

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

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

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

COMPANY SECRETARY

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

- Providing guidance to the Board on the duties, responsibilities and powers of the directors and good governance;
- Making the directors aware of any laws relevant to or affecting the Corporation;
- Alert the Board to any failure to comply with any relevant laws and any other relevant prescripts;
- Reporting to the Corporation's board any failure on the part of the Corporation or a director to comply with the relevant laws and prescripts;
- Certifying in the annual financial statements whether the company has filed the required returns and notices in terms of the Companies Act, 71 of 2008 (where applicable) and any other relevant laws and prescripts;
- Ensuring that a copy of the Corporation's annual financial statements is sent, in accordance with the Act, to every person who is entitled to it;
- Ensuring Board and Committee Charters are kept up to date;
- Preparing and circulating board papers ngs are recorded accordance with the Companies Act, 71 of 2008 and other relevant laws and prescripts;
- Ensuring preparation and circulation of minutes of Board and committee meetings;
- Assisting with evaluation of the board, committees and individual directors; and
- Assisting with director induction, training and education.

SOCIAL RESPONSIBILITY

In partnering with the Technical and Vocational Education and Training (TVET) and Universities, the MTC saw an addition of 19 more interns who are still requiring in-service training and work exposure. The interns are placed in different areas operation within the Corporation.

In an effort to strengthen stakeholder relations, the MTC and its employees nominated a Non-Profit Organisation, namely the Good Samaritan Child and Youth Care Centre, located in Mdantsane, which is within its area of operation. This Organisation plays an important role in our communities as so many children are left uncared for and youth without guidance. The establishment focuses on the true development of human values with the main emphasis on caring for our children.

The MTC employees stood unified and donated items, ranging from groceries, toiletries, toys and clothes. These donations were handed over on the 11 December 2018 by the Acting CEO, Mr David Gwabeni together with the Marketing Team. It is the MTC's wish to continue to support our communities through such projects despite the financial limitations.


Ms N Pietersen
ARC Chairperson


Mr G B Qotywa
ARC Member


Mrs T Cumming
ARC Member

AUDIT AND RISK COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2019.


Maj. Gen. (Retired) T M Khumalo
ARC Member


Mrs N Mnconywa
ARC Member


Dr. S Bosire
ARC Member

Current Audit and Risk Committee

AUDIT AND RISK COMMITTEE RESPONSIBILITY

The Audit and Risk Committee reports that it has complied with its responsibilities arising from Section 51 (1)(a)(ii) of the Public Finance Management Act and Treasury Regulation 27.1. The Audit and Risk Committee also reports that it has adopted appropriate formal terms of reference as its Audit and Risk Committee Charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

AUDIT AND RISK COMMITTEE MEMBERS AND ATTENDANCE

The meetings attended by the Audit and Risk Committee members for the year were as follows: -

ERSTWHILE AUDIT AND RISK COMMITTEE MEMBERS

Name	Qualifications	Date appointed	Scheduled Meetings	No. of Meetings attended
Mr P.G Zitumane (ARC Chairperson)	B. Com, Master of Business Leadership, Emerging Leaders Programme, Executive Development Programme, Leadership Development Programme	1 Feb 2016	9	9
Mrs T Godongwana	Master of Management in Investment and Finance (current), Bachelor of Science Degree, Business Management Diploma, HDE, BED	1 Feb 2016	9	5
Mr N Adonis	Bachelor of Accounting Science, Senior Executive Programme, Certificate: Labour Law, Diploma: Management Development.	17 Oct 2016	5	4

CURRENT AUDIT AND RISK COMMITTEE COMPOSITION

Name	Qualifications	Date appointed	Scheduled Meetings	No. of Meetings attended
Ms N Pietersen (ARC Chairperson)	Master of Business Administration (MBA); CA (SA); B. Com (Accounting) Honours/CTA; B. Com (Accounting).	1 Feb 2019	0	0
Mr G.B Qotywa	MBA (Gordon Institute of Business Science); MA in Environment & Society; BA (Hons), BA (Ed), Programme for Leadership Development (PLD); International Programme for Development, Evaluation Training (IPDET); Certified Director (IoDSA)	1 Feb 2019	0	0
Maj.Gen. (Retired) T.M Khumalo	Qualified Military Pilot. Served in the South African Air Force almost 20 years. Trained in the Soviet Union (Speak, read and write Russian). Completed Executive National Security Programme and Joint Senior Command Staff Programme.	1 Feb 2019	0	0
Dr. S Bosire	Master of Business Administration (MBA), Bachelor of Business Administration - Management Information Systems, Certificate: Corporate Governance, Certificate: Business Research, Certificate: Strategic Risk Management, Certificate: Project Management, Certificate: Tax Administration	26 Sep 2018	4	4
Mrs N Mnconywa	B.Com, HDE, B.Com Honours, CA(SA), M.Com in Accounting Sciences, Prof. Affiliated with: SAICA and IRBA	12 Feb 2018	9	8
Mrs T Cumming	CA (SA), BCom	17 Oct 2016	9	7

RISK MANAGEMENT

The Corporation has an approved risk management strategy in place which was implemented during the year under review although the function was adversely affected by human resources issues.

In accordance with the requirements of the Public Finance Management Act, 1999 (Act No. 1 of 1999), as amended, a risk assessment was conducted by management. Effective risk management is integral to the organisation's objective of consistently adding value to the business. Management is continuously developing and enhancing its risk and control procedures to improve the mechanisms for identifying and monitoring risks. The MTC has an approved Risk Management Framework and Fraud Prevention Plan.

The fraud prevention and risk management policies adopted by the MTC are aimed at obtaining sufficient cover to protect its asset base, earning capacity and legal obligations against possible losses.

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

THE EFFECTIVENESS OF INTERNAL CONTROL

To meet its responsibility of providing reliable financial and other information, the MTC maintains financial and operational systems of internal control. These controls are designed to provide reasonable assurance that transactions are concluded in accordance with management's authority, that the assets are adequately protected against material loss or unauthorised acquisition, use or disposition, and the transactions are properly authorised and recorded.
The system includes a documented organisational structure and division of responsibility, established policies and procedures which are communicated throughout the organisation, and the careful selection, training and development of staff.

The MTC has appointed internal auditors who are guided by an Audit and Risk Committee approved Internal Audit Plan. The auditors adopt a risk based audit approach to ensure that the process adds value to the organisation. Internal auditors monitor the operation of the internal control system and report findings and recommendations to the Audit and Risk Committee and Executive Management. Corrective actions are taken to address control deficiencies and other opportunities for improving the systems, as they are identified. The Board, operating through its Audit and Risk Committee, provides oversight of the financial reporting process and internal control system.

There are inherent limitations in the effectiveness of any system of internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even an effective internal control system can provide only reasonable assurance with respect to financial statements preparation and the safeguarding of assets.
During the financial year, the Audit and Risk Committee met with management on a regular basis to track their progress in resolving outstanding internal control issues previously raised by the Auditor-General and Internal Audit.

INTERNAL AUDIT

The Audit and Risk Committee notes that during the year under review, a reasonable amount of internal audit work was performed in the Corporation. An internal audit plan for 2018/2019 was carried out by the outsourced internal audit section.

Our review of the findings of the Internal Audit work, which was based on the risks assessments conducted by the MTC, revealed certain weaknesses which were then raised with Management.

The following areas amongst others received the attention of the internal auditors as guided by the Audit & Risk Committee:

- Corporate Governance
- Performance Management
- Risk Management
- Supply chain management
- Asset Management
- Revenue management
- Audit Intervention plan
- Compliance
- Budgeting process
- Annual Financial Statements
- Follow-up on prior year internal audit reports

The following are still areas of concern:

- Supply chain management
- Performance management
- Human Resources Management
- Management responses to the internal audit findings
- Implementation of the Internal Audit Recommendations
- Inventory management
- Revenue management
- Compliance

Our review of the findings of the Internal Audit work, which was based on the risk assessments conducted in the public entity revealed certain weaknesses, which were then raised with the public entity.

During the calendar year 2016 the Institute of Internal Auditors was engaged by the Corporation to conduct quality assessment review of the Internal Audit function within the entity. Overall the assessor's opinion is that the Internal Audit Activity of the Corporation "Generally Conforms" (GC) which means that the internal audit activity has a charter, policies, procedures and processes that are judged to be in accordance with the Standards. However, some opportunities for improvement may exist. "Generally Conforms" is the best rating by the Institute of Internal Auditors. There were areas of improvement that were proposed by the assessor and there is a Quality Improvement Plan that was developed by the Internal Audit Activity to address the recommendations.

IN-YEAR MANAGEMENT AND MONTHLY/QUARTERLY REPORT

The public entity has reported monthly and quarterly to the Audit Committee, Board, Eastern Cape Department of Transport and Provincial Treasury as is required by the PFMA. We reviewed the quarterly financial and performance re-

ports prior to submission to the Board and Provincial Treasury by the Accounting Officer. The Committee has constantly raised concerns with management in respect of amongst other things, the quality and completeness of quarterly reports submitted for review.

During the In-Year Monitoring Management Reporting, the Audit and Risk Committee constantly raised its concern about the financial health status of the organisation which appeared to be getting worse particularly in the past two financial periods. The Board was advised accordingly to develop a financial turn-around plan (sustainability plan) to rescue the situation. Management has also been advised to periodically conduct a going concern assessment and present it to the Committee and the Board. These recommendations must be monitored by the Audit & Risk Committee going forward.

EVALUATION OF FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION

The Audit and Risk Committee has reviewed and discussed the audited annual financial statements for the financial year 2018/19 with management. This process included a review of audit comments and the management report. The Audit Committee also reviewed and discussed the audited annual performance information and the related audit comments with management.

COMPLIANCE WITH LEGAL AND REGULATORY PROVISIONS

The Audit Committee has over the past three years discussed the Corporation's non-compliance to legal and regulatory provisions, drawing the attention of management and the Board to irregular expenditure that the Corporation continues to incur. Management and Board have also been advised of the implications of non-payment of creditors within 30 days.

The Internal Auditors have been asked to continue placing emphasis in this area and they should be specific in the areas of non-compliance to assist management to correct this state of affairs.

AUDITOR'S REPORT

During the presentation of the auditor's report for the financial period 2018/19 the AG captured the situation well as they highlighted that the audit opinion of the Corporation has not improved over a period of time as it continues to receive an unqualified opinion with findings.

The Audit & Risk Committee concurs with this view as the issues that are holding the Corporation related to non-compliance as indicated above. Irregular expenditure, fruitless and wasteful expenditure and revenue management amongst others are areas that they have continuously raised over the years and these continue to elude management. These also served as the basis for qualified audit opinions in the past.

Consequence management is matter of concern to the external auditors as evidenced by irregular, fruitless and wasteful expenditure which is a matter that could be easily dealt with by management. AGSA acknowledges the significant reduction in this area, however, this should not be there at all. The Committee concurs with AGSA with regards to lack of consequence management and has over the years strongly raised this issue.

There has been a very good relationship between AGSA and the Corporation with the auditors maintaining their independence. There has been constant communication between AGSA and the Audit & Risk Committee through the chairperson of the Committee when necessary.

APPRECIATION

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

Ms N Pietersen CA(SA)
Audit and Risk Committee Chairperson
Mayibuye Transport Corporation
23 August 2019

YOU MUST BECOME THE CHANGE YOU WANT TO SEE IN THE WORLD

MAHATMA GANDHI

HUMAN RESOURCE MANANAGMENT

four

INTRODUCTION

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

KEY INTERVENTIONS

During the period under review the Corporation supported the implementation of its partnership agreement with TETA that resulted in the recruitment of 9 apprentices, 4 of which were female. This illustrates the Corporation's commitment to the development of women expertise in scarce skills areas. This also assists in closing the gap with equity in the male-dominated mechatronic. The Corporation is pleased that in 2018/19, 6 of the 9 apprentices have qualified to become artisans. In addition, the MTC is offering 11 apprentices workplace experience on behalf of DOT to ensure that they become fully-fledged artisans.

The MTC has also recruited 19 interns as part its workplace experience programme.15 of the interns receive work-based experience and 4 Department of Higher Education and Training (HET) interns are placed in different departments within the organisation. This affords them exposure to their field of study and this enables the Work-Based Experience (WBE) learners to complete their chosen qualifications.

The Corporation also supports the personal and academic development of staff though the provision of study loans. These loans are converted to bursaries on successful completion of the academic programme and the candidate is reimbursed in full.

In 2018/19, the human resources division increased the number of completed training initiatives from 50 to 75 in accordance with the Chief Executive Officer's approved workplace skills plan. Additional training was identified after the approval of WSP to address the skills gap. These interventions are aimed at improving organisational performance.

On-site wellness seeks to present an integrated need-driven, participative and holistic approach to employee health and wellness within the Corporation.

WORKFORCE PLANNING

In order to continuously align the needs and priorities of the organisation, 50 general workers which were previously on contract were awarded permanent employment to focus on bus cleaning and the general cleanliness of the depots. In recognition of employee skills, two general workers were promoted to cashier positions for employee moral upliftment.

Despite the moratorium placed on employment, the Corporation identified several areas that need urgent intervention by appointing a stores practitioner and a payroll clerk.

EMPLOYEE PERFORMANCE MANAGEMENT

The Performance Management and Development System (PMDS) is a continuous process between divisions, managers, supervisors and employees that provides an enabling environment which includes, among others, coaching, monitoring, corrective action, assessment, training, rewards, and as a last resort, discipline. The MTC seeks to manage the performance of its employees toward the achievement of its organisational objectives. The organisational objectives are clearly defined within the approved Corporate Plan and Annual Operational Plan. The departmental and individual key performance areas deliverables and standards are formulated to align with the delivery of organisational objectives.

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

EMPLOYEE WELLNESS PROGRAMME

The Employee Wellness Program develops an understanding of the external and internal causes of the measurable health related symptoms which manifest in the workplace through high absenteeism, medical scheme and risk benefit claims. It focuses on the health profile of employees and it identifies areas of concern that will have an impact on employee health thus improving their productivity. The Employee Wellness Program focuses on four main pillars namely:

- Health and Productivity Management
- Wellness Management
- SHEQ Management
- HIV/AIDS Management

HUMAN RESOURCE MANAGEMENT HIGHLIGHTS

- All the 6 enrolled apprentices completed their training to become fully-fledged auto electrical artisans. Through the Corporation's internship support programmes, the interns are employed before completion of the programme.
- The MTC continues to support employees who go on maternity leave by compensating them with four months full pay.

- In addition, a successful World Aids Day and wellness days were held.

HR CHALLENGES FACED BY THE MTC

CONDUCIVE WORK ENVIRONMENT

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

SUCCESSION PLANNING

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

MANAGING TALENT

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

PERFORMANCE MANAGEMENT

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

LEGAL ISSUES

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

HUMAN CAPITAL CONSTRAINTS

- The resignation of the senior manager human resource management and senior manager of strategy. These posts remain vacant.
- According to the organogram, the human resources division is understaffed. It has five vacancies. This compromises the quality of the work because these are key positions. The vacant posts are a result of the moratorium placed on filling of posts due to financial constraints.
- Over this financial year, the MTC has seen an in creased number of employees suffering from chronic illnesses and who have been placed on temporal disability.
- Aging personnel with resultant debilitating conditions resulting to high rate of absenteeism.
- Low staff moral also contributes to absenteeism due to instability within the organisation.

THE MTC'S FUTURE HR PLANS / GOALS

The organisation intends to prepare a human resource inventory of the organisation's employees, a job analysis, assessing future demand, assessing future supply, establishing a recruitment plan, hiring, educating, appraising, compensating, and scheduling employees.

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

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

HUMAN RESOURCE OVERSIGHT STATISTICS

2.1 PERSONNEL COST BY PROGRAMME 1 APRIL 2018 TO 31 MARCH 2019

Programme	Total Expenditure for the entity (R'000)	Personnel Expenditure (R'000)	Personnel exp. as a % of total exp. (R'000)	No. of employees	Average personnel cost per employee (R'000)
Office of the CEO	9 576	4 698	49%	5	940
Financial Management	21 957	13 021	59%	39	334
Corporate Services	11 902	7 324	62%	30	244
Operations	109 216	47 061	43%	234	201
Total	**152 651**	**72 104**	**47%**	**308**	**234**

2.2 PERSONNEL COST BY SALARY BAND 1 APRIL 2018 TO 31 MARCH 2019

Level	Personnel Expenditure	% of personnel exp. to total personnel cost	No. of employees	Average personnel cost per employee (R'000)
Top Management	6 019	8%	3	2 006
Senior Management	6 426	9%	6	1 071
Professional qualified	14 545	20%	12	1 212
Skilled	7 967	11%	51	156
Semi-skilled	33 513	46%	169	198
Unskilled	3 634	5%	67	54
Total	**72 104**	**100%**	**308**	**234**

2.3 PERFORMANCE REWARDS

No performance rewards for the 2018/19 performance year have been paid.

2.4 TRAINING COSTS

Programme/ activity/objective	Personnel Expenditure (R'000)	Training Expenditure (R'000)	Training Expenditure as a % of Personnel Expenditure	No. of employees trained	Ave training cost per employee (R'000)
Office of the CEO	4 698	2	0.04	2	1
Financial Management	13 021	23	0.18%	16	1
Corporate Services	7 324	89	1.22%	7	13
Operations	47 061	425	0.90%	52	8
Total	**72 104**	**539**	**0.75%**	**77**	**7**

2.5 EMPLOYMENT AND VACANCIES PER DEPARTMENT

Programme	2018/2019 No. of Employees	2018/2019 Approved Posts	2018/2019 No. of Employees within the establishment	2018/2019 Vacancies	% of vacancies	Employees additional to the establishment
Office of the CEO	4	10	4	6	60%	0
Financial Management	37	42	37	5	12%	0
Corporate Services	14	25	14	11	44%	0
Operations	218	273	218	55	20%	50
Total	**287**	**350**	**287**	**77**	**22%**	**50**

2.6 EMPLOYMENT AND VACANCIES PER LEVEL

Programme	2018/2019 No. of Employees	2018/2019 Approved Posts	2018/2019 No. of Employees within the establishment	2018/2019 Vacancies	% of vacancies	Employees additional to the establishment
Top Management	3	5	3	2	40%	0
Senior Management	4	10	4	6	60%	0
Professional qualified	12	14	12	2	14%	0
Skilled	46	85	46	39	46%	0
Semi-skilled	157	173	157	16	9%	0
Unskilled	65	77	65	12	16%	50
Total	**287**	**350**	**287**	**77**	**22%**	**50**

2.7 EMPLOYMENT CHANGES

Salary Band	Employment at beginning of period	Appointments	Terminations	Employment at end of the period
Top Management	3	5	3	2
Senior Management	4	10	4	6
Professional qualified	12	14	12	2
Skilled	46	85	46	39
Semi-skilled	157	173	157	16
Unskilled	65	77	65	12
Total	**287**	**350**	**287**	**77**

2.8 REASONS FOR STAFF LEAVING

Reason	Number	% of total no. of staff leaving
Dismissal	2	9%
Resignation	12	55%
Death	2	9%
Expiry of contract	1	5%
Retirement	5	23%
Ill health	0	0%
Other	0	0%
Total	**22**	**100%**

2.9 LABOUR RELATIONS: MISCONDUCT AND DISCIPLINARY ACTION

Nature of Disciplinary Action	Number
Verbal Warning	0
Written Warning	1
Final Written warning	4
Dismissal	2
Total	**7**

2.10 EQUITY TARGET AND EMPLOYMENT EQUITY STATUS

Levels	MALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	2	0	0	0	0	0	0	0
Senior Management	1	0	0	0	0	0	1	0
Professional qualified	3	0	1	0	0	0	0	0
Skilled	32	0	1	0	0	0	0	0
Semi-skilled	123	0	0	0	0	0	1	0
Unskilled	35	0	0	0	0	0	0	0
TOTAL	**196**	**0**	**2**	**0**	**0**	**0**	**2**	**0**

2.10 EQUITY TARGET AND EMPLOYMENT EQUITY STATUS (CONTINUED)

Levels	FEMALE							
	African		Coloured		Indian		White	
	Current	Target	Current	Target	Current	Target	Current	Target
Top Management	1	0	0	0	0	0	0	0
Senior Management	2	0	0	0	0	0	0	0
Professional qualified	8	0	0	0	0	0	0	0
Skilled	12	0	0	0	0	0	1	0
Semi-skilled	32	0	1	0	0	0	0	0
Unskilled	30	0	0	0	0	0	0	0
TOTAL	**85**	**0**	**1**	**0**	**0**	**0**	**1**	**0**

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

COURAGE IS NOT THE ABSENCE OF FEAR IT IS INSPIRING OTHERS TO MOVE BEYOND IT

NELSON MANDELA

FINANCIAL INFORMATION

five

MAYIBUYE
TRANSPORT CORPORATION

REPORT OF THE AUDITOR-GENERAL

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

I have audited the financial statements of the Mayibuye Transport Corporation set out on pages 82 to 131, which comprise the statement of financial position as at 31 March 2019, the statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Mayibuye Transport Corporation as at 31 March 2019, and its financial performance and cash flows for the year then ended in accordance with South African Standards of Generally Recognised Accounting Practice (SA standards of GRAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (PFMA).

BASIS FOR OPINION

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

MATERIAL UNCERTAINTY RELATING TO GOING CONCERN

I draw attention to the matter below. My opinion is not modified in respect of this matter.

I draw attention to note 34 to the financial statements, which indicated that the entity incurred accumulated losses of R144,9 million during the year ended 31 March 2019. As stated in note 34, this condition, along with the other matters as set forth in note 30, indicates that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern.

EMPHASIS OF MATTERS

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

RESTATEMENT OF CORRESPONDING FIGURES

As disclosed in note 38 and 39 to the financial statements, the corresponding figures for 31 March 2018 were restated as a result of an error in the financial statements of the entity at, and for the year ended, 31 March 2019

IRREGULAR EXPENDITURE

As disclosed in note 36 to the financial statements, irregular expenditure of R24,5 million that was incurred in the previous years was still under investigation. Irregular expenditure of R5,7 million incurred during the current year is included in the amount disclosed.

FRUITLESS AND WASTEFUL EXPENDITURE

As disclosed in note 37 to the financial statements, fruitless and wasteful expenditure of R1,3 million that was incurred in the previous and current years was still under investigation. Fruitless and wasteful expenditure of R320 024 incurred during the current year is included in the amount disclosed.

RESPONSIBILITIES OF THE ACCOUNTING AUTHORITY FOR THE FINANCIAL STATEMENTS

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

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

AUDITOR-GENERAL'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

REPORT ON THE AUDIT OF THE ANNUAL PERFORMANCE REPORT

INTRODUCTION AND SCOPE

In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected objectives presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.
My procedures address the reported performance information, which must be based on the approved performance planning documents of the entity. I have not evaluated the completeness and appropriateness of the performance indicators/measures included in the planning documents. My procedures also did not extend to any disclosures or assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected objectives presented in the annual performance report of the entity for the year ended 31 March 2019:

Objectives	Pages in the annual performance report
Strategic goal 1 – customers	30-33

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

I did not raise any material findings on the usefulness and reliability of the reported performance information for this objective:

- Strategic goal 1 – customers

OTHER MATTER

I draw attention to the matter below.

ACHIEVEMENT OF PLANNED TARGETS

Refer to the annual performance report on pages 30 to 39 for information on the achievement of planned targets for the year and explanations provided for the under-/overachievement of a significant number of targets.

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION INTRODUCTION AND SCOPE

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

The material findings on compliance with specific matters in key legislations are as follows:

CONSEQUENCE MANAGEMENT

I was unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred irregular, fruitless and wasteful expenditure as required by section 51(1)(e)(iii) of the PFMA. This was due to proper and complete records that were not maintained as evidence to support the investigations into irregular, fruitless and wasteful.

PROCUREMENT AND CONTRACT MANAGEMENT

In some instances, goods, works or services were not procured through a procurement process which is fair, equitable, transparent and competitive, as required by section 51(1)(a)(iii) of the PFMA. Similar non-compliance was also reported in the prior year.

EXPENDITURE MANAGEMENT

Effective and appropriate steps were not taken to prevent irregular expenditure amounting to R5,7 million as disclosed in note 36 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the irregular expenditure was caused by non-compliance with SCM processes.

Effective steps were not taken to prevent fruitless and wasteful expenditure amounting to R320 024, as disclosed in note 37 to the annual financial statements, as required by section 51(1)(b)(ii) of the PFMA. The majority of the fruitless and wasteful expenditure was caused by interest and penalties on late payment of suppliers.

REVENUE MANAGEMENT

Effective and appropriate steps were not taken to collect all revenue due, as required by section 51(1)(b)(i) of the PFMA.

OTHER INFORMATION

The accounting authority is responsible for the other information. The other information comprises the information included in the annual report which includes the directors' report, the audit committee's report and the company secretary's certificate as required by the Companies Act of South Africa, 2008 (Act No. 71 of 2008) (Companies Act). The other information does not include the financial statements, the auditor's report and those selected objectives presented in the annual performance report that have been specifically reported in this auditor's report.

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

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

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

INTERNAL CONTROL DEFICIENCIES

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

- Consequence management has not been fully implemented as the entity has not investigated all instances of irregular and fruitless and wasteful expenditure identified in the current and prior years. Weak nesses still existed in the supply chain management of the depart ment, as the relevant legislation and prescripts were not always ad hered to.
- The entity did not adequately exercise monthly processes to monitor and report on material balances included in the annual financial state ments as registers and listings are not maintained throughout the year and are dependent on manual processes.
- Although the entity had an audit action plan in place, this action plan was not applied to address the root causes of the control deficiencies reported previously, resulting in repeat audit findings in the current year, including a lack of action to collect all monies due to the entity.

Auditor - General.

East London
31 July 2019

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

ANNEXURE AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

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

FINANCIAL STATEMENTS

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

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

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

3. I communicate with the accounting authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

4. I also confirm to the accounting authority that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

ANNUAL FINANCIAL STATEMENTS FOR THE THE YEAR ENDED 31 MARCH 2019

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	Ms. FKP Ntlemeza (Board Chairperson) Dr. V Mkosana (Deputy Chairperson) Adv. MH Sishuba Mr. PG Zitumane Mrs. NB Petela-Ngcanga Mrs. T Godongwana Dr. B Ssamula Mr. A De Vries Mr. R Surajbali Mrs. N Madyibi (Chief Executive Officer (ex-officio)) Mr. S Galada (Chief Financial Officer (ex-officio)) Mr. D Gwabeni (Acting Chief Executive Officer) Adv. A Mini (Incoming Board Chairperson) Rev. L Mantini (Incoming Deputy Chairperson) Mr. T Khumalo (Incoming member) Dr. N Khewu (Incoming member) Ms. N Pietersen Incoming member) Mr. M Metuse (Incoming member) Mr. G Qotywa (Incoming member) Mr. L Sisilana (Incoming member) Mr. K B Gazi (Acting Chief Executive Officer)
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	Kivela Secretrial

ANNUAL FINANCIAL STATEMENTS FOR THE THE YEAR ENDED 31 MARCH 2019

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The report and statements set out below comprise the financial statements presented to the Provincial Legislature

ABBREVIATIONS

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
Corporation	Mayibuye Transport Corporation
IPSAS	International Public Sector Accounting Standards
SDL	Skills Development Levy
Members	Board of Directors - Accounting Authority
MEC	Members of Executive Committee
UIF	Unemployment Insurance Fund
SARPBAC	South African Road Passenger Bargaining Council
CEO	Chief Executive Officer
GBE's	Government Business Enterprise

ANNUAL FINANCIAL STATEMENTS FOR THE THE YEAR ENDED 31 MARCH 2019

BOARD OF DIRECTORS' RESPONSIBILITIES AND APPROVAL

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

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

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

The members acknowledge that they are ultimately responsible for the system of internal financial control established by the entity and place considerable importance on maintaining a strong control environment. To enable the members to meet these responsibilities, the 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 endeavors to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behavior 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 2020 and, in the light of this review and the current financial position, they are satisfied that the entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

The financial statements set out on pages 82 to 131, which have been prepared on the going concern basis, were approved by the members on 30 July 2019 and were signed on its behalf by:

Mr. K B Gazi
Acting Chief Executive Officer
Mayibuye Transport Corporation
30 July 2019

Adv. A Mini
Incoming Board Chairperson
Mayibuye Transport Corporation
30 July 2019

ANNUAL FINANCIAL STATEMENTS FOR THE THE YEAR ENDED 31 MARCH 2019

BOARD OF DIRECTORS REPORT

The members submit their report for the year ended 31 March 2019.

NATURE OF BUSINESS

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

GOING CONCERN

We draw attention to the fact that at 31 March 2019, the entity had an accumulated (deficit) of (R144,932,439) and that the entity's total assets exceed total liabilities by R103,423,636.

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

The ability of the entity to continue as a going concern is dependent on a number of factors. The most significant of these is that the entity is funded by the government into the foreseeable future, Medium Term Expenditure Framework period.

SUBSEQUENT EVENTS

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

MEMBERS' INTEREST IN CONTRACTS

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

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.

SHARE CAPITAL AND EQUITY

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

BOARD OF DIRECTORS

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

NAME	NATIONALITY	CHANGES
Ms. FKP Ntlemeza (Board Chairperson)	South African	
Dr. V Mkosana (Deputy Chairperson)	South African	
Adv. MH Sishuba	South African	
Mr. PG Zitumane	South African	
Mrs. NB Petela-Ngcanga	South African	
Mrs. T Godongwana	South African	
Dr. B Ssamula	Non-South African	
Mr. A De Vries	South African	
Mr. R Surajbali	South African	
Mrs. N Madyibi (Chief Executive Officer (ex-officio))	South African	
Mr. S Galada (Chief Financial Officer (ex-officio))	South African	
Mr. D Gwabeni (Acting Chief Executive Officer)	South African	Appointed 01 May 2018
Adv. A Mini (Incoming Board Chairperson)	South African	Appointed 02 February 2019
Rev. L Mantini (Incoming Deputy Chairperson)	South African	Appointed 01 February 2019
Mr. T Khumalo (Incoming member)	South African	Appointed 01 February 2019
Dr. N Khewu (Incoming member)	South African	Appointed 01 February 2019
Ms. N Pietersen Incoming member)	South African	Appointed 01 February 2019
Mr. M Metuse (Incoming member)	South African	Appointed 01 February 2019
Mr. G Qotywa (Incoming member)	South African	Appointed 01 February 2019
Mr. L Sisilana (Incoming member)	South African	Appointed 01 February 2019
Mr. K B Gazi (Acting Chief Executive Officer)	South African	Appointed 01 July 2019

ANNUAL FINANCIAL STATEMENTS FOR THE THE YEAR ENDED 31 MARCH 2019

BOARD OF DIRECTORS REPORT

SECRETARY

The secretary of the entity	Kivela Secreterial
Business address	Unit 7 Erin Lane 11 Wellbeloved Street Amalinda 5247
Postal address	PO Box 1052 King Williams Town 5600

AUDITORS

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

THERE'S NOTHING MORE POWERFUL THAN AN IDEA WHOSE TIME HAS COME

VICTOR HUGO

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

		2019	2018
Assets			
Current Assets			
Cash and cash equivalents	4	2,660,221	378,527
Receivables from exchange transactions	5	528,323	497,540
Receivables from non-exchange transactions	6	1,105,180	529,842
Inventories	7	3,322,808	3,426,940
Operating lease asset		99,374	-
		7,715,906	**4,832,849**
Non-Current Assets			
Property, plant and equipment	8	144,173,680	164,065,375
Intangible assets	9	1,665,734	1,665,734
		145,839,414	**165,731,109**
Total Assets		**153,555,320**	**170,563,958**
Liabilities			
Current Liabilities			
Payables from exchange transactions	10	14,788,343	18,456,974
Finance lease obligation	11	13,332,182	12,795,135
Operating lease liability		-	40,420
		28,120,525	**31,292,529**
Non-Current Liabilities			
Finance lease obligation	11	22,011,159	31,596,685
Total Liabilities		**50,131,684**	**62,889,214**
Net Assets		**103,423,636**	**107,674,744**
Share capital and equity	12	248,356,075	248,356,075
Accumulated loss		(144,932,439)	(140,681,331)
Total Net Assets		**103,423,636**	**107,674,744**

ANNUAL FINANCIAL STATEMENTS FOR THE THE YEAR ENDED 31 MARCH 2019

STATEMENT OF FINANCIAL PERFORMANCE

		2019	2018
Revenue			
Revenue from exchange transactions			
Passenger fare		23,600,427	27,133,378
Private hire		4,493,994	5,262,713
Interest received - investment	13	521,521	148,868
Other income	14	104,051	223,482
Total revenue from exchange transactions		**28,719,993**	**32,768,441**
Revenue from non-exchange transactions			
Transfer revenue			
Government grants & subsidies	15	130,109,300	111,318,419
Total revenue	16	**158,829,293**	**144,086,860**
Expenditure			
Employee costs	17	(72,104,388)	(75,408,540)
Operating expenses	18	(43,252,383)	(42,280,959)
Depreciation and amortisation	8	(19,563,848)	(19,755,937)
Finance costs	19	(3,394,819)	(4,685,288)
Lease rentals on operating lease	20	(2,455,382)	(2,682,544)
Administrative expenses	21	(22,206,911)	(19,390,785)
Total expenditure		**(162,977,731)**	**(164,204,053)**
Operating deficit	22	**(4,148,438)**	**(20,117,193)**
Loss on disposal of assets and liabilities	23	(102,674)	(232,886)
Deficit for the year		**(4,251,112)**	**(20,350,079)**

STATEMENT OF CHANGES IN NET ASSETS

	Share capital and equity	Accumulated loss	Total net assets
Balance at 01 April 2017	**241,356,075**	**(120,331,252)**	**121,024,823**
Changes in net assets			
Deficit for the year	-	(20,350,079)	(20,350,079)
Issue of shares	7,000,000	-	7,000,000
Total changes	7,000,000	(20,350,079)	(13,350,079)
Opening balance as previously reported Adjustments	248,356,075	(140,625,057)	107,731,018
Correction of errors	-	(15,850)	(15,850)
Change in accounting policy	-	(40,420)	(40,420)
Balance at 01 April 2018 as restated*	**248,356,075**	**(140,681,327)**	**107,674,748**
Changes in net assets			
Deficit for the year	-	(4,251,112)	(4,251,112)
Total changes	-	(4,251,112)	(4,251,112)
Balance at 31 March 2019	**248,356,075**	**(144,932,439)**	**103,423,636**
Note(s)	12		

ANNUAL FINANCIAL STATEMENTS FOR THE THE YEAR ENDED 31 MARCH 2019

CASH FLOW STATEMENT

	Note	2019	2018
Cash flows from operating activities			
Receipts			
Sale of goods and services		27,388,926	39,386,395
Grants		130,109,300	111,318,419
Interest income		521,521	148,868
Other receipts		104,051	223,482
		158,123,798	151,077,164
Payments			
Employee costs		(72,104,388)	(75,408,540)
Suppliers		(71,519,590)	(61,656,235)
		(143,623,978)	(137,064,775)
Net cash flows from operating activities	24	**14,499,820**	**14,012,389**
Cash flows from investing activities			
Purchase of property, plant and equipment	8	(188,719)	(9,833,620)
Proceeds from sale of property, plant and equipment	8	413,891	791,393
Purchase of other intangible assets	9	-	(636,713)
Proceeds from sale of non-current assets held for sale		-	2,439,855
Net cash flows from investing activities		**225,172**	**(7,239,085)**
Cash flows from financing activities			
Proceeds on share issue	12	-	7,000,000
Finance lease payments		(12,443,298)	(16,291,475)
Net cash flows from financing activities		**(12,443,298)**	**(9,291,475)**
Net increase/(decrease) in cash and cash equivalents		**2,281,694**	**(2,518,171)**
Cash and cash equivalents at the beginning of the year		378,527	2,896,692
Cash and cash equivalents at the end of the year	4	**2,660,221**	**378,521**

ANNUAL FINANCIAL STATEMENTS FOR THE THE YEAR ENDED 31 MARCH 2019

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
Statement of Financial Performance Revenue						
Revenue from exchange transactions						
Rendering of services	-	-	-	-	-	
Private hire	4,036,949	-	4,036,949	4,493,994	457,045	note 40
Passenger fare	33,234,051	-	33,234,051	23,600,427	(9,633,624)	note 40
Other income	-	-	-	104,051	104,051	note 40
Interest received – investment	-	-	-	521,521	521,521	note 40
Total revenue from exchange transactions	**37,271,000**	**-**	**37,271,000**	**28,719,993**	**(8,551,007)**	
Revenue from non-exchange transactions						
Transfer revenue						
Government grants & subsidies	114,581,000	15,000,000	129,581,000	130,109,300	528,300	note 40
Total revenue	**151,852,000**	**15,000,000**	**166,852,000**	**158,829,293**	**(8,022,707)**	
Expenditure						
Personnel	(76,044,336)	-	(76,044,336)	(72,104,388)	3,939,948	note 40
Operating expenses	(48,820,580)	-	(48,820,580)	(43,252,383)	5,568,197	note 40
Depreciation and amortisation	-	-	-	(19,563,848)	(19,563,848)	note 40
Finance costs	(3,654,363)	-	(3,654,363)	(3,394,819)	259,544	note 40
Lease rentals on operating lease	(2,492,071)	-	(2,492,071)	(2,455,382)	36,689	note 40
Administrative expenses	(23,884,384)	-	(23,884,384)	(22,206,911)	1,677,473	note 40
Other (taken out of General expenses)	-	-	-	-	-	
Total expenditure	**(154,895,734)**	**-**	**(154,895,734)**	**(162,977,731)**	**(8,081,997)**	
Operating deficit	**(3,043,734)**	**15,000,000**	**11,956,266**	**(4,148,438)**	**(16,104,704)**	
Loss on disposal of assets and liabilities	-	-	-	(102,674)	(102,674)	
Deficit before taxation	**(3,043,734)**	**15,000,000**	**11,956,266**	**(4,251,112)**	**(16,207,378)**	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**(3,043,734)**	**15,000,000**	**11,956,266**	**(4,251,112)**	**(16,207,378)**	

ANNUAL FINANCIAL STATEMENTS FOR THE THE YEAR ENDED 31 MARCH 2019

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
Statement of Financial Position Assets						
Current Assets						
Inventories	-	-	-	3,322,808	3,322,808	note 40
Operating lease asset	-	-	-	99,374	99,374	
Receivables from exchange transactions	-	-	-	528,323	528,323	note 40
Receivables from non-exchange transactions	-	-	-	1,105,180	1,105,180	note 40
Cash and cash equivalents	-	-	-	2,660,221	2,660,221	note 40
	-	-	-	7,715,906	7,715,906	
Non-Current Assets						
Property, plant and equipment	11,956,266	-	11,956,266	144,173,680	132,217,414	note 40
Intangible assets	-	-	-	1,665,734	1,665,734	note 40
	11,956,266	-	11,956,266	145,839,414	133,883,148	
Total Assets	11,956,266	-	11,956,266	153,555,320	141,599,054	
Liabilities						
Current Liabilities						
Finance lease obligation	-	-	-	13,332,182	13,332,182	note 40
Payables from exchange transactions	-	-	-	14,788,344	14,788,344	note 40
	-	-	-	28,120,526	28,120,526	
Non-Current Liabilities						
Finance lease obligation	-	-	-	22,011,159	22,011,159	note 40
Total Liabilities	-	-	-	50,131,685	50,131,685	
Net Assets	11,956,266	-	11,956,266	103,423,635	91,467,369	
Net Assets						
Net Assets Attributable to Owners of Controlling Entity Share capital and equity	-	-	-	248,356,075	248,356,075	note 40
Reserves						
Accumulated loss	11,956,266	-	11,956,266	(144,932,440)	(156,888,706)	note 40
Total Net Assets	11,956,266	-	11,956,266	103,423,635	91,467,369	

ACCOUNTING POLICIES

1. PRESENTATION OF FINANCIAL STATEMENTS

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

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

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

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

The Corporation has initially adopted SA GRAP in terms of Directive 12 effective in the current financial period.

These accounting policies are consistent with the previous period, except for the changes set out in note 38 for First-time adoption of Standards of GRAP.

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 recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value- in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time.

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

ACCOUNTING POLICIES

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss.

Provisions

Provisions were raised, and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 10 of the financial statements.

Contingent Liabilities

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

1.4 PROPERTY, PLANT AND EQUIPMENT

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

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

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

Property, plant and equipment is initially measured at cost.

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

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

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

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

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

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

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

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

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

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

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

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. The useful lives of items of property, plant and equipment have been assessed as follows:

1.4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

ITEM	DEPRECIATION METHOD	AVERAGE USEFUL LIFE
Buildings	Straight line	5 to 25
Lease buses	Straight line	Useful life of buses – Body Buses Chasis; Engine etc.
Workshop equipment Straight line	Straight line	3 to 8
Ancillary vehicles	Straight line	3 to 10
Office equipment	Straight line	3 to 12
Furniture and fixtures	Straight line	3 to 12
Property fencing	Straight line	5 to 25
Leased Equipment	Straight line	3 to 8
Buses - Body	Straight line	7 to 12
Internal roads	Straight line	5 to 30
Operating equipment	Straight line	5 to 10
Buses - Chasis, Engine etc	Straight line	7 to 15

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

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

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

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

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

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

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

1.5 INTANGIBLE ASSETS

An asset is identifiable if it either:

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

An intangible asset is recognised when:

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

ACCOUNTING POLICIES

1.5 INTANGIBLE ASSETS (CONTINUED)

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, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

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

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

1.6 FINANCIAL INSTRUMENTS

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

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

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

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses.

The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

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

A financial asset is:

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

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

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

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

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

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

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

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

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

1.6 FINANCIAL INSTRUMENTS (CONTINUED)

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

Classification

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

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

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

Class	Category
Payables from exchange transactions	Financial liability measured at cost

Initial Recognition

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

The entity recognises financial assets using trade date accounting.

Initial Measurement of Financial Assets and Financial Liabilities

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

Subsequent Measurement of Financial Assets and Financial Liabilities

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

- Financial instruments at amortised cost.

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

1.7 TAX

Tax Expenses

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

1.8 LEASES

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

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

Finance Leases - Lessee

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

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

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

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

1.8 LEASES (CONTINUED)

Operating Lases - Lessee

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

1.9 INVENTORIES

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

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

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

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

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

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

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

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

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

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

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

1.10 SHARE CAPITAL AND EQUITY

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

1.11 EMPLOYEE BENEFITS

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

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

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

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

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

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

Short Term Employee Benifits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the

1.11 EMPLOYEE BENEFITS (CONTINUED)

end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

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

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

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

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

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

Termination Benefits

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

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.
- The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:
- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

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

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

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

1.12 PROVISIONS AND CONTINGENCIES

Provisions are recognised when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required

ACCOUNTING POLICIES

1.12 PROVISIONS AND CONTINGENCIES (CONTINUED)

- 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.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 30.

1.13 COMMITMENTS

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

Disclosures are required in respect of unrecognised contractual commitments.

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

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

1.14 REVENUE FROM EXCHANGE TRANSACTIONS

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

An exchange transaction is one in which the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

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

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of Goods

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

- the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.14 REVENUE FROM EXCHANGE TRANSACTIONS (CONTINUED)

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.

1.15 REVENUE FROM NON-EXCHANGE TRANSACTIONS

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

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

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

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

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

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

Recognition

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

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

Mesurement

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.

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ACCOUNTING POLICIES

1.16 TURNOVER

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

1.17 GOVERNMENT GRANTS

Government grants are recognised as revenue when:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- to the extent that there has been compliance with any restrictions and conditions associated with the grant

1.18 FRUITLESS AND WASTEFUL EXPENDITURE

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

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

1.19 IRREGULAR EXPENDITURE

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

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

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

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

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

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

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements.

The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.20 BUDGET INFORMATION

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 2018-04-01 to 2019-03-31.

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

A WINNER IS A DREAMER WHO NEVER GIVES UP

NELSON MANDELA

ACCOUNTING POLICIES

1.20 BUDGET INFORMATION (CONTINUED)

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

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 note 40.

1.21 RELATED PARTIES

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

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

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

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

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

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

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

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

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

1.22 EVENTS AFTER REPORTING DATE

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

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

Standard/ Interpretation	Effective date: Years beginning on or after	Expected impact
GRAP 34: Separate Financial Statements assessed	01-Apr-99	Impact is currently being
GRAP 35: Consolidated Financial Statements material impact	01-Apr-99	Unlikely there will be a
GRAP 36: Investments in Associates and Joint Ventures material impact	01-Apr-99	Unlikely there will be a
GRAP 37: Joint Arrangements	01-Apr-99	Unlikely there will be a material impact
GRAP 38: Disclosure of Interests in Other Entities material impact	01-Apr-99	Unlikely there will be a
Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme	01-Apr-99	Unlikely there will be a material impact
GRAP 110: Living and Non-living Resources material impact	01-Apr-20	Unlikely there will be a
GRAP 110 (as amended 2016): Living and Non-living Resources	01-Apr-20	Unlikely there will be a material impact
GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01-Apr-19	Unlikely there will be a material impact
GRAP 7 (as revised 2010): Investments in Associates material impact	01-Apr-19	Unlikely there will be a
GRAP 8 (as revised 2010): Interests in Joint Ventures material impact	01-Apr-19	Unlikely there will be a
GRAP 18 (as amended 2016): Segment Reporting material impact	01-Apr-19	Unlikely there will be a
GRAP 20: Related parties	01-Apr-19	Impact is currently being assessed
GRAP 32: Service Concession Arrangements: Grantor material impact	01-Apr-19	Unlikely there will be a
GRAP 105: Transfers of functions between entities under common control	01-Apr-19	Unlikely there will be a material impact
GRAP 106 (as amended 2016): Transfers of functions between entities not under common control	01-Apr-19	Unlikely there will be a material impact
GRAP 107: Mergers	01-Apr-19	Unlikely there will be a material impact
GRAP 108: Statutory Receivables	01-Apr-19	Impact is currently being assessed
GRAP 109: Accounting by Principals and Agents material impact	01-Apr-19	Unlikely there will be a
IGRAP 11: Consolidation – Special purpose entities material impact	01-Apr-19	Unlikely there will be a
IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01-Apr-19	Unlikely there will be a material impact
IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01-Apr-19	Unlikely there will be a material impact
IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land	01-Apr-19	Unlikely there will be a material impact

NOTES TO THE FINANCIAL STATEMENTS

	2019	2018

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.

Cash flow interest rate risk

Price risk

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

4. Cash and cash equivalents

Cash and cash equivalents consist of:

	2019	2018
Cash on hand	465	35
Bank balances	2,659,756	378,492
	2,660,221	**378,527**

5. Receivables from exchange transactions

	2019	2018
Trade debtors	410,266	378,128
Staff Loans	118,057	119,412
	528,323	**497,540**

6. Receivables from non-exchange transactions

	2019	2018
Sundry debtors	461,142	66,546
Staff debtors	571,948	400,133
Prepayments	72,090	63,163
	1,105,180	**529,842**

7. Inventories

	2019	2018
Inventories	3,322,808	3,426,940

	2019	2018
Inventory adjustments recognised by the Corporation		
Obsolete inventory	-	1,200,000
Inventory loss adjustment	433,932	946,751

NOTES TO THE FINANCIAL STATEMENTS

	2019	2018
7. Inventories (continued)		
	433,932	2,146,751
Inventory movement reconciliation		
Opening balance of year	3,426,940	6,418,084
Additions	20,850,799	19,808,737
Consumption	(20,520,999)	(20,653,130)
Inventory adjustment	(433,932)	(2,146,751)
	3,322,808	3,426,940

NOTES TO THE FINANCIAL STATEMENTS

8. Property, plant and equipment

	2019			2018		
	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	29,286,099	(9,606,512)	19,679,587	29,110,499	(7,863,442)	21,247,057
WIP - Depot upgrade	-	-	-	98,000	-	98,000
Lease buses	81,894,351	(21,121,724)	60,772,627	81,894,351	(14,006,684)	67,887,667
Workshop equipment	2,477,849	(2,296,829)	181,020	2,429,991	(1,855,534)	574,457
Ancillary vehicles	5,065,729	(2,960,878)	2,104,851	5,928,036	(2,726,186)	3,201,850
Office equipment	6,172,797	(3,147,425)	3,025,372	6,142,870	(2,460,187)	3,682,683
Office furniture	2,014,949	(1,061,011)	953,938	1,991,946	(860,759)	1,131,187
Property fencing	1,315,503	(863,640)	451,863	1,315,503	(800,532)	514,971
Buses	78,567,882	(32,093,592)	46,474,290	78,567,882	(25,716,768)	52,851,114
Internal roads	1,577,575	(1,368,137)	209,438	1,577,575	(1,230,173)	347,402
Operating equipment	11,172,787	(4,729,838)	6,442,949	11,172,787	(2,521,545)	8,651,242
Total	**223,423,266**	**(79,249,586)**	**144,173,680**	**224,107,185**	**(60,041,810)**	**164,065,375**

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	3,877,745	-	-	-	-	3,877,745
Buildings	21,247,057	77,600	-	98,000	(1,743,070)	19,679,587
WIP - Depot upgrade	98,000	-	-	(98,000)	-	-
Lease buses	67,887,667	-	-	-	(7,115,040)	60,772,627
Workshop equipment	574,457	47,858	-	-	(441,295)	181,020
Ancillary vehicles	3,201,850	-	(509,665)	-	(587,334)	2,104,851
Office equipment	3,682,683	40,257	(6,900)	-	(690,668)	3,025,372
Office furniture	1,131,187	23,004	-	-	(200,253)	953,938

NOTES TO THE FINANCIAL STATEMENTS

8. Property, plant and equipment (continued)

Property fencing	514,971	-	-	-	(63,108)	451,863
Buses	52,851,114	-	-	-	(6,376,824)	46,474,290
Internal roads	347,402	-	-	-	(137,964)	209,438
Operating equipment	8,651,242	-	-	-	(2,208,293)	6,442,949
	164,065,375	**188,719**	**(516,565)**	**-**	**(19,563,849)**	**144,173,680**

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	3,877,745	-	-	-	-	3,877,745
Buildings	9,865,017	-	-	13,076,838	(1,694,798)	21,247,057
WIP - Depot upgrade	10,418,568	2,756,270	-	(13,076,838)	-	98,000
Lease buses	75,002,704	-	-	-	(7,115,037)	67,887,667
Workshop equipment	1,002,385	58,693	-	-	(486,621)	574,457
Ancillary vehicles	4,204,232	-	(352,443)	-	(649,939)	3,201,850
Office equipment	4,217,488	213,443	-	-	(748,248)	3,682,683
Office furniture	1,195,972	130,981	-	-	(195,766)	1,131,187
Property fencing	578,100	-	-	-	(63,129)	514,971
Lease Office equipment	121,841	-	-	-	(121,841)	-
Buses	57,650,406	2,039,460	(461,933)	-	(6,376,819)	52,851,114
Internal roads	485,370	-	-	-	(137,968)	347,402
Operating equipment	6,229,418	4,634,773	(47,178)	-	(2,165,771)	8,651,242
	174,849,246	**9,833,620**	**(861,554)**	**-**	**(19,755,937)**	**164,065,375**

- A fixed asset register containing the detail of information as disclosed in note 8 above is available for inspection within the entity.
- Zone 8 Zwelitsha - the entity has been given the right to use the property indefinitely. A process for the acquisition of the title deed has been initiated with the Eastern Cape Department of Roads and Public Works. Improvement to property are capitalised.
- The Corporation entered into finance lease for the acquisition of buses. The lessor is holding titles as securities.

NOTES TO THE FINANCIAL STATEMENTS

5. Intangible assets

	2019			2018		
	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 - 2019

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

Reconciliation of intangible assets - 2018

	Opening balance	Additions	Total
Computer software, other	1,029,021	636,713	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 license 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

	2019	2018

10. Payables from exchange transactions

	2019	2018
Accrued bonus	1,240,380	892,372
Trade payables	7,325,477	10,246,383
Amounts received in advance	644,308	754,699
Accrued leave pay	3,868,916	3,305,883
Accrued workmen's compensation	700,000	1,000,000
Other accrued expenses	1,009,262	2,257,637
	14,788,343	**18,456,974**

11. Finance lease obligation

	2019	2018
Minimum lease payments due		
- within one year	16,055,406	16,055,405
- in second to fifth year inclusive	23,546,087	35,027,464
	39,601,493	51,082,869
less: future finance charges	(4,258,152)	(6,691,049)
Present value of minimum lease payments	**35,343,341**	**44,391,820**
Present value of minimum lease payments due		
- within one year	13,332,182	12,795,134
- in second to fifth year inclusive	22,011,159	31,596,686
	35,343,341	**44,391,820**
Non-current liabilities	22,011,159	31,596,685
Current liabilities	13,332,182	12,795,135
	35,343,341	**44,391,820**

- It is entity policy to lease certain buses under finance leases.
- The average lease term was 5 years and the average effective borrowing rate was 9% (2018: 9%). Interest rates are fixed at the contract date. All leases have fixed repayments .
- The entity's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 8.

12. Share capital and equity

	2019	2018
Authorised		
Ordinary shares of R1 each	250,000,000	250,000,000
Issued		
Ordinary	248,356,075	248,356,075

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

NOTES TO THE FINANCIAL STATEMENTS

	2019	2018

13. Investment revenue 2019 2018

Interest revenue		
Bank	521,521	148,868

14. Other income

Sundry income	104,051	75,593
Disposal of assets	-	147,889
	104,051	223,482

15. Government grants and subsidies

Operating grants		
Grant in Aid	129,581,000	110,704,000
Teta grant	528,300	614,419
	130,109,300	111,318,419

16. Revenue

Private hire	4,493,994	5,262,713
Passenger fare	23,600,427	27,133,378
Other income	104,051	223,482
Interest received - investment	521,521	148,868
Government grants & subsidies	130,109,300	111,318,419
	158,829,293	**144,086,860**

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

Private hire	4,493994	5262713
Passenger fare	23,600,427	27,133,378
Other income	104,051	223,482
Interest received - investment	521,521	148,868
	28,719,993	**32,768,441**

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

Transfer revenue		
Government grants & subsidies	130,109,300	111,318,419

17. Employee related costs

Basic	52,198,716	60,290,334
Medical aid - company contributions	4,463,611	4,017,608
UIF	399,587	413,403
Workman's Compenastion	593,557	47,701
SDL	585,071	596,226
Leave pay provision charge	948,312	(2,180,814)
Defined contribution plans	6,855,075	6,529,872
Overtime payments	1,125,089	1,098,887
13th Cheques	3,158,918	2,870,613
Transport allowance	87,467	74,420
Car allowance	1,342,622	1,361,479
Housing benefits and allowances	58,296	20,687
Bargaining council levy	53,740	56,429
Other allowance	234,327	211,695
	72,104,388	75,408,540

NOTES TO THE FINANCIAL STATEMENTS

	2019	2018
18. Operating expenses		
Motor vehicle expenses	47,033	310,375
Obsolete inventory	-	1,200,000
Fuel	17,464,567	17,902,335
Tyres	2,590,676	2,162,814
Licences and permits	2,712,084	2,354,271
Fines and penalties	259,433	78,490
Repairs and maintenance	13,912,765	11,364,640
Consumables (lubricants and grease)	465,756	587,981
Inventory loss adjustment	433,932	946,751
Other operating expenses	255,711	931,997
Fleet management	79,458	26,933
Insurance	5,030,968	4,414,372
	43,252,383	**42,280,959**

19. Finance costs

Finance leases	3,394,819	4,685,288

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

20. Lease rentals on operating lease

Premises and Copiers		
Contractual amounts	2,455,382	2,682,544

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

Premises Rental

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

Copiers rental

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

21. Administrative expenses

Auditors remuneration	3,523,421	3,306,662
Computer expenses	62,115	319,002
Consulting and professional fees	1,195,180	1,771,865
Recruitment costs	60,457	34,591
Printing and stationery	348,969	583,328
Security expenses	3,633,092	2,399,195
Telephone, cellphone and postage	1,549,121	1,427,021
Training cost	539,355	838,953
Subsistence, Travel and accomodation	1,406,842	1,352,353
Water and Electricity	2,398,135	1,835,133
Legal expenses	801,397	144,975
Internal audit	1,470,770	659,790
Board members fees and expenses	2,908,884	2,691,855
Other expenses	2,309,173	2,026,062
	22,206,911	**19,390,785**

NOTES TO THE FINANCIAL STATEMENTS

	2019	2018
22. Operating deficit Operating lease charges		
Premises & Copiers		
• Contractual amounts	2,455,382	2,682,544
Loss on sale of property, plant and equipment	(102,674)	(70,161)
Loss on sale of non-current assets held for sale	-	(162,725)
Depreciation on property, plant and equipment	19,563,848	19,755,937
Employee costs	72,104,388	75,408,540
23. Gain/(Loss) on disposal of assets		
Property, plant and equipment	(102,674)	(70,161)
Gain/Loss of Non Current Assets held for sale	-	(162,725)
	(102,674)	**(232,886)**
24. Cash generated from operations		
Deficit	(4,251,112)	(20,350,079)
Adjustments for:		
Depreciation and amortisation	19,563,848	19,755,937
Gain on sale of assets and liabilities	102,674	232,886
Finance costs - Finance leases	3,394,819	4,685,288
Movements in operating lease assets and accruals	(139,794)	40,420
Changes in working capital:		
Inventories	104,132	2,991,144
Receivables from exchange transactions	(30,783)	(420,107)
Other receivables from non-exchange transactions	(575,338)	7,329,888
Payables from exchange transactions	(3,668,626)	(252,988)
	14,499,820	**14,012,389**
25. Cash flow of Assets held for sale		
Cash flows of assets held for sale – Buses	-	2,439,855

26. Non-current assets held for sale

The entity had decided to dispose certain class of its property plant and equipment.

The decision was made by the members to dispose these assets as they had reached their economic useful lives.

The non-current assets held for sale have been be sold piecemeal.

	2019	2018
Reconciliation		
Opening balance	-	2,602,580
Disposals	-	(2,602,580)
	-	-
27. Auditors' remuneration		
Fees	3,523,421	3,306,662

NOTES TO THE FINANCIAL STATEMENTS

	2019	2018

28. Financial instruments disclosure

Categories of financial instruments

2019

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	528,323	528,323
Other receivables from non-exchange transactions	1,105,180	1,105,180
Cash and cash equivalents	2,660,221	2,660,221
	4,293,724	**4,293,724**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	14,738,043	14,738,043

2018

Financial assets

	At amortised cost	Total
Trade and other receivables from exchange transactions	497,540	497,540
Other receivables from non-exchange transactions	529,842	529,842
Cash and cash equivalents	378,527	378,527
	1,405,909	**1,405,909**

Financial liabilities

	At amortised cost	Total
Trade and other payables from exchange transactions	18,456,974	18,456,974

29. Commitments

Operating leases - as lessee (expense)

	2019	2018
Minimum lease payments due		
- within one year	927,192	2,257,389
- in second to fifth year inclusive	440,246	574,996
	1,367,438	**2,832,385**

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

	2019	2018
Rental expenses relating to operating leases		
Minimum lease payments	1,367,438	2,832,385

NOTES TO THE FINANCIAL STATEMENTS

	2019	2018

29. Commitments (continued)

Premises Rental

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

Copiers rental

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

30. Contingencies

Contingent asset

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

2019	Amount	Total
Penalty on acquisition of equipment to curb fare evasion from Questek	855,000	855,000
Estimates by Mbabane & Sokutu inc. Business Connection breach of contract	1,800,000	1,800,000
	2,655,000	2,655,000

Contingent liabilities

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

2019	Anticipated legal fees	Estimated claim	Nature	Referred to	Total contingent liabilities
Estimates by Mbabane & Sokutu inc. Noel Van Wyk	500,000	3,000,000	Labour dispute	Labour court	3,500,000
Labour dispute Java Mama Attorneys for CCMA case relating to Mrs NV Madyibi	130,000	-	Labour dispute	CCMA	130,000
Estimates by Mbabane & Sokutu inc. Business Connection breach of contract	250,000	-	Breach of contract	N/A	250,000
Ntsiki Pakade attorneys Ms Ntoni ARBITRATION	100,000	889.436	Labour dispute	CCMA	989.436
Ntsiki Pakade attorneys S Jali	250,000	273.684	Labour dispute	Labour court	523.684
Ntsiki Pakade attorneys Futshana	250,000	241,900	Labour dispute	Labour court	491,900
	1,480,000	**4,405,020**			**5,885,020**

NOTES TO THE FINANCIAL STATEMENTS

2018	Anticipated legal fees	Estimated claim	Nature	Referred to	Total contingent liabilities
Estimates by Mbabane & Sokutu inc. Noel Van Wyk Labour dispute	-	500,000	Labour dispute	Labour court	500,000
Estimates by Mbabane & Sokutu inc. Business Connection breach of contract	-	300,000	Breach of contract	N/A	300,000
Questek machines - Back office support and communication contingent liability as a result of failure in meeting the condition of the SLA	-	1,023,100	Breach of contract	N/A	1,023,100
	-	**1,823,100**			**1,823,100**

31. Related parties

Relationships	
Members Shareholder with significant influence Members of key management	Refer to members' report note 32 Eastern Cape Department of Transport Refer to note 32

Related party balances

Capital Contribution - increase in Share Capital		
Eastern Cape Department of Transport	-	7,000,000

Related party transactions

Grant aid received		
Eastern Cape Department of Transport	129,581,000	110,704,000
ECDC		
Refurbishment of Alice and Queenstown Depots	-	3,640,000
Eastern Cape Department of Transport		
Private hire revenue/debtor	90,149	-

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

Board members - Refer to note 32 for details of transactions with board members. The Board is appointed by the Executive Authority and fulfils a governance and oversight role.

Key management personnel - Refer to note 31 for detail of transactions with key personnel. Management is responsible for the day-to-day operations of the Corporation.

NOTES TO THE FINANCIAL STATEMENTS

31. Related partied (continued)

Remuneration of Managament: Senior Management

2019										
Name	Back Pay	Basic Salary	Car Allowance	Cash Allowance	KM Reimbursement & Subsistence	Other Provident Fund Benefits	Provident Fund	Acting Allowance	Other Benefits Received	Total
CEO: N Madyibi	-	1,403,886	420,000	288,495	13,037	2.185	330,536	-	22,860	2,480,999
CFO: S Galada	36.196	1,317,522	180,000	384,652	21,316	-	-	-	72,693	2,012,379
COO: D Gwabeni	36.196	1,129,305	220,000	349.808	41,055	1.926	265,720	344,547	14,740	2,403,297
	72.392	**3,850,713**	**820**	**1,022,955**	**75.408**	**4.111**	**596.256**	**344.547**	**110.293**	**6,896,675**

2018									
Name	Back Pay	Basic Salary	Car Allowance	Cash Allowance	KM Reimbursement & Subsistence	Termination Benefits/ VSP	Provident Fund	Other Benefits Received	Total
CEO: N Madyibi	13.114	1,585,355	420,000	383,698	63,165	-	253,205	23.963	2,742,500
CFO: S Galada	34.152	1,131,348	180,000	304.864	7.153	-	-	18.308	1,675,825
COO: D Gwabeni	156.529	1,037,901	220,000	303.652	14.353	-	168,140	18.165	1,918,740
HOD:HR LC Mtise	6.327	369.375	18,000	168.413	-	-	59,839	6,200	628,154
HOD: ENG Z Leni	6.439	426.842	-	210.217	-	1,936,794	69,148	33,216	2,682,656
	216.561	**4,550,821**	**838,000**	**1,370,844**	**84,671**	**1,936,794**	**550.332**	**99,852**	**9,647,875**

Other benefits recived relate to UIF, SDL, Medical Aid and other Benefits.

NOTES TO THE FINANCIAL STATEMENTS

32. Members' emoluments 2019

2019

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

2018

	Other benefits*	Members' fees	Total
Ms. FKP Ntlemeza (Board Chairperson)	141,015	525,563	666,578
Dr. V Mkosana (Deputy Chairperson)	9,279	264,554	273,833
Adv. MH Sishuba	1,476	283,599	285,075
Mr. PG Zitumane	6,315	222,738	229,053
Mrs. NB Petela-Ngcanga	7,331	197,104	204,435
Mrs. T Godongwana		198,258	198,258
Dr. B Ssamula	2,092	137,900	139,992
	167,508	**1,829,716**	**1,997,224**

* Other benefits comprise travel allowance.

NOTES TO THE FINANCIAL STATEMENTS

33. Audit committee

Fees for attending meeting

	Meetings	Travel	Total
2019			
Mr. PG Zitumane (Chairperson)	86,641	-	86,641
Mrs. T Godongwana	39,263	-	39,263
Ms. T Cumming	34,326	-	34,326
Mrs. N Mnconywa	28,229	-	28,229
Dr Bosire	19,132	7,959	27,091
Mr N. Adonis	19,132	-	19,132
	226,723	**7,959**	**234,682**

2018	Meeting	Travel	Total
Mr. PG Zitumane (Chairpesron)	130,712	6,315	137,027
Mr. L Ntshinga	40,477	8,204	48,681
Ms. T Godongwana	39,494	-	39,494
Mr. N Adonis	69,365	-	69,365
Ms. T Cumming	61,694	-	61,694
	341,742	**14,519**	**356,261**

34. Going concern

We draw attention to the fact that at 31 March 2019, the entity had an accumulated (deficit) of (144,932,439) and that the entity's total assets exceed total liabilities by 103,423,636.

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 ability of the entity to continue as a going concern is dependent on a number of factors. The most significant of these is that the entity is funded by government into the next foreseeable future, Medium Term Expenditure Framework period.

35. Events after the reporting date

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

36. Irregular expenditure

Reconciliation of Irregular Expenditure		
Opening balance	18,843,069	38,712,321
Add: Irregular Expenditure - current year (Movement)	6,103,324	6,199,845
Less: Amounts condoned	-	(26,069,097)
	24,946,393	**18,843,069**

Details of irregular expenditure – current year

	Investigations in progress	648,286
Continuous service with no contract	Investigations in progress	839,068
Proper procurement process not followed	Investigations in progress	4,615,970
Deviation not sought from PT	Investigations in progress	6,103,324

Details of irregular expenditure – prior year

	Investigations in progress	
Continuous service with no contract	Investigations in progress	673,937
Proper procurement process not followed	Investigations in progress	516,818
Deviation not sought from PT	Investigations in progress	4,721,163
Expired contracts	Investigations in progress	287,927
		6,199,845

NOTES TO THE FINANCIAL STATEMENTS

Disciplinary steps taken/criminal proceedings

Disciplinary action has been instituted against responsible officials and the action is in progress with regards to the 2019 and 2018 financial year end. The historical information is currently being investigated and will be dealt with in the 2020 financial year

.

In 2018 financial year the board of directors approved a condonement of irregular expenditure amounting to R26 069 097, the irregular expenditure incurred came as a result of contracts that were irregularly entered into in the previous years

37. Fruitless and wasteful expenditure

Reconciliation of Fruitless and Wasteful Expenditure		
Opening balance	944,035	798,041
Add: Movement in current year	356,784	145,994
	1,300,819	**944,035**

Incident		
Penalties on late payment & cancellations	156,598	7,797
Interest due to late payment	158,520	65,698
Traffic fines	3,820	16,427
Other	37,846	10,605
Trainings non-attendance	-	45,467
	356,784	**145,994**

Disciplinary steps taken/criminal proceedings

Disciplinary action has been instituted against responsible officials and the action is in progress with regards to the 2019 and 2018 financial year end. The historical information is currently being investigated and will be dealt with in the 2020 financial year.

38. Prior-year adjustments

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

Errors

The following prior period errors occurred during the financial year:

Private Hire

During the financial year I it was noted that an error was made in reversing six private hire waybills. These waybills were reversed twice in the liability account which constituted an understatement in Private Hire liability and an overstatement in the Revenue account for the previous year.

An error adjusting journal has been processed to correct the duplication done which had an effect as follows: Decrease in the Retained

earnings by an amount of R15 850

Increase in liability by ab amount of R 15 850 Increased

in the Accumulated loss of R15 850

ANNUAL FINANCIAL STATEMENTS FOR THE THE YEAR ENDED 31 MARCH 2019

NOTES TO THE FINANCIAL STATEMENTS

38. PRIOR-YEAR ADJUSTMENTS (CONTINUED)

Change in Accounting Policy

The Accounting Standard Board has approved Directive 4 with effective from 01 April 2018 for all Government Business Enterprises (GBE) to use General Recognised Accounting Practice (GRAP) as their Reporting Framework.

The entity previously was using Statement of GAAP as their framework, the pronunciation and implementation of the new framework GRAP has resulted for the entity to have a Change in Accounting policy which will require certain types of accounts in the presentation of Financial Statements to change the nature they have been presented.

The change in Accounting policy will be done retrospectively meaning the comparative figures will also have to be adjusted according to the new framework. The change has resulted for the changes is the presentation and reclassification of some Transactions and Balances on the face and note to the Annual Financial Statements.

The following change in accounting policies occurred:

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NOTES TO THE FINANCIAL STATEMENTS

38. Prior year adjustments (continued)

GRAP Conversion

General Recognised Accounting Practice (GRAP)		
Statement	**Component in previous year AFS**	**Component in the current AFS**
Income statement	Revenue note 13	Passenger fare
Income statement	Revenue note 14	Private hire
Income statement	Other Operating income note 14	Interest received - investment note 13
Income statement	Other Operating income note 14	Other income note 14
Income statement	Other Operating income note	Government grants & subsidies note 15
Income statement	Administrative expenses note 18	Lease rentals on operating lease note 20
Income statement	Operating expense note 17	Operating expense note 18

NOTES TO THE FINANCIAL STATEMENTS

	Amount as presented in the current year.	Nature of the change in accounting policy
	27,133,378	This amount has been split under GRAP presentation. It was consolidated in the SA GAAP presentation asRevenue amounting to R32.4m
	5,278,563	This amount has been split under GRAP presentation was consolidated in theSA GAAP presentation as REVENUE amounting to R32.4m
	148.868	This has been presented separately on the face of the I/S previously disclosed as other Operating Income note 14 under total amount of R111 690 769
	223.482	This has been presented separately on the face of the I/S previously disclosed as other Operating Income note 14 under total amount of R111 690 769
	111,318,419	This has been presented separately on the face of the I/S previously disclosed as other Operating Income note 14 under total amount of R111 690 769
	2,642,124	GRAP presentation requirement is for the rental to be presented separately on the face of the I/S was under Administrative expenses note 18 total amount R26 840 214
	42,280,959	The difference come as a result of correction mapping during the GRAP conversion in allocating accounts correctly where they should be presented, this resulted to a change amount of R4 568 128 which is an increase as compared to previous year amount of R37 473 652 and the analysis is as explained in the analysis below.

38. Prior year adjustments (continued)

Income statement	Administrative expenses note 18	Administrative expenses note 21
Balance sheet	Trade and other receivables	Receivables from exchange transactions note 5
Balance sheet	Trade and other receivables	Receivables from exchange transactions note 6
Balance sheet	Trade and payables note 12	Payables from exchange transactions note 10
Balance sheet	Operating lease asset/liability - retrospective adjustment done	Operating lease liability

	19,390,785	The difference is as a result of correction in mapping during the GRAP conversion in allocating accounts correctly where they should be presented, this resulted to a change amount of R7 210 251 which is a decrease as compared to previous year amount of R26 840 214, this also is a result of Insurance and Lease Operating expenses that have been disclosed separately on the face and the analysis is as explained below.
	497.54	As per GRAP presentation receivables are split from exchange and non-exchange as per GRAP receivables accounting policy. Exchange include receivables from Private Hire and Study loans to suppliers. The receivables were previously disclosed under note 6 total amounts of R1 027 383.
	529.842	As per GRAP presentation receivables are split from exchange and non-exchange as per GRAP receivables accounting policy. Non-Exchange include receivables from S&T allowances, and staff Shortages. The receivables were previously disclosed under note 6 total amounts of R1 027 383.
	18,456,974	As per GRAP presentation payables are disclosed or presented as payables from exchange transactions GRAP payables accounting policy. The payables were previously disclosed under note 12 total amounts of R18 441 120. There is a rounding off difference due to GRAP conversion of R3.
	40,420	As per GRAP presentation the operating lease are recognised on a straight-line basis, where a comparison between actual payment made and straight line method amount must be done to determine the Operating lease asset/liability to be recognised in the balance sheet.
	227,941,354	

NOTES TO THE FINANCIAL STATEMENTS

38. Prior year adjustments (continued)

GRAP Conversion transactions analysis					
Statement	**Description**	**Nature of the change in accounting policy**	**Amount disclosed as per previous year**	**Amount disclosed as per current year**	**Total**
Operating expense	Other operating expenses	Allocation of accounts to the correct mapping, this was mapped under insurances services in the insurance - under administrative expenses. This now has been presented under Other Operating expenses	(1,264,525)	931.997	-332.528
Operating expense	Fleet Management	Allocation of accounts to the correct mapping, this was mapped under insurances services in the insurance - under administrative expenses. This has been presented separately as fleet management under Operating expenses	-	26.933	26.933
Operating expense	Insurance	Allocation of accounts to the correct mapping, this was mapped under insurances services in the insurance - under adminis-trative expenses. This has been presented separately as Insurance under Operating expenses	-	4,414,372	4,414,373
Administrative expense	Insurance	Refer to the above	(4,568,127)	-	(4,568,127)
Administrative expense	Lease rental operating lease	GRAP presentation requirement is for the rental to be presented separately on the face of the income statement	(2,642,124)	-	(2,642,124)
			(8,474,776)	5,373,302	(3,101,474)

Reclassifications

The following reclassifications adjustment occurred:

Reclassification due to GRAP conversion

The Accounting Standard Board has approved Directive 4 with effective from 01 April 2018 for all Government Business Enterprises (GBE) to use General Recognised Accounting Practice (GRAP) as their Reporting Framework.

The entity was previously applying the Statement of GAAP as a reporting framework. The pronunciation and implementation of the new GRAP has resulted in the required for a disclosure of a Change in Accounting Policy. This has necessitated that certain types of accounts in the financial statements to change the from the nature which they were previously disclosed.

The change in Accounting policy will be done retrospectively meaning the comparative figures will also have to be adjusted according to the new framework. The change has resulted for the changes is the presentation and reclassification of some Transactions and Balances on the face and note to the Annual Financial Statements.

The reclassification has happened in the account balances and transactions which the detail is as per GRAP conversion note in the tables above and the table below.

NOTES TO THE FINANCIAL STATEMENTS

Statement	Description	Nature of the reclassification	Amount disclosed as per previous year	Amount disclosed as per current year	Total
Income Statement	Repairs and Maintenance	This is as a result of the change in the nature of the expense from Other Operating expenses to Repairs and Maintenance as the expenditure relate to maintenance	(10,666,110)	11,364,640	698.53
Income Statement	Lease rentals on operating expenses	As per GRAP presantation the operating lease are recognised on a straight-line basis, where a comparison between actual payment made and straight line method amount must be done to determine the Operating lease rental to be recognised on the face of the Income Statement.	-	2,682,544	2,682,544
			(10,666,110)	**14,047,184**	**3,381,074**

39. Prior year adjustment disclosure note

Contingent Asset and liability prior year disclosure note - 2018

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

Questek Penalty (Contingent asset)	**Amount**	**Total**
Penalty on acquisition of equipment to curb fare evasion from Questek	855,000	855,000

Upon the award there was the condition that all the machines should be operating effectively in accordance with the tender specification before the obligation for the back office support and communication of the machine with the Questek system may arise. The condition was only met on the 31 March 2018, hence a prior year contingent liability should have been raised to cover for the liability that has been raised in the 2018/19 financial year relating to the entire system.

Questek machines (Contingent liability)	**Amount**	**Total**
Back office support and communication	1,023,100	1,023,100

NOTES TO THE FINANCIAL STATEMENTS

Component	Variance explanation	Variance
Private Hire	The over-collection is as a result of a high demand by the public in private hire trips than initially anticipated.	457,045
Passenger Fare	The overall under- collection is as a result of the industry challenges. These included the disturbance of MTC operations by the Nationwide Bus Strike from Mid-April to Mid- May 2018 this then therefore resulted in a huge loss and under- collection of own generated revenue as initially targeted also most of the buses had been of the road due to previously having insufficient cash to pay repair and maintenance accounts on time.	(9,633,624)
Other Income	No budget allocated for this item.	104.051
Interest received-Investment	No budget allocated for this item.	521.521
Government Grant & Subsidies	This amount relates to an amount received from TETA which is not Gazetted.	528,300
Employee Cost	The under-spending in the cost of employment is as result of budgeted posts that became vacant over the course of the financial period due to a high volume of terminations (e.g. retirements, resignations etc.)	3,939,948
Operating Expenses	The majority of the under-spending in operating expenses was due to a lower consumption in the additional adjusted fuel expenses due to the fact that there were some buses that had been off the road and were currently undergoing minor and major repairs.	5,568,197
Depreciation and amortisation	No budget allocated for this item.	(19,563,848)
Finance Costs	The variance of under- spending in the finance lease costs (interest portion) is as a result of fluctuations caused in the projected/budgeted finance schedule which has been affected due to late payments during the months in which the nation-wide bus strike took place therefore this lead to non-generation of own revenue and thus cash was insufficient to pay service providers on time.	259.544

NOTES TO THE FINANCIAL STATEMENTS

Component	Variance explanation	Variance
Lease Rentals on operating lease	The variance of under spending in Lease rental is due to termination of previous rental machine contract which ended within the 2018/19 financial period. The previous contract was more expense then the new current contract awarded for the next 36 months therefore resulting in a cost saving against the initial budget anticipated for the current financial period	36.689
Administrative expenses	The under-spending in administrative costs is as a result of a shortage of funds mainly in Q1 & Q2 of the financial period which then resulted in a halt of procuring of non-core operating items and this was impacted by the fact that the entity did not meet the projected revenue target due external factors and therefore budgeted expenditure was not adjusted downwards instead expenditure was monitored so that it would not exceed available resources including the fact that prior year creditors and commitments were paid in the 2018/19 financial period because the entity did not have sufficient cash available and therefore the additional funding received had a positive impact in improving the entity's cash crisis.	1,677,473
Inventories	No direct budget allocated for this item as the purchase of stock item go through via issues which have been allocated as part of the operating expenses.	3,322,808
Receivables from exchange transactions	No budget allocated for this item	528.323
Receivables from non-exchange transactions	No budget allocated for this item	1,105,180
Cash & cash equivalents	No budget allocated for this item	2,660,221
Property, plant & Equipment	No budget allocated for this item	132,217,414
Intangible assets	No budget allocated for this item	1,665,734

NOTES TO THE FINANCIAL STATEMENTS

Component	Variance explanation	Variance
Finance Lease obligation (Short term portion)	No budget allocated for this item	13,332,182
Payables from exchange transactions	No budget allocated for this item as the budget is allocated per expenditure item stated in the Statement of Financial Performance .	14,788,344
Finance Lease obligation Long term portion)	No budget allocated for this item	22,011,159
Share Capital & Equity	No budget allocated for this item	248,356,075
Share Capital & Equity	No budget allocated for this item	(156,888,706)

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Annual Report

Financial Year 2018/2019

PR170/2019

ISBN: 978-0-621-47436-7

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