



ANNUAL REPORT

2015/2016

CONTENTS

1 GENERAL INFORMATION

- 08 Public Entity's General Information
- 09 Foreword from the Chairperson
- 11 Overview by the CEO
- 18 Statement of Responsibility
- 19 Strategic Overview
- 20 Legislative and Other Mandates
- 21 Organisational Structure

- 04 Acronyms and Abbreviations
- 05 Presentation of the Annual Report for 2015/2016

2 PERFORMANCE INFORMATION

- 24 Auditor's Report: Predetermined Objectives
- 25 Situational Analysis
- 30 Performance Information by Programme
- 30 Programme 1: Programme 1.1 Office of the CEO
Programme 1.2 Office of Strategic Management
Programme 1.3 Office of the CFO
Programme 1.4 Human Resources Management
- 38 Programme 2: Engineering
- 40 Programme 3: Operations

CORPORATE HEADQUARTERS

Shop 15, Beacon Bay Crossing, Corner of N2 and Bonza Bay Road, Beacon Bay, East London

Postal Address

P.O. Box 19596, Tecoma,
5214, East London,
Province of the Eastern Cape

Phone 043 745 2582 Fax 043 745 2586
www.mayibuyetransport.co.za

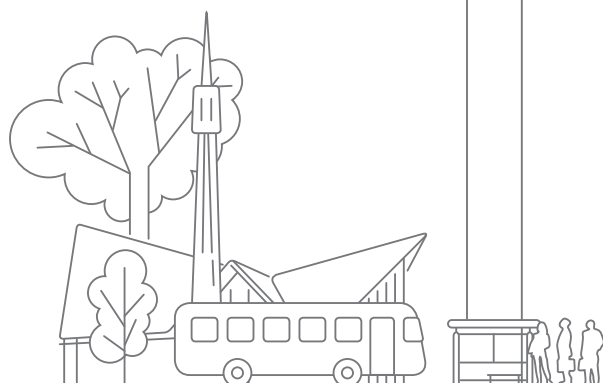
To obtain additional information and/or copies of this document, please contact:

ARLINE COETZEE

Senior Manager: Strategic Planning
Email: coetzeea@mtcec.co.za

CHARON CRONJE

Executive Secretary to the CEO
Email: ceopa@mtcec.co.za



3 GOVERNANCE

- 44 Introduction
- 45 The Accounting Authority/Board
- 52 Fraud and Corruption
- 52 Code of Conduct
- 53 Health, Safety and Environmental Issues
- 53 Company Secretary
- 54 Audit and Risk Committee



5 FINANCIAL INFORMATION

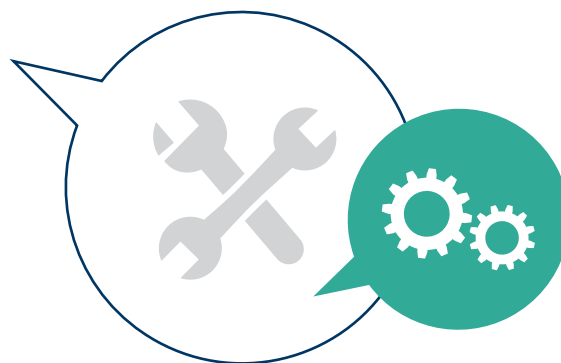
- 68 Report of the Auditor General
- 72 General Information
- 73 Abbreviations
- 73 Index
- 74 Board Members Responsibilities and Approval
- 75 Board Members Report
- 77 Statement of Financial Position
- 78 Statement of Comprehensive Income
- 79 Statement of Changes in Equity
- 80 Statement of Cash Flows
- 81 Accounting Policies
- 86 Notes to the Annual Financial Statements

4 HUMAN RESOURCES MANAGEMENT

- 58 Introduction
- 60 Human Resource Oversight Statistics



ACRONYMS AND ABBREVIATIONS



In this report, unless the context indicates otherwise, the following meaning(s) is/are associated with each related term and/or abbreviation:

| | | | |
|------|---|-------|---|
| AFS | Annual Financial Statements | HRM | Human Resource Management |
| AGSA | Auditor-General of South Africa | IA | Internal Audit |
| AO | Accounting Officer | IAS | International Accounting Standard |
| BEE | Black Economic Empowerment | ICT | Information and Communication Technology |
| CEO | Chief Executive Officer | MEC | Member of the Executive Council |
| CFO | Chief Financial Officer | MTC | Mayibuye Transport Corporation |
| COO | Chief Operations Officer | MTEF | Medium Term Expenditure Framework |
| CoF | Certificate of Fitness | MTSF | Medium Term Strategic Framework |
| CSI | Corporate Social Investment | NTR | National Treasury Regulations |
| DoRA | Division of Revenue Act | OD | Organisational Development |
| DoT | Department of Transport | OHSA | Occupational Health and Safety Act |
| DM | Divisional Manager | PFMA | Public Finance Management Act |
| EM | Executive Manager | PMDS | Performance Management Development System |
| EWP | Employee Wellness Policy | SABEA | South African Bus Employer's Association |
| FMS | Fleet Management System | SABOA | South African Bus Operator's Association |
| GAAP | Generally Accepted Accounting Practices | SCM | Supply Chain Management |
| GDP | Gross Domestic Product | SCOPA | Standing Committee on Public Accounts |
| HDI | Historically Disadvantaged Individuals | SLA | Service Level Agreement |
| HoD | Head of Department | SMME | Small Medium Micro Enterprise |
| HRD | Human Resource Development | | |

PRESENTATION
OF THE MAYIBUYE
TRANSPORT
CORPORATION

ANNUAL REPORT 2015/2016

In terms of the requirements of section 55(l) 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 2015 to 31 March 2016, 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 current financial period under review.

Right:
Ms F Ntlemeza Chairperson
Mrs N Madyibi CEO
Mr V Mkosana Deputy Chairperson
Mr S Galada CFO



Ms F Ntlemeza Chairperson



Mrs N Madyibi CEO



Mr V Mkosana Deputy Chairperson



Mr S Galada CFO



Adv M Sishuba



Mr P Zitumane



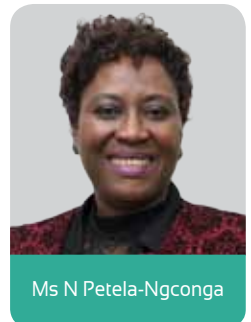
Mrs T Godongwana



Mr R Surajbali



Mr A De Vries



Ms N Petela-Ngcongca

ACCEPT THE FACT
TRANSPORT
& COMMUNICATIONS
WILL BRING THE
WORLD
IN CLOSE RELATIONS

JULIETTE GORDON LOW





GENERAL INFORMATION

- 08 Public Entity's General Information
- 09 Foreword from the Chairperson
- 11 Overview by the CEO
- 18 Statement of Responsibility
- 19 Strategic Overview
- 20 Legislative and Other Mandates
- 21 Organisational Structure

PUBLIC ENTITY'S GENERAL INFORMATION

| | |
|----------------------|------------------------------------|
| Registered Name: | Mayibuye Transport Corporation |
| Registration Number: | Not applicable due to PFMA status |
| 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 |
| Internal Auditors: | Marais Smith Chartered Accountants |
| Bankers: | Standard Bank |
| Company Secretary: | Advocate Simthandile Gugwini-Peter |

HEAD OFFICE

Shop 15, Beacon Bay Crossing, Beacon Bay, East London,
Province of the Eastern Cape, 5247

T: 081 289 5008, 081 253 2350 or 081 259 6411
F: 043 745 2586

ALICE DEPOT

6 Thompson Road, Alice,
Province of the Eastern Cape, 5700

T: 045 858 8826
F: 045 858 8290

QUEENSTOWN DEPOT

8 Faraday Road, Queendustria, Queenstown,
Province of the Eastern Cape, 52415

T: 045 858 8826
F: 045 858 8290

REESTON DEPOT

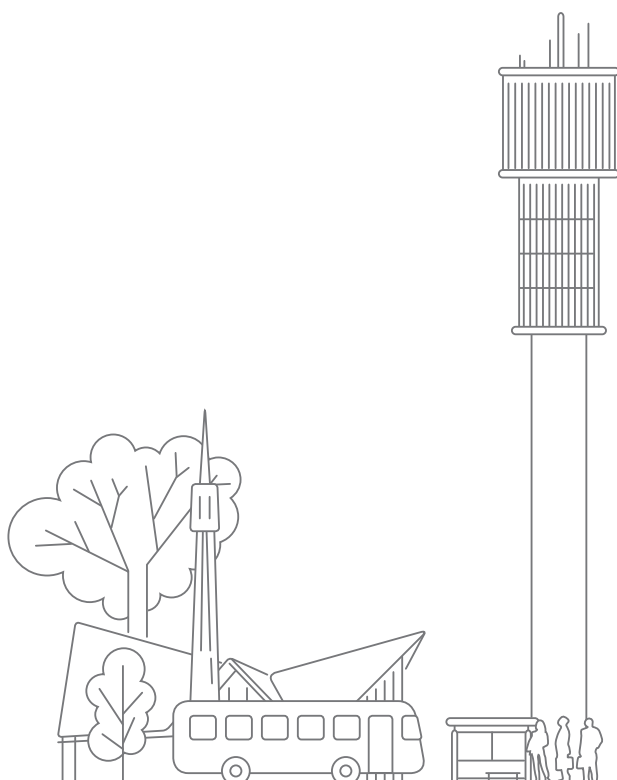
Corner of Drummond and Mdantsane, Access Roads,
East London, Province of the Eastern Cape, 5247

T: 043 745 2582
F: 043 745 2152

ZWELITSHA DEPOT

Mount Coke Road, Zwelitsha, King William's Town,
Province of the Eastern Cape, 5608

T: 040 654 1351
F: 040 655 1907



FOREWORD FROM THE CHAIRPERSON



MS FEZEKA K P NTLEMEZA | Chairperson of the Board

It is with great pleasure that the Mayibuye Transport Corporation (MTC) presents its Annual Report, covering the period 1 April 2015 to 31 March 2016. In line with its mandate, the MTC is tasked with delivering affordable public transport, providing safe and reliable fleet, developing technical human capital and leveraging these to make a positive socio-economic impact. As such, it continues to respond to the national priorities relating to improving the quality of life for all by providing community based transport, technical capability and innovation outputs, and contributing to the overall competitiveness of the Eastern Cape.

Guided by the MTC's new Strategic Plan, the entity has shown to make significant strides towards becoming an attractive investment space for all its stakeholders. The MTC featured strongly in the MEC's Policy Speech and the Department of Transport has displayed confidence in supporting the Corporation.

We are also delighted to announce that the MTC has obtained an unqualified audit opinion for the year under review. This is a fantastic achievement considering that in recent years the entity progressed from a disclaimer (2012/13), followed by two consecutive qualified opinions (2013/14 and 2014/15). The MTC has also received its fifth consecutive audit of no findings on performance information. Among the successes the MTC realised during 2015/16, we note in particular that in excess of 1.7 million people were transported in the Amathole and Chris Hani District Communities. In line with our goal to provide a safe and reliable service - no fatalities were reported.

Exceptional service delivery remains at the core of all we do. Just over 95% of our bus trips were on time. A Customer Satisfaction Survey was conducted on all active duties, the results of which indicate that 85% of customers are satisfied with the service they receive from the MTC. A Brand Awareness Survey was conducted with a thousand randomly selected respondents,

92% of whom indicated that they are aware of the MTC's brand. A total of 80% of the respondents stated that they are likely to recommend the MTC as a public transport service provider, proving that we are well on our way to becoming a public transporter of choice.

We have eagerly welcomed an additional thirty seven (37) new buses during 2015/2016 resulting in 45% of the fleet being less than 2 years old. It is unfortunate that the buses were not received at the onset of the financial year and therefore their full benefit was not realised within that period. The MTC has in response made the necessary adjustments and is ready to meet the 2016/2017 financial year head on. Furthermore, the additional fleet has proven to be a critical success factor in aligning the MTC to the service delivery requirements of the Provincial Integrated Public Transport Master Plan and bolstering the entity's profitability.

For the first time since its inception, the Corporation is upgrading its depot facilities. Due to the sheer scale of the project, the MTC has appointed the Eastern Cape Development Corporation (ECDC) for the purpose of managing the project to time, cost and quality expectation.

FOR THE FIRST TIME SINCE ITS INCEPTION, THE CORPORATION IS UPGRADING DEPOT FACILITIES.

It is evident that, in spite of the tough environment forced by limited economic growth, the MTC has begun to position itself to take advantage of every key opportunity that presents itself. In this regard the innovative Park and Ride service

between Bhisho and East London, which uses semi-luxury buses to transport mainly employees of government, is operating at full capacity.

A new Park and Ride service between Alice and Bhisho has also been established and is operating at full capacity. Similar projects are planned for Amalinda and Gonubie. The state is investing R900-million into the last link on the N2 to create a speedy corridor between East London, Bhisho and Port Elizabeth. The MTC should benefit from these improved road conditions. The Provincial Integrated Public Transport Master Plan and the Buffalo City Municipal Metro Integrated Public Transport System are considered as critical prospects to be explored. All of these will propel the MTC towards transforming into a self-sustaining enterprise and thus reducing its dependence on government in the long run.

A strategic goal of the MTC has been the ability to establish a highly effective and efficient operating model. This remains a key focus area which is continually subjected to refinement and improvement. The Board has commissioned a complete organisation redesign supported by a comprehensive skills audit and suitable personnel placement programme. It is the expectation that this initiative will result in the MTC comprising of highly qualified, skilled and experienced professionals who have the passion, commitment and expertise to successfully manage and deliver projects across all service delivery areas. With its unique breadth of local knowledge combined with continuously improving technical capability, the MTC is ideally positioned to respond to all our clients' transport needs.

As the transport market evolves, challenges arise which require non-traditional approaches and innovative solutions. Our expertise is increasingly coming to the forefront in providing the crucial links in public transport imperatives. It must be appreciated that unparalleled infrastructure is critical in terms of encouraging innovation and improving

the competitiveness of our business functions. The foreseeable future demands significant capital investment to redress the MTC's fleet and structural inheritance. Such investment coupled with greater efficiency and sustainability in the movement of our clients will provide the MTC with competitive advantage in today's complex economy. The Corporation is committed to establishing itself as a leader in doing more with less and providing its shareholder with tangible returns on investment.

We recognize that without commitment of those who are in the employ of the MTC and its keen stakeholders, the MTC would not be where it is now. We thank the Honourable MEC for Transport for her selfless guidance and leadership. The Transport Portfolio Committee and Standing Committee on Public Accounts are hailed for their resoluteness in giving guidance on how good governance and accountability should always be upheld. The MTC has impressed with the speed by which it has turned around, and thanks to the loyalty of the CEO and staff as well as the commitment of the Board, we enter 2016/2017 in a strong operating position.

We, as the Board of the MTC, commit to put more wheels on the road and improve mobility of the public we serve.



Ms Fezeka K P Ntlemeza
Chairperson of the Board
17 August 2016

OVERVIEW BY THE CHIEF EXECUTIVE OFFICER

MRS NTOMBIZINE MADYIBI | Chief Executive Officer

INTRODUCTION

Passenger transportation must become foremost on the agenda for municipal and even national government. As the growing population becomes more affluent, the number of vehicles on the road worldwide is projected to triple, to as much as 3 billion by 2035, according to economic forecasters Global Insight. A good deal of this increase will be due to magnified urban sprawl. Many already overcrowded cities will not be able to simply build up to accommodate new residents, so they will have to stretch their borders and build outward.

And as the traffic jams worsen, much more than time will be lost. Vehicle congestion typically erodes the GDP of a country by 1 to 3 percent. And the pollution, noise, accidents, and altering of the landscape attributable to cars and roads may leave long-term health and psychological scars on local communities. Over the past several decades, brute construction to meet the needs of drivers has been the default approach for many cities and emerging nations. Yet this strategy has merely generated more traffic, and instead of one congested route, it has created two. How well this issue is addressed could shape the productivity and competitiveness of cities and countries for the foreseeable future.

The Select Committee on Trade and International Relations found that the Eastern Cape is positioned as the next growth area for the South African Economy. The Province has a booming car manufacturing sector and very long coastline all positioned to be injected with resources and support from National Government to maximise economic benefits. The Eastern Cape is critical to growing the country's GDP and job creation objectives. The MTC has a promising role to play in this space.

The Public Transport Sector has entered a critical and very challenging phase in its evolution in South Africa. This has partly been brought about by a number of factors, such as scarcity of critical skills and lack of regulation. As a result, a number of operators may have to close operations. In spite of these challenges the current situation does present the MTC and the Provincial Government with an opportunity to become change leaders within the industry.



This annual report characterises socio-economic impacts from MTC activities and investments as it pursues its vision and mission. The MTC's expenditures ripple throughout the economy, supporting critical industries, creating new jobs, and attracting students to mechanical engineering. The MTC has invested in skills and innovations for the future, and in the process, it delivers social and economic impacts that benefit the Province today.

No single metric can capture the returns from the MTC's activities, given their many dimensions. The key socio-economic impacts are defined into the three categories below:



54 523

SCHOLARS
TRANSPORTED BY THE MTC
2015/2016



919 499

WORKERS
TRANSPORTED BY THE MTC
2015/2016



44

WOMEN AND YOUTH
DEVELOPED BY THE MTC
2015/2016

GENERAL FINANCIAL REVIEW OF THE MTC

The total budget allocation to the Corporation by the Eastern Cape Department of Transport for the 2015/16 financial year amounted to R108 990 000. The Corporation budgeted for own generated revenue an amount of R38 294 000. The total income has been allocated as follows:

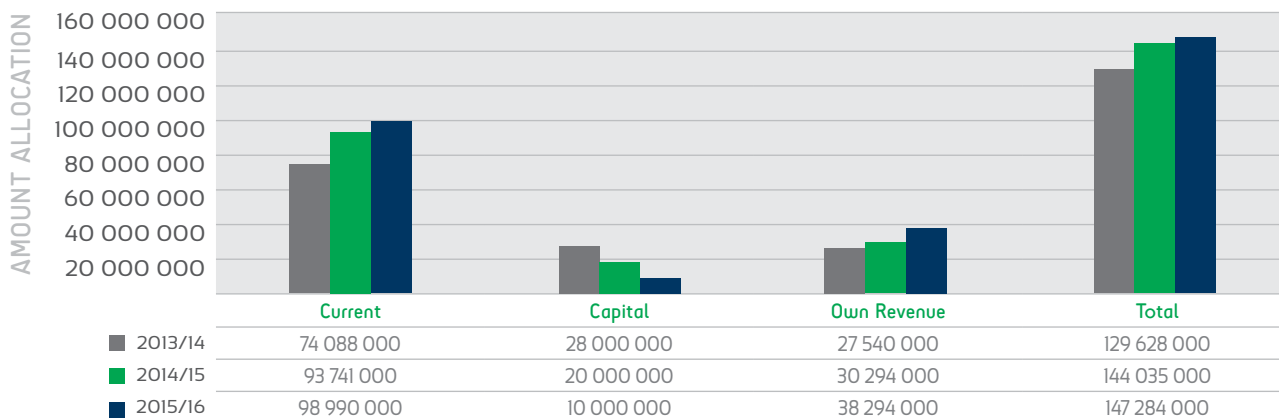
| Economic Classification | 2015/16 | % |
|-------------------------|--------------------|-------------|
| Goods and Services | 60 755 860 | 41,3% |
| Cost of Employment | 66 485 360 | 45,1% |
| Capital | 20 042 780 | 13,6% |
| Total | 147 284 000 | 100% |

The Corporation requested a roll-over of R9 057 962 received in the 2014/15 annual financial year which was not spent. There was also an amount of R52 985 000 which was received in response to the submission of the Corporation's Recapitalisation Plan. The funds were received on the last day of the financial year (31 March 2015), and a roll-over was requested. This brought the total amount available for utilisation by the Corporation:

| Economic Classification | 2015/16 | % |
|-------------------------|--------------------|----------------|
| Goods and Services | 60 755 860 | 29,02% |
| Cost of Employment | 66 485 360 | 31,76% |
| Capital | 82 085 742 | 39,21% |
| Total | 209 326 962 | 100,00% |

Grant income for the 2015/16 annual financial year of R98 990 000 was allocated by the EC Department of Transport for operation activities and R10 000 000 for capital investment.

Figure 1: Funding of the Corporation: Budget Allocation



The figure above is reflective of the trends of the MTC's funding by the Department of Transport and the own generated revenue of the Corporation with the exception of the additional Recapitalisation Funding receipt. The Corporation had submitted a R120m Recapitalisation Plan to

the Department of Transport, and received an amount of R52, 985m. Due to the delayed expenditure on the amount allocated for the acquisition of standard commuter buses the Provincial Treasury has advised the Corporation to submit a new proposal for Recapitalisation.

The budget analysis performed revealed budgetary constraints which included amongst others, the following:

- External Audit Fees shortfall;
- Consulting Fees budget shortfall;
- Security Expenses budget shortfall; and
- Staff Welfare budget constraints.

2015/16 YEAR TO DATE ACTUAL VS BUDGET

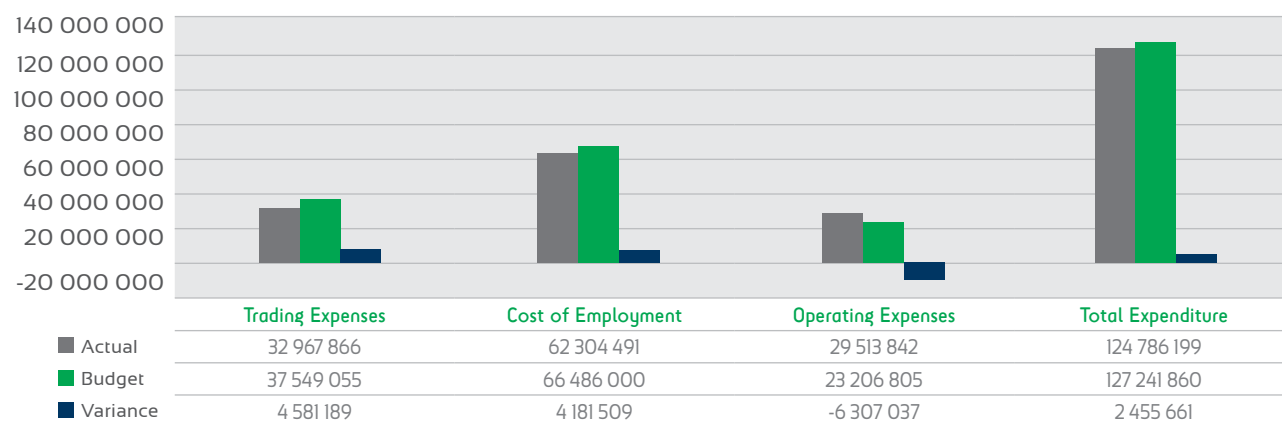
The table hereunder presents the Corporation's expenditure against its budget for the year under review. The reason for the material variances are provided in the sections of the report below which address the Economic Classifications.

| Actual YTD Expenditure against Budget YTD | Actual | Budget | Variance | % |
|---|-------------|-------------|------------|-------|
| Total Revenue | 134 133 267 | 137 284 000 | -3 150 733 | -2,3% |
| Goods and Services | 62 481 708 | 60 755 860 | -1 725 848 | -2,8% |
| Cost of Employment | 62 304 491 | 66 486 000 | 4 181 509 | 6,3% |

| Capital Expenditure Actual YTD Expenditure against Budget YTD | Actual YTD | Budget YTD | Variance | % Spent |
|---|------------|------------|------------|---------|
| Capital Expenditure* | 68 361 217 | 82 084 742 | 13 723 525 | 83,3% |

* The amount includes the total roll-over of capital from the 2014/15 financial year.

The graph below depicts the Corporation's actual expenditure against budget:



REVENUE MANAGEMENT

The revenue of the Corporation year-to-date was received as follows:

Grant-in-Aid

| Description | Amount |
|------------------|--------------------|
| Current Receipts | 98 990 000 |
| Capital Receipts | 10 000 000 |
| Total | 108 990 000 |

The total grant allocated for the 2015/16 financial years were received in total during the financial year.

Own Revenue

| Economic Classification | Actual | Budget | Variance | % |
|-------------------------|-------------------|-------------------|-------------------|--------------|
| Passenger Revenue | 22 840 975 | 32 507 780 | -9 666 805 | -29,7% |
| Private Hire Revenue | 4 705 305 | 5 786 220 | -1 080 915 | -18,7% |
| Other Income | 7 596 987 | - | 7 569 987 | 100% |
| Total Income | 35 143 267 | 38 294 000 | -3 150 733 | -8,2% |

The Corporation's under-collection in casual passenger revenue is due to the following:

- There was an increase of fares in the first quarter which resulted in a reduction in passenger numbers. This decrease in numbers negatively affected the own revenue. The passenger figures only started to increase during the last month of the quarter.
- The operations division experienced a shortage of buses due to the advanced age of the MTC fleet. At the time of preparing the revenue budget, it was expected that the additional 37 buses received during the financial year would make a positive impact on the number of buses available for operations with a concomitant positive impact on the own generated revenue. However, due to more old buses being decommissioned, the average number of operational buses did not increase as was expected.

The other income is as a result of R2 204 707 of interest income, R186 700 from insurance proceeds, R414 055 from the Transport Education and Training Authority (TETA) grant, and a total of R4 357 900 of penalties for late delivery of buses by suppliers in addition to various other collections.

The Corporation continues to work on the improvement of revenue collection and utilising 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 commuters.

OPERATING EXPENDITURE

| Economic Classification | Actual | Budget | Variance | % |
|---------------------------------|-------------------|-------------------|-------------------|--------------|
| Trading Expenses | 32 967 866 | 37 549 055 | 4 581 189 | 12,2% |
| Operating Expenses | 29 513 842 | 23 206 805 | -6 307 037 | -27,2% |
| Total Goods and Services | 62 481 708 | 60 755 860 | -1 725 848 | -2,8% |

The Corporation has closely managed its expenditure budget which has resulted in the overall 2,8% over-expenditure on the goods and services budget of the corporation.

COST OF EMPLOYMENT

| Economic Classification | Actual | Budget | Variance | % |
|---------------------------------|-------------------|-------------------|------------------|-------------|
| Cost of Employment | 60 919 591 | 64 986 000 | 4 066 409 | 6,3% |
| Performance Bonus | 1 384 900 | 1 500 000 | 115 100 | 7,7% |
| Total Cost of Employment | 62 304 491 | 66 486 000 | 4 181 509 | 6,3% |

The Corporation is 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 past financial year. The underspending is as a result of positions that could not be filled as restructuring was in progress.

CAPITAL EXPENDITURE

The total capital budget of the Corporation and progress on expenditure thereof is as follows:

| Classification | Actual | Commitments | Budget | Variance | % |
|----------------------|-------------------|-------------------|-------------------|----------------|-------------|
| Roll over | 58 777 830 | 3 264 132 | 62 041 962 | - | 0% |
| Current Capital | 9 583 387 | 10 346 196 | 20 042 780 | 113 197 | 0,6% |
| Total Capital | 68 361 217 | 13 610 328 | 82 084 742 | 113 197 | 0,1% |

The total rolled over funds were utilised as follows:

| Item Description | Amount |
|-----------------------------------|-------------------|
| 3 Semi-lux buses | 8 055 331 |
| Alice Depot Fencing | 342 373 |
| Compressor | 206 258 |
| Semi-Luxury Commuter buses | 5 146 000 |
| Standard Commuter buses | 36 610 000 |
| Questek TGX150 ETM Machines | 786 120 |
| Refurbishment of Alice Depot | 1 800 000 |
| Refurbishment of Queenstown Depot | 2 500 000 |
| Brake Tester (Reeston Depot) | 680 000 |
| Workshop Equipment | 998 868 |
| Ancillary Vehicles | 1 652 880 |
| Total | 58 777 830 |

The remaining committed amount will be utilised to acquire equipment for the two depots that are currently under refurbishment utilising the total of R3 264 132.

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

| Item Description | Amount |
|------------------------------|------------------|
| Buses Purchase | 2 795 303 |
| Ancillary Vehicles Purchase | 1 553 619 |
| Operating Equipment Purchase | 885 500 |
| Office Equipment | 124 913 |
| Spare parts | 1 777 177 |
| Units | 2 446 875 |
| Total | 9 583 387 |

The remaining committed amount will be utilised to complete the works at the two depots totalling R4 906 661 and for the payment of the remaining amount on the installation of the fare collection and the fare anti-evasion system on the buses totalling R5 439 535.

THE PREVENTION OF THE IRREGULAR EXPENDITURE

Management has implemented mechanisms to prevent irregular transactions. Such mechanisms include checklists and procedures to identify requests prior to initiation of transactions. These controls have been effective in the reduction of the irregular expenditure incurred by the Corporation.

There is currently inadequate human capital as a result of consequence management which in some cases led to dismissal. A total of 18 employees have been subjected to disciplinary action in this regard.

CAPACITY CONSTRAINTS AND CHALLENGES FACING THE MTC

The skills audit was concluded and the results thereof reflect that 52% of employees in the Finance Department do not meet the required competencies for positions held. The department is working with Human Resource Management to ensure that the capacity constraints are met.

DISCONTINUED ACTIVITIES / ACTIVITIES TO BE DISCONTINUED

None of the MTC's business activities which were planned for 15/16 are set to be discontinued in the foreseeable future.

NEW OR PROPOSED ACTIVITIES

In its endeavours to improve revenue collection the MTC is taking advantage of the technological progression in the transport industry by installing a leading Automated Fare Collection System integrated with a Fare Anti-Evasion (Camera) System that will monitor all buses. The system will make a positive impact on revenue controls which in turn will address a number of matters raised by the Auditor General on completeness of revenue. The MTC also plans to diversify its ticket sale portfolio by establishing additional sales channels in support of enhancing our customer value proposition whilst simultaneously reducing the need for cash handling by our drivers. This initiative will also bring improved travelling times as customers will only be validating tickets upon boarding the bus.

The new ticketing system comes with movable devices called "Points of Sale". This is where tickets and smart cards (pre-paid stored value tickets) are sold. We will use these to sell tickets in our most congested areas such as bus termini. This will improve bus running times and revenue completeness as there will not be extended delays due to ticket sales for passengers boarding nor will drivers be expected to carry large amounts of cash en-route.

The Corporation continues to implement its Stakeholder Engagement Strategy by amongst other things, but not limited to, regularly meeting with the various Taxi Associations and engaging on service related matters such as opening new routes. This initiative has seen the MTC entering into Memorandums of Understanding with a number of Taxi Associations in shared routes.

To realise its strategic goal of ensuring that it becomes accessible to a substantial number of people and thereby expanding its regional footprint, the MTC will be opening more routes in the following financial year. This expansion has been made possible by the additional buses it has acquired towards the end 2015/2016.

As a public entity, the MTC realises that its future lies in the development of youth. We have proudly welcomed twenty five unemployed graduates whom have been placed as interns within the organisation during the year under review. This initiative greatly supports the future job prospects for each of those candidates as they receive mentorship and in-service training in various fields such as ICT, Finance, Legal Services, Marketing and HR Management to name a few.

The first female apprentice ever trained by the MTC has qualified as an Electrical Artisan. Furthermore, a total of 27 females who are bus cleaners, are progressing well with training to become bus drivers. These strategic interventions underline the MTC's commitment towards developing women in a male dominated industry.

The Corporation continued to invest in its prospective labour market. Technical skills remain scarce and therefore it is mission critical that investment in such development programmes is supported. Ten trainees have been enrolled into the MTC's apprenticeship programme. The programme runs for a period of 3 years consisting of full time training followed by rigorous testing. Successful completion of the programme results in apprentices becoming certified artisans.

AUDIT REPORT MATTERS

The Corporation has developed an Audit Improvement Plan for which implementation is currently being monitored and reported on. The Corporation has in the 2015/16 financial year decreased the irregular expenditure by more than 60% (2014/15: R4m, 2013/14: R11m) and continues to implement controls to eliminate the incurrence of irregular expenditure.

The Corporation has in the 2015/16 financial year decreased the stock loss which was R0,2m by more than 75% (2014/15: R0, 9m, 2013/14: R3, 9m) and continues to implement control to eliminate such.

The MTC is acquiring advanced ticketing systems linked to cameras on the bus to improve controls over revenue collection. There is also an improvement in the overall control environment of the Corporation through the strict application of policies and established procedures.

Audit improvement is however not limited to the areas noted above. The Corporation is ensuring that there are sound measures and controls within the MTC in aid of reliable and sustainable financial management practices.

The table below depicts the significant progress made by the MTC in dealing with audit report matters:

| 2012/13 Disclaimer | 2013/14 Qualified | 2014/15 Qualified | 2015/16 Unqualified |
|---|---|-------------------------|---------------------|
| 1. Property, plant and equipment 2. Revenue 3. Expenditure 4. Irregular expenditure 5. Finance leases 6. Inventory 7. Share capital 8. Accrued leave pay 9. Cash flow statement | 1. Revenue 2. Irregular Expenditure 3. IAS 1 Disclosure | 1. Revenue (Prior year) | |

EMPHASIS OF MATTER

Other than irregular expenditure, the emphasis of matter pertaining to the Zwelitsha Depot Title Deed is receiving attention. The MTC is doing everything in its power to expedite the transfer by the Department of Roads and Public Works of the Zwelitsha Depot Title Deed to the MTC. Progress made includes securing a caretaker agreement which reflects the intention of the Department of Roads and Public Works to transfer the property to the MTC. This agreement authorised full use of the land by the MTC. This is a step forward even though the MTC does not yet hold a title deed for the site.

ACKNOWLEDGEMENT/S OR APPRECIATION

As we bid goodbye to 2015/2016 and welcome 2016/2017 with all its opportunities and challenges, we cannot blindly embrace the new financial year without reflecting on the significant progress we have made and the trials we have overcome. Therefore, I would like sincerely acknowledge the efforts of the outgoing Board, Management and Staff of the MTC. I recognize we wouldn't be where we are without the contributions, hard work and commitment made by each and every person. Furthermore, the fantastic support provided by the MEC for Transport, as well her Department led by the HoD, has proved invaluable in breathing life into the MTC of the future. The MTC also extends its gratitude to the Eastern Cape Director General, and to the Eastern Cape Provincial Treasury, led by the HoD for their positive response to the MTC's Recapitalisation Plan. The

first tranche received as part of the 2015/2016 financial year will see the MTC reducing its reliance on government funding by 14% within the 2016/2017 financial year and 23% within the next three years. Support for the second and third tranches of the Recapitalisation Plan will further strengthen the MTC's operating position and in so doing increase own-revenue generation capability

I humbly thank you all. As the MTC our hard work and commitment is fuelled by the need to serve the people of the Eastern Cape and this is in line with our mandate.

IN CLOSING

As an organisation we have learnt a great deal since the start of the 2015/2016 financial year, and it is clear that we still have a great deal more to learn. This perspective is enhanced when considering a statement by Mr Jack Welch, CEO of General Electric, who stated "An organisation's ability to learn, and translate that learning into action rapidly, is the ultimate competitive advantage".

From a strategic perspective, when one considers the performance and management data contained in this report, it is clear that in the very short history of the turnaround strategy, the MTC has made massive strides. We can state without fear of contradiction that the organisation has transitioned from a phase of contrasts into a stage of positive growth.

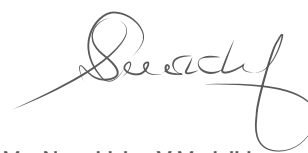
This is not to say that stabilisation has occurred in all aspects of our operations. There are still a number of critical issues that we have to resolve, primary

amongst these is the internal change management processes and challenge of developing our own organisational culture of excellence and integrity, whilst being confronted by massive foreseeable cuts in our budget.

The manner in which the senior management team is consolidating and starting to function as an integrated unit is very encouraging, and this has resulted in an increase of performance, in spite of challenges in the operational environment.

The start of the 2016/2017 financial year will bring with it new challenges and opportunities. Supported by the new organisational structure, the entity will be tested daily as to whether the systems, processes and procedures that we have been putting in place over the last couple of months will be a success.

I am confident we will exceed expectations and deal with all challenges put before us with integrity, efficiency and effectiveness which is borne out of our commitment towards launching the Mayibuye Transport Corporation as the Eastern Cape's Public Transporter of Choice.



Mrs Ntombizine V Madyibi
Chief Executive Officer
17 August 2016

STATEMENT OF RESPONSIBILITY & CONFIRMATION OF ACCURACY FOR THE ANNUAL REPORT

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

- All information and amounts disclosed in the annual report is consistent with the annual financial statements audited by the Auditor General.
- The annual report is complete, accurate and is free from any omissions.
- The annual report has been prepared in accordance with the guidelines on the annual report as issued by National Treasury.
- The Annual Financial Statements (Part E) have been prepared in accordance with the South African Generally Accepted 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 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.
- 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 2016.

Yours faithfully



Mrs Ntombizine V Madyibi
Chief Executive Officer
17 August 2016



Ms Fezeka K P Ntlemeza
Chairperson of the Board
17 August 2016



MTC
SAFE
RELIABLE
AFFORDABLE
PUBLIC
TRANSPORT

STRATEGIC OVERVIEW

CORE VALUES

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

BATHO-PELE (SOTHO FOR "PEOPLE FIRST")

Service orientated organisation which strives for excellence in service delivery and is committed to continuous service delivery improvement for the achievement of a better-life-for-all whilst including all citizens through services and programmes.

INTEGRITY

Work ethically, honestly and transparently.

CONSULTATION

Create an enabling environment for community and stakeholder participation.

INNOVATIVE

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

ACCOUNTABILITY

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

VISION

TO BE THE PUBLIC TRANSPORTER OF CHOICE.

MISSION

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



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 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 according to set time tables. The MTC 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 III 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 Public Finance Management Act. 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 achievement of the National Skills Development Strategy.

LEGISLATIVE & 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 currently 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.

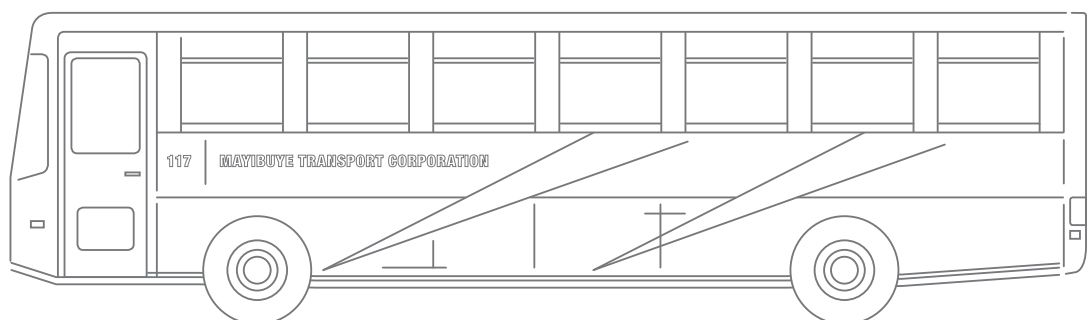
Government has approved a "Protocol on Corporate Governance in the Public Sector", which is to be read in conjunction with the King III Report. The protocol is

applicable to all public entities listed in Schedule 2, 3B and 3D 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 with regard to accountability, transparency, fairness and responsibility. For this reason, the MTC subscribes to the principles of good governance on an on-going basis as laid down by the King III Report and the Protocol on Good Governance in the Public Sector. The MTC undertakes to maintain effective governance and the highest standard of ethics business operations.

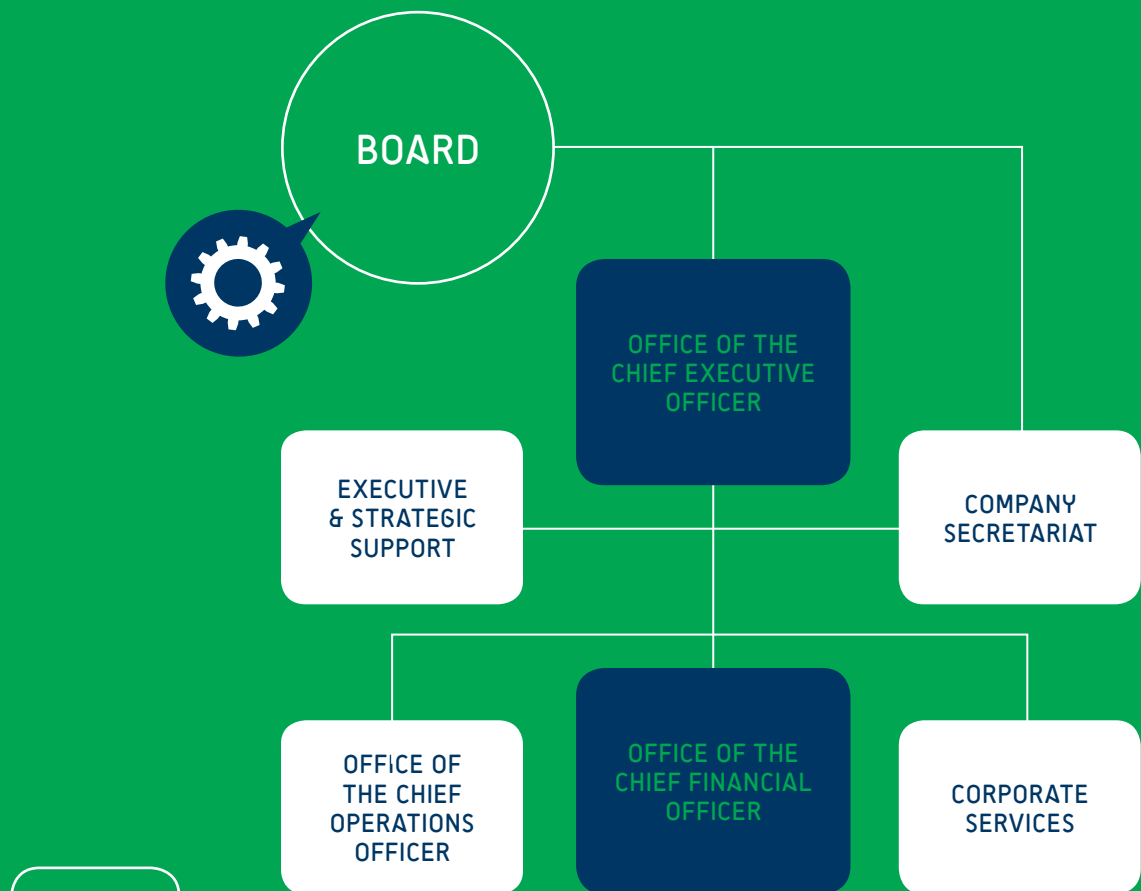
The MTC executes its mandate in accordance with its constitutive documents and any applicable legislation as reflected in the Corporate Plan. Its Board exercises its fiduciary duties in pursuance of strategic objectives as set out in the Corporate Plan. Further, the Board ensures that targets are met,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



The MTC undertakes to maintain effective governance and the highest standard of ethics business operations.



ORGANISATIONAL STRUCTURE



BOARD MEMBERS

The Board Members of the Mayibuye Transport Corporation represents the Corporation's system of corporate governance and is ultimately accountable and responsible for the performance and affairs of the Corporation.

Ms Fezeka Ntlemeza
(CHAIRPERSON)

Dr Vanguard Mkosana
(DEPUTY CHAIRPERSON)

Mr André De Vries
(BOARD MEMBER)

Mrs Thandiwe Godongwana
(BOARD MEMBER)


Mrs Nomalungela Petela-Ngcanga
(BOARD MEMBER)

Adv Mathobela Sishuba
(BOARD MEMBER)

Dr Bridget Ssamula
(BOARD MEMBER)

Mr Radhesh Surajbali
(BOARD MEMBER)

Mr Phumzile Zitumane
(BOARD MEMBER)



SOMETIMES IT'S THE
JOURNEY
THAT TEACHES
YOU
A LOT ABOUT YOUR
DESTINATION.

DRAKE



PERFORMANCE INFORMATION

| | |
|----|---|
| 24 | Auditor's Report: Predetermined Objectives |
| 25 | Situational Analysis |
| 30 | Performance Information by Programme |
| 30 | Programme 1: Programme 1.1 Office of the CEO Programme 1.2 Office of Strategic Management Programme 1.3 Office of the CFO Programme 1.4 Human Resources Management |
| 38 | Programme 2: Engineering |
| 40 | Programme 3: Operations |

AUDITORS REPORT: PREDETERMINED 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 69 of the Report of the Auditor General to the Eastern Cape Provincial Legislature, published as Part 5: Financial Information.

AGSA
CURRENTLY PERFORMS
THE NECESSARY
AUDIT



SITUATIONAL ANALYSIS

SERVICE DELIVERY ENVIRONMENT

The service delivery environment relates to the set of forces that affects the MTC's ability to obtain inputs and dispose of its outputs. Changes in the environment create opportunities for management to strengthen the MTC's market position. However, other changes will pose a threat if the MTC is unable to adapt.

Buses in South Africa fall into three main categories, urban, rural and inter-city. Scheduled bus services in urban areas are provided in the main by municipalities or large private companies. On municipal services, all fares are subsidised from the rates account. On certain privately operated urban routes, weekly tickets applying to distances exceeding 15 kilometres enjoy a government-funded discount on the economic fare.

Urban buses suffer extreme disadvantage from competition by private cars and traffic congestion, with few examples of bus traffic priorities in South Africa. Buses, bound by published timetables and fixed fares, routes and stopping places, cannot compete effectively with minibus-taxis that charge what circumstances allow and which run (and stop) when and where they please. Increasing traffic congestion results in buses being delayed en-route, leading to schedule delays. The MTC however regularly monitors its on-time performance and has ensured that **95% of its services started on time.**

A general challenge to service delivery remains bus shelters and toilet facilities without running water and which are often dilapidated and in poor condition. These facilities are universally regarded as local authority responsibilities and in most cases they are sited on council-owned ground.

The recent campaign to introduce the Provincial Integrated Public Transport Master System in the Eastern Cape has run into major difficulties since taxi operators allege that this will deprive them of passengers. They have threatened to disrupt services and damage facilities, and have also claimed "ownership" over routes. Government is currently negotiating with Taxi Associations over these issues and it is hoped that the outcome will be in everyone's interests. The majority view of stakeholders are that entities such as the MTC, which currently benefit from Government funding, may not participate in the Transport Master Plan. The MTC will therefore be excluded from the 22 route allocation. Whilst this matter may be perceived as a barrier to performance, **the MTC has completely redesigned its route structure and now operates 77 routes** compared to 42 routes operated in 2014/2015. Even more routes are planned for 2016/2017 including Goshin, Alice to Bhisho, Pirie Mission to Dimbaza and Nakani to King William's Town. The community in Peddie are also being consulted to establish feasibility of a route in their area.

The greatest levels of differentiation within the Eastern Cape Public Transport environment is generated by price, the frequency of trips, the convenience of pick-up points, safety records, and service reliability.

Transport is the second largest expenditure group in the country and is estimated at 17,1% of total household consumption expenditure. Roughly one out of every six Rand spent goes towards transport. The largest expenditure group namely Household and Related Amenities (Electricity, Rates, Water, Rent, Mortgage etc.) and the third largest expenditure group, Food, increased drastically during the period under review. This made a significant impact on the users of public transport to afford any fare increases.

Pricing policies have always been a controversial issue. This is because transport rates affect all sectors of the national economy. But rate setting is an extraordinarily complicated issue. Customers can easily substitute one mode of transport for another. The existing client base is highly price sensitive and this poses a challenge to extend profit margins. Differentiation costs remain high as a result of the impact of the reliability and convenience of existing bus services. Customers prefer established brands and are hesitant to utilise alternatives. Information of alternative modes of transport is not readily available. Information about the MTC products is also under-developed and provides therein an opportunity to improve and increase market share. The new financial year sees greater investment in marketing initiatives by the MTC.

The majority of the MTC's customers are from poor backgrounds who are unable afford an economic fare. It is for this reason that the MTC passenger numbers were negatively affected when fares required adjustment more especially in routes where the adjustment far exceeded inflation. The MTC was unable to achieve its revenue target with a 3.86% decline compared to 2014/2015 (R28 748 875). The Chief Financial Officer is developing a fare structure and long term funding strategy with the aim of providing a more affordable yet sustainable service. It should be noted that Volume (Stored Value) purchases are growing in popularity regardless of the limited cash flow available to households. **Increased awareness of the benefits of bulk purchasing has yielded positive results.**

The transport sector as a whole will be required to provide a decisive response to the issue of fare pricing. A remarkable solution remains the Bus Rapid Transit System (BRT) which will result in lowered public transport costs whilst increasing access to economic opportunity.

The commuter train system is operated in six metropolitan regions by state owned Metrorail. It carries about 1,7m paying passengers every week day, and has a 14,7% share of the public passenger market. Rail is the cheapest form of public



TRANSPORT
2ND LARGEST
EXPENDITURE
GROUP

transport in most urban areas, but its reach is historically limited. This is changing especially when considering the launch by the Transport Minister of the Metrorail Bus Service between East London and King William's Town/Bhisho. This level of vertical integration has proven to be a source of increased competition for the MTC. This service has negatively affected the MTC's passenger numbers along these routes. It could however prove to be an opportunity in the near future should the MTC be successful in lobbying the train service to transfer its bus operations to the MTC at a reduced risk and cost.

The MTC is thankful to retain its mission-critical record of not having caused a single fatal accident. Statistics for fatal accidents in the province remain a great cause for concern considering that an estimated 218 people were killed in accidents involving buses and mini bus taxis in a single year. The MTC remains whole-heartedly focused on passenger safety. The addition of 42 buses has greatly reduced the risk of fatalities due to bus mechanical failure. Our dedication to safeguarding lives is further carried by the **completion of 6021 safety checks and 212 safety audits on our fleet.**

The MTC continues to experience an increase in competition from the minibus taxi sector which has grown enormously in the past few years. There are about 130,000 kombi taxis in operation, most of them owned by small operators. The sector employs approximately 185,000 workers as drivers, queue marshals and administrators. Government is in the process of attempting to tighten up regulation of the sector by enforcing a permit system and encouraging the scrapping of old vehicles through the disbursement of scrapping allowances costing a total of R7bn.

Service delivery on a number of the MTC's trips were hampered due to illegal parking by taxis and the MTC's access to passenger collection and drop off points being blockaded. Such situations often pose a risk of danger to our passengers, staff and fleet. The increase of violent service delivery protests exasperate matters to the detriment of the general public due to precautions such as trip cancellations. The MTC continues to

pursue positive stakeholder relations for the benefit of the millions of people who rely on public transport.

In so far as brand strength is concerned, there is a fair level of awareness of competing brands. However local public transport brands in themselves are not fully developed as funding of capital projects received preference over marketing initiatives. National brands enjoy a greater degree of awareness and may benefit from such when competing for the N2 long distance trips. The MTC conducted its first ever annual Brand Awareness survey, the results of which shows that out of 1000 respondents, **92.8% of respondents are aware of the MTC Brand. It also shows that 80.3% of the thousand respondents are likely to recommend the MTC.**

Fixed costs include fuel, fleet purchases, fleet maintenance, drivers and support staff. Whilst larger bus operators may enjoy the same fuel costs as the MTC, the MTC enjoys an advantage over smaller operators and taxis due to procuring fuel in bulk. Fleet maintenance costs however remain higher in comparison to smaller operators due to the absence of control over maintenance standards and regulations i.e. when compared to the lever of monitoring in the aviation sector. The maintenance costs will normalise once all operators are subjected to maintenance inspections and standards. Differentiation of inputs is significant when considering the extreme variances in the quality of parts available. Substitute products are limited. There is very little threat of forward integration. It is not foreseen that any of the chassis manufactures and engine suppliers are likely to develop their own bus operation in the future. In order to increase the size of its fleet whilst minimizing supply chain costs and risk, the MTC has successfully procured an additional 50 new buses.

Real gross domestic product at market prices increased by 0,7 per cent quarter-on-quarter, seasonally adjusted and annualised. The limited growth in GDP continues to negatively impact on the ability of public transport operators to obtain the required level of infrastructure investment from Government. An additional challenge for the Transport sector is to

secure investment in infrastructure at a rate commensurate with the rate of growth in the South African Population. Failing which the sector will face similar challenges as those experienced by the energy sector in that it will not be able to support future consumer demand.

Rural roads are in a state of disrepair and the MTC would be forced in some instances to suspend service in some route portions as the road is not traversable. The MTC continues to lobby the Department of Roads and Public Works and regularly monitors and motivates for the upgrade of rural roads where the MTC operates. A number of positive responses have been received as a result of this increased engagement and **7 of the roads within MTC's route network have been improved.**

In line with international trends, traditional population concentrations near city centres have spread to the suburbs. Many businesses and industrial establishments have moved to new decentralised development areas, spread far and wide. This has forced home owners and company employees to rely ever more on motor vehicle transport, leading to increased traffic congestion. The challenge is now to provide attractive public transport services. **The MTC has capitalized on this trend with the introduction of the innovative Park and Ride service between Bhisho and East London. The service, which is directed towards government employees, uses semi-luxury buses and is operating at full capacity.** A new Park and Ride service between Alice and Bhisho has also been established and is operating at full capacity. Similar projects are planned for Amalinda and Gonubie.

With the increasing cost of fuel and increasing levels of congestion in especially our urban areas, people will all the time more turn to public transport and the trends are already evident. Available statistics indicate that 80 % of South Africa's population is totally dependent on public transport for its mobility needs. It remains mission critical for the MTC to increase community mobility. A total 1 735 049 passengers have benefited from the MTC's service offering for the year under review. This is set to increase by more than 50%

to 2 668 065 passengers in the new financial year as a result of our new 50 new buses supported by implementation of the organisation redesign project.

Technology is constantly evolving and maturing. It moves from a nascent, undefined entity to one that is widely accepted and becomes so commonplace that we wonder how we ever functioned without it. Mobile and cloud are two prominent examples of such a journey. From businesses to individual consumers, everyone is connected to everyone, everywhere, all the time. **The MTC fervently supports technology take-up and has introduced free Wi-Fi on its East London to Bhisho duties.**

The ageing ticketing system had impacted negatively on revenue collection as the number of breakages in electronic machines sky rocketed forcing drivers to resort to the manual ticketing system. This increases the risk of fraud, corruption and theft and ultimately loss of revenue. The Electronic Ticket machines do not always prove reliable within the rural areas. In its endeavours to improve revenue collection the MTC is taking advantage of the technological progression in the transport industry by installing a leading Automated Fare Collection System integrated with a Fare Anti-Evasion (Camera) System that will monitor all its buses. The system will make a positive impact on revenue controls which in turn will address a number of matters raised by the Auditor General on completeness of revenue. The MTC also plans to diversify its ticket sale portfolio by establishing additional sales channels in support of enhancing our customer value proposition whilst simultaneously reducing the need for cash handling by our drivers. This initiative will also bring improved travelling times as customers will only be validating tickets upon boarding the bus.

A number of other innovative technology solution projects will come to fruition as a result of the planning and development undertaken during the 15/16 financial year. Key amongst these include the virtualisation of our servers, the migration to the Microsoft 365 platform, the implementation of the Sage Employee Self-Service module including automation of leave transactions and salary slips. An identified source of competitive advantage is the integrated control room which will be operational as from the third quarter. This will be providing real-time management of our fleet, routes and customer queries resulting in excellent customer service and superior public bus transport.

An important aspect to the MTC's service delivery position is the environmental factor of waste management. The generation of waste increases with population expansion and economic development. Improperly managed waste poses a risk to human health and the environment. In addition, it may result in safety hazards from fires or explosions. Improper waste management also increases greenhouse gas (GHG) emissions, which contribute to climate change. The MTC observes the strong ethical responsibilities attached to Corporate Waste Management and continues to implement its comprehensive program for waste collection, transport, and disposal.

ORGANISATIONAL ENVIRONMENT

The Mayibuye Transport Corporation operates as a parastatal bus passenger transport service provider belonging to the Eastern Cape Provincial Government. At present the MTC is funded in part through own revenue with the greater part obtained through a grant-in-aid from the Provincial Department of Transport.

In order for the MTC to successfully meet the external challenges identified, the organisation must be properly prepared and equipped to function at optimal levels. The following areas within its control have been identified as less than ideal:

- The existing business model does not heed macro public transport policy in South Africa. The National Land Transport Act 5 of 2009 propagates a contracting relationship between government and operators, which is interpreted to mean that the MTC cannot enter such contracts into as per this legislation. The current public transport policy has not yet been implemented by the MTC due to lack of funding and capacity for implementing the policy. In their paper titled "Problems with the Implementation of Bus Transport Contracting in South Africa", Walters and Heyns (2012) state that "Without adequate funding, public transport cannot be improved, plans cannot be implemented and human capacity cannot be built."
- The majority of customers are from poor backgrounds and cannot afford an economic fare. A significant size (30%) of the MTC customer base is unemployed with the majority of customers earning a household income of less than R5000 per month.
- The bulk of the MTC routes run within the most underdeveloped parts of the Province which results in massive mechanical repair and maintenance costs.
- The aged fleet portion within the MTC is not environmentally sensitive or energy-efficient thereby hampering the MTC's ability to contribute to the climate change agenda.
- There exists organisational capacity constraints linked to skills gaps and related challenges e.g. high average age of employees.
- Planning activities are not adequately completed throughout the Corporation.
- There is a strong perception amongst the executive of a mismatch between skills required in certain positions and those of incumbents, that is to say, person-to-post matching.
- Skills transfer in the organisation is generally weak.
- The inability to implement the approved Performance Management and Development System (PMDS) has resulted in a lack of application and effort across all levels of the Corporation.

- There are currently challenges in capacity in the Finance Department as a result of consequence management and resignations.
- The health and wellbeing of drivers remain a challenge as it results in some trips not being operated due to a shortage of drivers. This also affects revenue collection and causes reputational damage. Pre-employment medical examinations have been instituted for bus drivers. In addition a Bus Driver Spare Capacity Programme has been implemented in order to address the risk.

There remain a number of strengths from which the MTC draws in addressing the aforementioned weaknesses including:

- A significant degree of technical experience and expertise is found within the Corporation especially with reference to mechanical and panel beating know-how.
- The greatly improved audit opinion is indicative of processes and systems maturing which in the near future will result in better business performance and reputation all round.
- The finalisation of the appointment of the Board has resulted in greater stability and follow-through on strategic decisions and processes.
- The organisational restructuring plan has been approved and is currently being implemented inclusive of skills audit and person-to-post matching recommendations.
- Priority is given to multi-skilling, and diversification of staff capacity through artisan programmes and other forms of skills development.
- Maintaining a policy, procedural and management framework for an effective, efficient and sustainable organisation.
- Increasing the services being offered by the Corporation through the introduction of new routes and additional Park and Ride services.

KEY POLICY DEVELOPMENTS AND LEGISLATIVE CHANGES

South African labour and social security legislation have undergone considerable change. The Basic Conditions of Employment Act, the Labour Relations Act and the Employment Equity Act have introduced many new

provisions. These legislative alterations form part of the Department of Labour's five-year programme of labour law reform that includes as its aims giving and extending worker rights, addressing the perceived rigidities of the labour market and promoting "regulated flexibility". Many aspects of this programme coincide with government's macro-economic strategy. These developments directly support the MTC's vision of becoming the Public Transporter of Choice as it continues to support government's change agenda. Key initiatives in support thereof include the development of women and youth in addition to artisan training.

The MTC has developed 44 women and youth during the 2015/2016 financial year as part of its various advancement initiatives including the MTC Female Driver Development Programme, the MTC Internship Programme and the MTC Artisan Development Programme.

Government and the bus industry have been co-operating over a number of years in setting the technical standards for all aspects of bus construction and components. These standards are established in Road Traffic legislation, regulations and through the manufacturing standards system regulated by the South African Bureau of Standards. They are monitored and up-dated based on the findings of accident investigations. Recent additions to the standards include specifications regarding roll-over protection as well as for the construction and anchoring of bus seats. Steering, braking and tyre standards are amongst the specific focus areas within the testing process. The MTC ensures that constant attention is given to the roadworthiness of its buses. In addition to pre-trip safety checks, safety procedures require drivers to conduct safety checks on all vehicles during a journey.

STRATEGIC OUTCOME ORIENTED GOALS

The launch of the 2015/20 Strategic Vision has a substantial impact on the MTC's business operations. There is a great demand now placed on own revenue generation and institutional delivery capacity as opposed to focusing strictly on community transport management.

Thus, the strategic objectives the MTC were in pursuit of for the 2015-16 cycle are as follows:

| STRATEGIC GOAL | # | Strategic Objective Short Title | Strategic Objective | Strategic objective statement |
|---|-----|---------------------------------|---|--|
| 1. Ensure accessible and affordable public bus transport services for the population of the Eastern Cape | 1.1 | Sustainability | Reduce reliance on government aid funding by increasing own revenue from R27 570 440 per annum to R94 665 847 per annum | To reduce the MTC's dependency on grant-in-aid funding by developing an optimum business financing model. To change the ratio from 80/20 to 50/50 |
| | 1.2 | Corporate Governance | Demonstrate efficient, responsible and transparent corporate governance | To expand and increase accessibility to an affordable and reliable bus service to the people of the province. |
| | 1.3 | Corporate Performance | Increase the Corporate Performance of the MTC from 65% to 95% | To provide the MTC with processes and systems that will improve its performance against predetermined objectives. |
| | 1.4 | Financial Management | Maintain reliable and sustainable Financial Management practices | To implement measures and controls for effective financial management within the Corporation. |
| 2. Contribute to the Eastern Cape developmental priorities through a viable bus transport service | 2.1 | Passenger Transport | Increase the number of people who use the MTC bus services from 2 150 202 per annum to 3 569 819 per annum | To expand access to affordable public transportation services to an increased number of passengers in the Province. |
| | 2.2 | Infrastructure | Recapitalise the entire fleet and infrastructure of the MTC | To provide for conducive fleet, office and maintenance infrastructure in all depots to enhance the operational productivity of the Corporation. |
| | 2.3 | Service Accessibility | Improve proximity of bus services to commuters | To be responsive to the needs of customers by providing services with greater levels of convenience both in terms of location and disability friendliness |
| 3. Ensure that the MTC becomes a strategic partner in the spatial development framework for the province | 3.1 | Route expansion | Stimulate social and economic connectivity between the rural, peri-urban and urban areas by increasing the number of routes operated from 39 to 52. | To ensure that more citizens of the Eastern Cape are able to access various amenities such as work, schools, clinics and other public services in so doing improving the quality of life |
| | 3.2 | Brand Awareness | Increase awareness of the MTC brand amongst all stakeholders | To create and build positive associations with the MTC, its employees and its services. |
| 4. Ensure that the MTC becomes an industry player in the automotive sector through focussed human capital development | 4.1 | Apprenticeships | Contribute to skills development in the automotive sector in the Province through structured apprenticeship programmes. | To provide increased access to apprenticeship training (e.g. Diesel and Petrol Mechanics, Panel Beating) to people of the province. |
| | 4.2 | Employment Equity | Contribute to socio-economic growth by emulating the Eastern Cape Employment Equity Index | Redress historical imbalances at the workplace by targeting designated groups and employing a workforce which is demonstrative of the demographics of the Eastern Cape |
| | 4.3 | Human Capital Development | Increase the quality and availability of required human capital in order to achieve the business goals of the Corporation | To ensure the adequate supply of human capital to meet the current and future demands of the entity by developing and implementing leading HR strategies, tools, technology and expertise. |

PROGRAMME 1.1 OFFICE OF THE CEO

MRS NTOMBIZINE MADYIBI



PURPOSE

The Office of the Chief Executive Officer (CEO) facilitates the coordination between the Board, Shareholder, Executives and Stakeholders. The Board serves as the Accounting Authority for the MTC in terms of the Public Finance Management Act. The CEO is responsible for the formulation of policy as a non-officio member of the Board and is accountable for the implementation of policy and strategy as the most senior executive in the organisation. This office ensures that effective planning and reporting systems are established based on internal management co-operation

and communications, and that external partnership networks are developed and managed for the benefit of the stakeholders of the Mayibuye Transport Corporation.

PROGRAMME STRUCTURE 2015/2016

- Chief Executive
- Compliance Management
- Board Secretarial Services

OVERVIEW OF DEPARTMENTAL PERFORMANCE

The Chief Executive Office throughout the 2015/2016 financial year continued to drive a process of enhancing financial management

and promoting viability through ethical business conduct while striving to meet the Corporation's Vision and Mission. The Office of the CEO endeavours to be the focal point for corporate governance and risk management while promoting stakeholder activism to achieve broad participatory and satisfactory customer service.

The appointment of the new Board in addition to the organisational redesign process has resulted in improved levels of Corporate Governance within the MTC. The Corporation has significantly exceeded its targets for Corporate

Strategic objectives, performance indicators planned targets and actual achievements

STRATEGIC GOAL: Ensure accessible and affordable public bus transport services for the population of the Eastern Cape

| Strategic Objective | Measurable Objective | Performance Indicator | Achievement 2014/2015 |
|---|--|--|-----------------------|
| I.1.1. Reduce reliance on government aid funding by increasing own revenue from R27 570 440 per annum to R94 665 847 per annum. | Conclude a revenue generating partnership agreement by 31 March 2016. | Number of revenue generating partnership agreements concluded. | N/A |
| I.1.2. Demonstrate efficient, responsible and transparent corporate governance. | Demonstrate efficient, responsible and accountable corporate governance by gaining a level BB King 3 application rating. | King 3 Application Rating. | AAA |
| I.1.3. Demonstrate efficient, responsible and transparent corporate governance. | Ensure full compliance with all legislation applicable to the MTC by 31 March 2016 as defined in the 2015/2016 APP. | Number of Acts with which the MTC complies as listed in the 2015/2016 APP. | 89.50% |

Linking performance with budgets

| Programme/activity/objective | 2014/2015 | | | 2015/2016 | | |
|------------------------------|--------------|--------------------------|--------------------------------|--------------|--------------------------|--------------------------------|
| | Budget R'000 | Actual Expenditure R'000 | [Over]/Under Expenditure R'000 | Budget R'000 | Actual Expenditure R'000 | [Over]/Under Expenditure R'000 |
| Office of the CEO | 5 496 | 6 864 | (1 398) | 7 034 | 8 120 | (1 086) |

The over-expenditure was as a result of consulting fees, the newly established Company Secretariat post and the additional special board meetings which were not budgeted for at the start of the financial year. These were critical governance interventions required to ensure smooth operations within the MTC and optional hand-over to the new Board.

Governance by achieving an AAA rating which is set as the highest level of application of the KingIII report.

The result of these initiatives are evident from the improved financial audit opinion of a disclaimer (2012/2013) with 9 qualification paragraphs, to an unqualified audit opinion in 2015/2016.

The following items, amongst others, were driven by the Office of the CEO

- Approval of the 5 year Strategic Plan for the period 1 April 2016 to 31 March 2020
- Approval of the Corporate Plan and Budget for the 2016/2017 financial year.
- Review and approval of the Board Charter
- Review and approval of all the Board Committee Charters (Audit & Risk Committee; Finance & Investment Committee; HRM Committee; Operations & Engineering

Committee and the Governance Committee)

- Review and approval of policies, including the Procurement Policy.
- Securing recapitalisation funds amounting to R 52 985 000 from the Department of Transport and the Eastern Cape Provincial Treasury.

Full legislative compliance remained challenging in large due to the occupational health and safety measures which cannot be fully implemented until the recapitalisation plan is funded in its entirety. A piecemeal approach has been adopted. The Queenstown and Alice Depots are currently being refurbished which will result in partial compliance. Full compliance will be obtained once, depending on budget availability, the remaining depots are revamped.

CHANGES TO PLANNED TARGETS

There were no changes to planned targets.

| Target 2015/2016 | Achievement 2015/2016 | Deviation 2015/2016 | Challenges | Improvement Plan |
|------------------|---------------------------|---------------------|---|---|
| 1 | 1 | 0 | None. | Not required. |
| BB (Notable) | AAA (Highest Application) | -2 | The appointment of the new Board in addition to the organisational redesign process has resulted in improved levels of Corporate Governance within the MTC. Furthermore, The Board and its Committees have Charters in place which take into account the King 3 Guidelines. | The target for 2016/2017 will be increased to AA (High Application). This takes into account the transition phase between the old organisational structure and the new. |
| 15 | 11 | 4 | Non-compliance with: The Occupational Health Safety Act which requires completion of Depot refurbishments to meet safety standards; The Employment Equity Act due to non-submission of the Employment Equity Report; The PFMA due to irregular expenditure. | The Queenstown and Alice Depots are currently being refurbished. The Employment Equity Plan has been completed. Internal controls are being implemented to ensure the eradication of irregular expenditure. |

PROGRAMME 1.2 OFFICE OF STRATEGIC MANAGEMENT

MR NOEL VAN WYK



PURPOSE

The Office of Strategic Management exists to orchestrate the connection between strategy and execution. It oversees alignment of all management processes with strategy and is responsible for the coordination and preparation of the strategic plan, planning processes, reporting and organizational performance improvement. The MTC is engaged in an on-going planning process designed to facilitate strategic conversations to improve organizational results. The Office of Strategic Management provides strategic leadership and management in accordance with legislation, policies and furthermore ensured support to the Office of the CEO, the Board and all programmes within the Corporation..

PROGRAMME STRUCTURE 2015/2016

- Strategic Management
- Corporate Performance Management
- ICT Management
- Customer Care
- Marketing
- Employee Performance Management

The function of Strategy and Corporate Performance Management has transferred to the Office of the CEO as from the new financial year. The ICT Management, Customer Care, Marketing and Employee Performance Management units have transferred to the newly established Corporate Services Department.

OVERVIEW OF DEPARTMENTAL PERFORMANCE

Driving service delivery remained a key agenda item for the Office of Strategic Management. The year under review saw an improvement in organisational performance against predetermined objectives when compared to the previous reporting period. The Corporate Performance Management system has been well established and provides a clear platform for operational effectiveness and accountability.

The MTC's audit methodology for performance against predetermined objectives has proven successful which is evidenced by the AG award of its fifth consecutive report of no findings being raised on performance information.

Strategic objectives, performance indicators planned targets and actual achievements

STRATEGIC GOAL: Ensure accessible and affordable public bus transport services for the population of the Eastern Cape

| Strategic Objective | Measurable Objective | Performance Indicator | Achievement 2014/2015 | Target 2015/2016 |
|---|--|--|-----------------------|------------------|
| 1.2.1. Increase the Corporate Performance of the MTC from 65% to 95% | Ensure that a minimum of 75% of organisation predetermined objectives are met in accordance with the approved Annual Performance Plan by 31 March 2016 | % Organisational Performance against predetermined objectives. | 63 | 75 |
| 1.2.2. Increase the Corporate Performance of the MTC from 65% to 95% | Reduce 1 of the 8 Strategic Risks to an acceptable level by 31 March 2016 | Number of Strategic Risks reduced to an acceptable level | 1 | 1 |
| 1.2.3. Increase the Corporate Performance of the MTC from 65% to 95%. | Improve the average employee performance score from 3 to 3.5. | Employee average performance score for the organisation. | 2.97 | 3,05 |
| 1.2.4. Increase awareness of the MTC brand amongst all stakeholders | Ensure that a minimum of 500 out of 1000 stakeholders are aware of the MTC brand | Number of stakeholders which are aware of the MTC Brand | N/A | 500 |

Linking performance with budgets

| Programme/activity/objective | 2014/2015 | | | 2015/2016 | | |
|--------------------------------|--------------|--------------------------|--------------------------------|--------------|--------------------------|--------------------------------|
| | Budget R'000 | Actual Expenditure R'000 | [Over]/Under Expenditure R'000 | Budget R'000 | Actual Expenditure R'000 | [Over]/Under Expenditure R'000 |
| Office of Strategic Management | 9 403 | 6 443 | 2 960 | 9 750 | 7 866 | 1 884 |

The under-expenditure was as a result of the Server Virtualisation Tender and the Telecommunication Tender which had been carried forward to the new financial year.

The manner in which the entity is able to account on performance against predetermined objectives continues to inspire stakeholder confidence.

The customised Risk Management system has proved in the reporting period that it is an essential business management tool for goal achievement. The MTC target for 2015/2016 which was to reduce at least 1 of the 10 strategic risks to an acceptable level, has been achieved. The Routes risk (Risk No 6) has been mitigated to an acceptable level due to improved route planning and rollout as well as continuous dialogue with the Department of Roads and Public Works. Risk levels relating to buses and revenue, though being controlled, were not yet deemed to be at an acceptable level as at 31 March 2016. The arrival of the new buses as well as a greater focus on standard operating procedures, will greatly assist in mitigating these risks within the 2016/2017 financial year.

In addition to developing the 2016/2017 Corporate Plan, the 2014/2015 Annual Report and the 2014/2015

Performance Bonus Report, the Office of Strategic Management launched an innovative Brand Awareness survey which covered 1000 respondents across the Province. We have also delivered the 2015/2016 Customer Satisfaction Index amid human capital and financial constraints within the Marketing Unit.

A number of ICT initiatives have been successfully completed including the development and approval of the MTC's first ever Corporate Governance of ICT Policy.

The MTC is also better positioning itself to benefit from Intergovernmental Relations. Our Executive: Strategy and Executive Support, who serves as the Chairperson of the Department of Transport Risk Management Committee, provides us with unique insight into the performance objectives and risk mitigation measures at both a provincial and national level.

CHANGES TO PLANNED TARGETS

There were no changes to planned targets.

| Achievement 2015/2016 | Deviation 2015/2016 | Challenges | Improvement Plan |
|-----------------------|---------------------|--|--|
| 57 | 18 | A number of deliverables have not been achieved due to inadequate skills set within the Corporation, as revealed by the Skills and Competency Audit. | Restructuring and placing of employees in suitable positions. The new organisational structure has new positions which have been added to the MTC capacity, and suitable and skilled people will be recruited. |
| 1 | 0 | None. | Not required. |
| 3,46 | -0,41 | This was the second performance management cycle entered into by the MTC. Appreciation for the system and processes is improving. | Workshops will continue to be held in the new financial year. |
| 928 | -428 | This was the first financial year for reporting against this indicator. The target was therefore an estimate set without baseline data. It is for this reason why the target was overachieved. | The target for 2016/2017 will be increased in trend with the baseline received from 2015/2016. |

PROGRAMME 1.3 OFFICE OF THE CFO

MR SPELELE GALADA



PURPOSE

This programme ensures the provision of systematic financial management systems designed to co-ordinate the organisation's budget and resource requirements. Such activities include ensuring compliance with regulatory provisions required to facilitate the funding of the MTC as well as to take appropriate steps to ensure that expenditure occurs within the approved budget and to prevent overspending of the budget. Systematic financial management systems also entail the maintenance of a procurement system that is fair, equitable, transparent and cost-effective; and also ensures that effective and appropriate steps are taken to prevent unauthorised, irregular or fruitless and wasteful expenditure.

PROGRAMME STRUCTURE

- Creditors Payments and Reconciliations
- Financial Management
- Revenue Management
- Salaries Administration
- Supply Chain Management

OVERVIEW OF DEPARTMENTAL PERFORMANCE

The department has, in the current financial year, seen the appointment of the new Senior Manager Finance who joined in September 2015. This appointment has further strengthened leadership within the department.

Strategic objectives, performance indicators planned targets and actual achievements

STRATEGIC GOAL: Ensure accessible and affordable public bus transport services for the population of the Eastern Cape

| Strategic Objective | Measurable Objective | Performance Indicator | Achievement 2014/2015 | Target 2015/2016 |
|--|--|---|-----------------------|------------------|
| 1.3.1. Maintain reliable and sustainable Financial Management practices | Reduce the number of matters negatively affecting the audit opinion within the AG Report from 3 to 0 by 31 July 2015 | Number of matters which negatively affect the audit opinion within the AG Report. | 13 | 0 |
| 1.3.2. Maintain reliable and sustainable Financial Management practices. | Reduce the number of significant matters as per the internal audit reports to zero by 31 March 2016 | Number of significant matters as per the internal audit reports. | N/A | 0 |

Linking performance with budgets

| Programme/activity/objective | 2014/2015 | | | 2015/2016 | | |
|------------------------------|--------------|--------------------------|--------------------------------|--------------|--------------------------|--------------------------------|
| | Budget R'000 | Actual Expenditure R'000 | [Over]/Under Expenditure R'000 | Budget R'000 | Actual Expenditure R'000 | [Over]/Under Expenditure R'000 |
| Finance | 17 539 | 21 155 | (3 616) | 17 140 | 20 751 | (3 611) |

The over-expenditure was as a result of insurance and auditing fees which were inadequately budgeted for at the start of the financial year.

There has been a much welcomed improvement in the audit outcome from qualified in the 2014/2015 financial year to unqualified in the 2015/2016 financial year as reflected in the audit report herein. The noted improvement are as detailed below:

- Elimination of the Revenue Completeness qualification in the current financial year. This was as a result of the improvement in the identification and disclosure of irregular expenditure. The irregular expenditure net movement reduced from R3 931 725 (2014/15) to R2 164 596 in the current financial year, which equates to 45%
- The Corporation was able to eliminate the IAS Disclosure qualification through applying the required standards in the preparation of the annual financial statements.
- There has been continuous improvement in the internal

control environment and we will continue to improve the internal control environment.

The department will in the 2016/17 financial year be focusing on the improvement of audit readiness as it is an important measure of the state of financial affairs of the Corporation. This will be through the improvement of controls and implementation of improved systems. Workshops will be conducted for all employees that are affected by SCM legislation so that they understand the importance of the policy and all legislations governing it.

CHANGES TO PLANNED TARGETS

There were no changes to planned targets.

| Achievement 2015/2016 | Deviation 2015/2016 | Challenges | Improvement Plan |
|-----------------------|---------------------|--|---|
| 0 | 0 | | None. Target met. |
| 10 | 10 | A number of deliverables have not been achieved due to inadequate skills set within the Corporation, as revealed by the Skills and Competency Audit. | Restructuring and placing of employees in suitable positions. The new organisational structure has new positions which were added to the MTC capacity, and suitable and skilled people will be recruited. |

PROGRAMME 1.4 HUMAN RESOURCES MANAGEMENT

MS THENJISWA NTONI



PURPOSE

The HR Department provides an internal enabling function and support service to the other programmes with regard to Human Resource Management. The Human Resource Management division provides guidance on how to strategically manage people as a business resource. This includes managing recruitment, coordinating employee benefits, labour relations and integrated employee wellness and human capital development.

The division was also responsible for the management of the Security and Inspectorate function.

PROGRAMME STRUCTURE

- Employment Relations and Integrated Wellness
- HR Management Services
- Training and Development

OVERVIEW OF DEPARTMENTAL PERFORMANCE

Some of the HR challenges faced by the MTC include:

- Aging Workforce: In addressing this challenge we have partnered the older work force with the younger members of staff in order to facilitate the transfer of skills which will be vital for the future. The older workforce has also added great value in training Apprentices.
- Inappropriate Skills Mix: The MTC completed a skills audit during the

Strategic objectives, performance indicators planned targets and actual achievements

STRATEGIC GOAL: Ensure accessible and affordable public bus transport services for the population of the Eastern Cape

| Strategic Objective | Measurable Objective | Performance Indicator | Achievement 2014/2015 | Target 2015/2016 |
|--|--|---|-----------------------|------------------|
| 1.4.1. Contribute to skills development in the automotive sector in the Province through structured apprenticeship programmes. | Increase the number of learners enrolled in the apprenticeship programme from 10 to 20 per annum in partnership with the Department of Transport | Number of learners enrolled in the apprenticeship programme | N/A | 20 |
| 1.4.2. Contribute to socio-economic growth by emulating the Eastern Cape Employment Equity Index | Increase the number of population groups within the MTC which match or exceed the Eastern Cape Employment Equity Index from 1 out of 8 to 2 out of 8 | Number of population groups within the MTC which match or exceed the Eastern Cape Employment Equity Index | 45% | 2 |
| 1.4.3. Increase the quality and availability of required human capital in order to achieve the business goals of the Corporation | Increase the number of the 274 funded Board approved posts which are filled from 252 posts filled to 265 posts filled | Number of Board approved posts which are filled | 9.16% | 265 |
| 1.4.4. Increase the quality and availability of required human capital in order to achieve the business goals of the Corporation | Increase the number of training initiatives completed in accordance with the CEO approved workplace skills plan from 105 to 120 | Number of training initiatives completed in accordance with the CEO approved workplace skills plan | 87% | 120 |
| 1.4.5. Increase the quality and availability of required human capital in order to achieve the business goals of the Corporation | Increase the level of available staff by decreasing the absenteeism rate due to sick and unpaid leave from 6.10 to 6.00 | Number of sick and unpaid leave days taken as a % of number of working days. | 2.28 | 6,00 |

Linking performance with budgets

| Programme/activity/objective | 2014/2015 | | | 2015/2016 | | |
|------------------------------|--------------|--------------------------|--------------------------------|--------------|--------------------------|--------------------------------|
| | Budget R'000 | Actual Expenditure R'000 | [Over]/Under Expenditure R'000 | Budget R'000 | Actual Expenditure R'000 | [Over]/Under Expenditure R'000 |
| Human Resource Management | 19 138 | 12 397 | 6 741 | 12 135 | 9 180 | 2 955 |

year under review in order to establishing the skills mix of the Corporation. Following the identified skills gap within the Corporation, the focus has been on ongoing training. A new organogram that better suites the strategic direction of Corporation has been approved by the outgoing Board. The employees of the Corporation will be appropriately placed in accordance with the new organogram during the new financial year.

- Fit-for-duty employees: A Wellness Implementation plan was used to guide the process of ensuring that the Corporation's employee's health is monitored. This key initiative was supported by a Bus Driver Wellness Programme Plan which focuses on ensuring that new bus drivers are medically screened prior to employment

and bus drivers that are in employment are medically sound. The majority of wellness programs focused on the MTC's core business and created a conducive working environment. Through the refurbishment of depots the drivers and workshop staff were able to have decent facilities with fully stocked sick bays.

CHANGES TO PLANNED TARGETS

There were no changes to planned targets.

| Achievement 2015/2016 | Deviation 2015/2016 | Challenges | Improvement Plan |
|-----------------------|---------------------|--|---|
| 30 | 10 | The strengthened relationship between the MTC and TETA has resulted in TETA being able to provide more learners the opportunity to learn skills that will benefit the country by addressing the shortage of skills crisis. | The target will be set at 30 for the new financial year considering the 2015/2016 results. |
| 1 | 1 | The MTC is currently in the process of migration which will inform which posts are vacant once consultation has been completed. The filling of the vacant posts will consider the employment equity. | Training of Female bus drivers can assist in increasing the number of females in the Mayibuye Transport Corporation. All adverts to specify that female applicants will be at an advantage. |
| 268 | -3 | As a result of the restructuring process that the MTC had embarked on, a new organogram was developed and approved by the Board. This resulted in more positions being created. | Training of Female bus drivers can assist in increasing the number of females in the Mayibuye Transport Corporation. All adverts to specify that female applicants will be at an advantage |
| 87 | 33 | The skills audit was geared at identifying skills gaps and developing individual development plans. The completion of this process was awaited so as to train employees accordingly. | The Skills and Competency Audit has been completed. Development plans are in place and will be implemented |
| 1,97 | -4,03 | The interventions of the wellness unit has seen the absenteeism rate reducing because of counselling sessions held with the affected employees, which entailed continuously clarifying to employees the essence of sick leave. | Sick leave and unpaid leave should be prevented at all cost; if the reason for being sick is unjustifiable employees will be expected to now apply for vacation leave. |

There was under-expenditure in compensation of employees, recruitment and training costs. This was due to the fact that there was a skills audit that was underway which would direct the intervention that is required by the corporation. Recruitment had been halted until finalisation of the new organisation structure. In addition R750, 000 was provided for the Excellency / Long-Service Awards which was not utilised in the financial year.

PROGRAMME 2 ENGINEERING

MR MPHO SEBONI



PURPOSE

The purpose of the Engineering Programme is to ensure the efficient and effective provision of public transport services through a safe and reliable fleet at all depots of the MTC. The Programme is responsible for all the Corporations' fleet related activities, the management of inventory as well as facilities and infrastructure management.

At its core, the Engineering Department aims to deliver outstanding support to the Operations Department by providing Buses and Ancillary vehicles that are safe, reliable and fit for purpose. There are four (4) depots from which these services are provided i.e. Reeston, Zwelitsha, Alice and Queenstown.

PROGRAMME STRUCTURE 2015/2016

- Fleet management and maintenance
- Accident management

- Body repairs
- Bus Refurbishment
- Tyre Management
- Bus Cleaning services
- Facilities and Building Maintenance.
- Security and Environmental Management.

OVERVIEW OF DEPARTMENTAL PERFORMANCE

A number of new buses were received during the third and fourth quarter of 2015 / 2016. The new buses contributed significantly to the total fleet available for operating on the routes and thus improving revenue collection.

Construction work commenced as part of the refurbishment programme at two of the four MTC depots, namely the Alice depot and the Queenstown depot. The Alice depot construction commenced in March 2016 and the planned completion date is 11 August 2016.

Strategic objectives, performance indicators planned targets and actual achievements

STRATEGIC GOAL: Ensure accessible and affordable public bus transport services for the population of the Eastern Cape

| Strategic Objective | Measurable Objective | Performance Indicator | Achievement 2014/2015 | Target 2015/2016 |
|--|---|--|-----------------------|------------------|
| 2.1 Increase the number of people who use the MTC bus services from 2 150 202 per annum to 3 569 819 per annum | Zero fatal accidents caused by the MTC | Number of fatal accidents caused by the MTC | 0 | 0 |
| 2.2 Recapitalise the entire fleet and infrastructure of the MTC | Reduce the number of buses older than 17 years from 36 to 31 by 31 March 2016 | Number of buses older than 17 years | N/A | 31 |
| 2.3 Improve proximity of bus services to commuters | Increase the number of buses which accommodates elderly and visually impaired passengers from 15 to 20 by 31 March 2016 | Number of buses accommodating elderly and visually impaired passengers | N/A | 20 |

Linking performance with budgets

| Programme/activity/objective | 2014/2015 | | | 2015/2016 | | |
|------------------------------|--------------|--------------------------|--------------------------------|--------------|--------------------------|--------------------------------|
| | Budget R'000 | Actual Expenditure R'000 | [Over]/Under Expenditure R'000 | Budget R'000 | Actual Expenditure R'000 | [Over]/Under Expenditure R'000 |
| Engineering | 72 838 | 19 338 | 53 500 | 19 371 | 20 721 | (1 351) |

The figures include depreciation

The over-expenditure related to security expenses which had inadequate budget. The above figures also include depreciation which is a non-budget item, has no cash outlay but serves as a bookkeeping entry.

The Queenstown depot renovation is scheduled to commence in May 2016 and the planned completion date is 19 August 2016.

A significant record for the MTC remains that it has not caused any fatal accidents. This is despite the human capital challenges relating to staff shortages and the MTC's inability to attract qualified skilled staff. The Corporation is engaged in a programme to train and develop current staff through partnerships with other organisations such as SETA's. The entity has also concluded an organisational restructuring project resulting in an enhanced organogram. Populating the Engineering component of the organogram will result in having the desired skilled personnel that will ensure the department achieves its objectives based on the operational plan.

The Engineering Department is proud to have achieved all of its Corporate Plan Targets. This is

attributed to the combined effort of the current staff, working extra hours, and ensuring that required is complete and credible.

The Engineering Department is committed to fulfilling its vital role as a key strategic business partner of the MTC. We will strengthen the manner and frequency within which objectives are communicated within the department. Our key focus will be accountability which will be underpinned by sound project management practices. Critical success factors to achieving the MTC's Engineering objectives include bolstering our technical skills base by sourcing best-in-class artisans; procuring a new fleet management system that will be powerful enough to manage all the fleet activities and providing support to the oversight role of the Technical Superintendent.

CHANGES TO PLANNED TARGETS

There were no changes to planned targets.

| Achievement 2015/2016 | Deviation 2015/2016 | Challenges | Improvement Plan |
|-----------------------|---------------------|--|---|
| 0 | 0 | None. | Not required. |
| 16 | -15 | The Board resolved to write off 17 buses in July 2015 in order to improve safety and reliability. The target also did not take into account the arrival of the new buses as the funding of the Recapitalisation Plan at that time was uncertain. | The performance indicator for the new financial year will be enhanced so as to rather address the ratio of buses to routes. |
| 25 | -5 | The target did not take into account the arrival of the new buses as the funding of the Recapitalisation Plan at that time was uncertain. | The performance indicator for the new financial year will be enhanced so as to rather address the ratio of buses to routes. All new buses are required to accommodate elderly and visually impaired passengers. |

PROGRAMME 3 OPERATIONS

MRS NOLUFEFE FUNANI-LENI



PURPOSE

The purpose of the Operations Programme is to ensure the efficient and effective management all the operational activities of the MTC. The Programme is responsible for coordination of bus services on all routes, the enhancing of revenue streams.

PROGRAMME STRUCTURE 2015/2016

- Operations Management
- Traffic Management

OVERVIEW OF DEPARTMENTAL PERFORMANCE

The Park 'n Ride service between Bhisho and East London is making a positive contribution towards reducing transport costs for residents and carbon emissions in general. On average 254 trips with private vehicles are eliminated daily as a result of this innovative mass public transport service. It is estimated that passengers are saving R31 000 per annum by opting to use this service

as opposed to travelling by their private vehicle.

The MTC continues to stimulate social and economic connectivity between the rural, peri-urban and urban areas by increasing the number of routes operated. This has also opened a space for transportation of more workers and scholars and thereby positively contributing towards the provincial GDP, scholar transportation and the rural transport strategy.

Strategic objectives, performance indicators planned targets and actual achievements

STRATEGIC GOAL: Ensure accessible and affordable public bus transport services for the population of the Eastern Cape

| Strategic Objective | Measurable Objective | Performance Indicator | Achievement 2014/2015 | Target 2015/2016 |
|--|--|-------------------------------------|-----------------------|------------------|
| 3.1. Reduce reliance on government aid funding by increasing own revenue from R27 570 440 per annum to R94 665 847 per annum | Reduce reliance on government aid funding by increasing own revenue from R27 570 440 to R38 294 000 per annum by 31 March 2016 | Rand value of own revenue generated | 28 748 875 | 38 294 000 |
| 3.2. Increase the number of people who use the MTC bus services from 2 150 202 per annum to 3 569 819 per annum | Increase the number of people who use the MTC bus services from 2 150 202 per annum to 2 821 728 per annum by 31 March 2016 | Number of passengers transported | 2 215 764 | 2 821 728 |
| 3.3. Stimulate social and economic connectivity between the rural, peri-urban and urban areas by increasing the number of routes operated from 39 to 52. | Enlarge the MTC's regional footprint by increasing the number of routes operated from 39 to 46 | Number of routes operated | N/A | 46 |

Linking performance with budgets

| Programme/activity/objective | 2014/2015 | | | 2015/2016 | | |
|------------------------------|--------------|--------------------------|--------------------------------|--------------|--------------------------|--------------------------------|
| | Budget R'000 | Actual Expenditure R'000 | [Over]/Under Expenditure R'000 | Budget R'000 | Actual Expenditure R'000 | [Over]/Under Expenditure R'000 |
| Operations | 19 621 | 26 782 | (7 161) | 22 100 | 33 118 | (11 019) |

Note: The above figures include depreciation

The over-expenditure was as a result of depreciation which is a non-budget item, has no cash outlay but serves as a bookkeeping entry.

The three performance indicators that are not achieved relate to revenue, passengers and kilometres. The non-achievement of these performance indicators was impacted by:

- Resistance from commuters to the fare increase
- Increased competition between MTC and other public transport providers.
- The roll-out of regional routes, as part of the Provincial Integrated Public Transport Master Plan (PIPTMP), having been placed on hold by the Department of Transport until further notice.

The Operations Department is committed to service delivery. It continues to develop and improve its standard operating procedures which drives consistency and quality of outputs and a common understanding by all the role players.

A priority for the Department remains that middle managers, as critical implementers of the strategy, must be developed in project management.

CHANGES TO PLANNED TARGETS

There were no changes to planned targets.

| Achievement 2015/2016 | Deviation 2015/2016 | Challenges | Improvement Plan |
|-----------------------|---------------------|--|---|
| 27 639 234 | 10 654 767 | The under-collection in revenue has been impacted by: The decrease in the number of operating buses despite additional buses; The decrease in passengers as a result of resistance to fare increase and Competitive rivalry between MTC and Tax Industry and other players. | An advanced automated ticketing system which is integrated with camera system will be installed. There are plans in place to improve revenue generation on all revenue streams; Passenger Revenue; Private Hire; and Contract Revenue. The MTC's service standards are improving as a result of the additional fleet with 83% satisfaction noted in March 2016. The MTC will also expand its operations by increasing its duties from 66 to 87. |
| 1 735 049 | 1 086 679 | The underachievement of passengers transported has been impacted by: The decrease in the number of operating buses despite additional buses; The decrease in passengers as a result of resistance to fare increase and Competitive rivalry between MTC and Tax Industry and other players. | The MTC's service standards are improving as a result of the additional fleet with 83% satisfaction noted in March 2016. The MTC will also expand its operations by increasing its duties from 66 to 87. |
| 77 | -31 | Re-alignment of the route structure during the 2015/2016 financial year has led to some routes being split therefore resulting in more routes being operated. | The target will be increased for the new financial year. |



EVERY DAY IS
A JOURNEY,
& THE JOURNEY
ITSELF IS HOME.
MATSUO BASHO



GOVERNANCE

| | |
|----|---|
| 44 | Introduction |
| 45 | The Accounting Authority/Board |
| 52 | Fraud and Corruption |
| 52 | Code of Conduct |
| 52 | Health, Safety and Environmental Issues |
| 52 | Board Secretary and Legal Advisor |
| 54 | Audit and Risk Committee |

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 with regard to public entities is applied through the precepts of the Public Finance Management Act (PFMA) and run in tandem with the principles contained in the King's King III Report on Corporate Governance.

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

THE ACCOUNTING AUTHORITY/BOARD

INTRODUCTION

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 2009 and the King Code of Governance Principles (known collectively as "King III"), 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 2016. The Board comprises 9 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 directors as individuals. The Board Charter further serves to ensure that all Board members, 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 in order to give effect to its obligations.

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.

COMPOSITION OF THE BOARD

The Board is appointed by the Executive Authority, and shall comprise of a maximum number 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 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 Governance Committee of the Board, in line with its terms of reference, from time to time reviews the general composition of the Board and makes appropriate recommendations on the appointment of new non-executive directors to the Executive Authority. It also identifies Board Development Opportunities.

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 is unreservedly committed to applying the fundamentals of good governance: transparency, integrity, accountability and responsibility.

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 in order 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.

Furthermore, the purpose of the Governance Committee is to carry out the responsibilities delegated by the Board 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 MTC Finance and Investment Policies, Strategies and Plans. The Finance and Investment Committee also provides governance direction guidance and advice to management on finance and investment opportunities for 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 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, the review of the remuneration of members of the Board, and various members of senior management, and to include the non-executive board members', and non-executive members' fees and/or honoraria.

RESPONSIBILITIES

The Corporation's philosophy of leadership is based on the principle of providing effect leadership based on ethical foundation in this regard it has two main focus, 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 according to 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 strategic, risk, performance and sustainability are inseparable and gave effect to this by:
 - Contributing to and approving the 2016/2019 Corporate Plan;
 - Satisfying it that the strategy and operational plans do not give risks that have not been thoroughly assessed by management;
 - Identifying key performance and risk areas, and monitoring the Corporation's performance against agreed objectives (including the assessment of the evaluation of the performance of executive management in terms of defined objectives and applicable public service and public transport industry standards) ensuring that the strategy will result in sustainable outcomes;
 - Providing effective leadership on an ethical foundation;
 - Ensuring that the Corporation's ethics are managed effectively;
 - Retaining full and effective control over the Corporation, and monitoring management's implementation of the strategic plans and financial objectives as defined by the Board;
 - Defining levels of delegation of authority to Board sub-committees and management and continually monitoring the exercise of delegated powers;
 - Ensuring that a comprehensive system of policies and procedures is in place and that appropriate

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

- Ensuring the integrity of the Corporation's Annual Report;
- Evaluating the performance of the Chief Executive Officer;
- Together with the CEO evaluating the performance of the Board Secretary; and
- Reviewing and evaluating the adequacy of the Board Charter.

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

REMUNERATION OF 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 have to take time from their own private practices in order to support 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 Corporation is capable of attracting. The Board comprises of highly committed members who are capable of engaging meaningfully with the activities of the Corporation at a strategic level and provide the necessary guidance to management.

Table CI: Composition of the Current Board and Committees

| 1 February 2016 to 31 March 2016 | Board | Special Board and Other Meetings | Governance Committee | Audit and Risk Committee | Finance and Investment Committee |
|--|-------|----------------------------------|----------------------|--------------------------|----------------------------------|
| Name | - | 4 | - | - | 1 |
| Ms Fezeka K P Ntlembeza (CHAIRPERSON) | - | 4 | - | - | - |
| Appointed: 1 Feb 2016 | | | | | |
| Dr Vanguard Mkosana (DEPUTY CHAIRPERSON) | - | 2 | - | - | - |
| Appointed: 1 Feb 2016 | | | | | |
| Mr André J De Vries * (BOARD MEMBER) | - | 2 | - | - | - |
| Appointed: 1 Feb 2016 | | | | | |
| Mrs Thandiwe Godongwana (BOARD MEMBER) | - | 2 | - | - | 1 |
| Appointed: 1 Feb 2016 | | | | | |
| Mrs Nomalungela B Petela-Ngcanga (BOARD MEMBER) | - | 2 | - | - | - |
| Appointed: 1 Feb 2016 | | | | | |
| Adv Mathobela HSishuba (BOARD MEMBER) | - | 1 | - | - | 1 |
| Appointed: 1 Feb 2016 | | | | | |
| Dr Bridget Ssamula (BOARD MEMBER) | - | 2 | - | - | - |
| Appointed: 1 Feb 2016 | | | | | |
| Mr Radhesh R Surajbali * (BOARD MEMBER) | - | 1 | - | - | 1 |
| Appointed: 1 Feb 2016 | | | | | |
| Mr Phumzile G Zitumane (BOARD MEMBER) | - | 2 | - | - | 1 |
| Appointed: 1 Feb 2016 | | | | | |
| Total Remuneration | | | | | |

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

| HR and Remuneration | Operations and Engineering Committee | Board Fees [Rand] | Travel [Rand] | Total Remuneration [Rand] |
|---------------------|--------------------------------------|-------------------|---------------|---------------------------|
| - | - | | | |
| - | - | 55 714 | 3 231 | 58 945 |
| - | - | 25 035 | 51 | 25 086 |
| - | - | 0 | 0 | 0 |
| - | - | 31 353 | 352 | 31 705 |
| - | - | 20 094 | 1 278 | 21 372 |
| - | - | 28 000 | 0 | 28 000 |
| - | - | 20 380 | 558 | 20 938 |
| - | - | 0 | 0 | 0 |
| - | - | 29 000 | 0 | 29 000 |
| | | 209 576 | 5 470 | 215 046 |

Table C2: Composition of the Outgoing Board and Committees

| 1 April 2015 to 31 January 2016 | Board | Special Board and Other Meetings | Governance Committee | Audit and Risk Committee | Finance and Investment Committee |
|---|-------|----------------------------------|----------------------|--------------------------|----------------------------------|
| Name | 7 | 15 | 8 | 6 | 9 |
| Dr Vanguard Mkosana (DEPUTY CHAIRPERSON) Appointed: 1 Dec 2013; End of Term: 31 Jan 2016 | 5 | 14 | 5 | - | - |
| Mrs Ruth N Luzuka (DEPUTY CHAIRPERSON) Appointed: 1 Dec 2013 End of Term: 31 Jan 2016 | 6 | 10 | 8 | 6 | - |
| Mr André J De Vries* (BOARD MEMBER) Appointed: 1 Dec 2013 End of Term: 31 Jan 2016 | 7 | 13 | - | - | - |
| Mr Mzilindile C Mafani (BOARD MEMBER) Appointed: 1 Dec 2013 End of Term: 31 Jan 2016 | 5 | 3 | - | - | - |
| Rev Melikhaya M Matya (BOARD MEMBER) Appointed: 1 Dec 2013 End of Term: 31 Jan 2016 | 7 | 13 | 7 | - | - |
| Mrs Nomalungela B Petela-Ngcanga (BOARD MEMBER) Appointed: 1 Dec 2013 End of Term: 31 Jan 2016 | 7 | 10 | - | - | - |
| Mr Dominic L Qhali* (BOARD MEMBER) Appointed: 1 Dec 2013 End of Term: 31 Jan 2016 | 7 | 13 | - | - | 9 |
| Adv Mathobela H Sishuba (BOARD MEMBER) Appointed: 1 Dec 2013 End of Term: 31 Jan 2016 | 7 | 11 | 5 | - | 9 |
| ClIr Mzwandile Vaaiboom (BOARD MEMBER) Appointed: 1 Dec 2013 End of Term: 31 Jan 2016 | 4 | 4 | - | - | - |
| Mr Phumzile G Zitumane (BOARD MEMBER) Appointed: 1 Dec 2013 End of Term: 31 Jan 2016 | 7 | 15 | 6 | - | 9 |
| Total Remuneration | | | | | |

* Mr André J De Vries and Mr D Qhali were not remunerated by the MTC as they were secondments from Provincial Departments within the Eastern Cape.

| HR and Remuneration | Operations and Engineering Committee | Board Fees [Rand] | Travel [Rand] | Total Remuneration [Rand] |
|---------------------|--------------------------------------|-------------------|---------------|---------------------------|
| 6 | 5 | | | |
| - | - | 337 000 | 5 677 | 342 677 |
| - | - | 238 622 | 2 690 | 241 312 |
| - | 5 | 0 | 0 | 0 |
| - | 2 | 90 500 | 1 400 | 91 900 |
| 6 | - | 295 000 | 31 941 | 326 941 |
| 6 | 5 | 245 500 | 6 192 | 251 692 |
| - | - | 0 | | |
| - | 5 | 334 500 | 1 958 | 336 458 |
| - | 4 | 106 000 | 2 021 | 108 021 |
| 6 | - | 389 500 | 4 868 | 394 368 |
| | | 2 036 622 | 56 747 | 2 093 369 |

FRAUD & 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 perceived 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 were reported by Deloitte to the Chief Risk Officer (for staff up to Management Level), to the CEO for Senior Management and to 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

EXPECTED STANDARDS OF BUSINESS 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 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 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 in order 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 reference on any Board member or employee concerned.

HEALTH, SAFETY & ENVIRONMENTAL ISSUES

The following health and safety issues have been identified as possibly affecting the MTC in terms of the Occupational Health and Safety Act:

HEALTH HAZARDS

Inadequate resting areas for drivers before being assigned could result in lethargy and motor vehicle accidents. Poor lighting in service pits could lead to partial blindness of employees in workshop environments. Noisy pneumatic tools could lead to deafness should hearing protection not be utilised. Unhygienic showers and ablutions could result in health issues. No garage doors to main entrance to workshops could lead to hypothermia. Chemicals being stored in unmarked areas could result in fumes inhalation.

SAFETY HAZARDS

Non-utilisation of tyre cages could result in serious injuries. Exposure to battery acid could result in skin burns. Unmaintained workshops with scraps lying around pose as a fire hazard. Unguarded and open service pits pose a risk of employees falling inside and being injured.

ENVIRONMENTAL ISSUES

Effluent water moving from drains in wash-bays result in terrible stench that affects the environment. Used oils decanted into storage bins may spill and cause pollution around the storage bin area. Diesel spillage leads to environmental pollution. Old engine oil being stored in drums could result in ground pollution with long term effects. These issues are receiving attention as part of the Depots Revamping Project in partnership with the Eastern Cape Development Corporation.



ISSUES RESOLVED
VIA MTC'S
DEPOTS
REVAMPING
PROJECT

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 about any failure to comply with any relevant laws, legislation 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 regulations;
- 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 Acts and legislation;
- 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;
- Elicit responses, input, feedback for board and board committee meetings;
- Ensuring that minutes of all board and board committees meetings are recorded accordance with the Companies Act, 71 of 2008 and other relevant Acts and legislation;
- 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.

AUDIT & RISK COMMITTEE REPORT

We are pleased to present our report for the financial year ended 31 March 2016.

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.

The table below discloses relevant information on the Audit and Risk committee members

| Name | Qualifications | Internal or external | If internal, position in the public entity | Date appointed | Date Resigned /End of Term | Meetings attended |
|-------------------------|--|----------------------|--|----------------|----------------------------|-------------------|
| Mr Phumzile G Zitumane | B. Com, Master of Business Leadership, Emerging Leaders Programme, Executive Development Programme, Leadership Development Programme | External | Not applicable | 1 Feb 2016 | Not applicable | - |
| Mrs Thandiwe Godongwana | Bachelor of Science Degree, Business Management Diploma, HDE, BED, Quantitative Finance | External | Not applicable | 1 Feb 2016 | Not applicable | - |
| Mrs Tracy Cumming | BCom CA (SA) | External | Not applicable | 1 Oct 2012 | Not applicable | 7 |
| Mr Jack Mdeni | Bachelor of Accounting Science, Post Graduate Diploma in Accountancy | External | Not applicable | 1 Oct 2012 | 31 Jan 2016 | 5 |
| Mrs Ruth N Luzulka | BCom,(Hons), HDE, MBA, CIA | External | Not applicable | 1 Oct 2012 | 31 Jan 2016 | 6 |

RISK MANAGEMENT

The Corporation fully implemented a system of risk management. In accordance with the requirements of the PFMA, a risk assessment was facilitated by the Office of Strategic 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 Policy and Risk Management Strategy in place.

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. Claims of a general nature are adequately covered.

THE EFFECTIVENESS OF INTERNAL CONTROL

In order to meet its responsibility of providing reliable financial 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 of 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 a Board approved Internal Audit Plan. The auditors adopt a risk based audit approach in order 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 statement preparation and the safeguarding of assets.

During the financial year the Audit and Risk Committee met with management on a quarterly basis to track their progress in resolving outstanding internal control issues previously raised by the Auditor-General and Internal Audit.

In conclusion in respect of the internal control environment, based on our review of the findings of the Internal Audit work, which was based on the risk assessments conducted in the public entity revealed weaknesses, which were then raised with the entity.

INTERNAL AUDIT

The internal audit plan for 2015/2016 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 internal audit work was completed during the year under review:

- Revenue;
- Performance information;
- Payroll;
- Procurement / supply chain management;
- Asset management;
- Follow up on the prior year internal audits (Health and Safety Regulations, Compliance with laws and regulations, Q-Merit system review and Human Resources); and
- Audit intervention plan and status review as well as status of the accounting records.

The following were areas of concern:

- Supply chain management;
- Inadequate implementation of recommendations by Internal Audit; and
- Status of accounting records.

The status of accounting records, payroll, revenue and asset management reviews performed by internal audit indicate that there are significant weaknesses within the entity's finance department. The strengthening of this department needs to be a focus for the year ahead.

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.

IN-YEAR MANAGEMENT AND MONTHLY/QUARTERLY REPORT

The public entity has reported monthly and quarterly to the Executive Authority and to Treasury as is required by the PFMA. We however did not review the reports prior to the submission to Treasury and cannot comment on their content and quality of monthly and quarterly reports prepared by the Accounting Officer during the year under review.

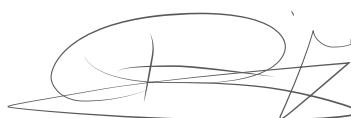
We have reviewed the performance information within the draft annual report prepared by the MTC and have recommended to the Accounting Authority for their submission to the Auditor General.

EVALUATION OF FINANCIAL STATEMENTS

We have reviewed the annual financial statements prepared by the MTC and have recommended to the Accounting Authority for their submission to the Auditor General.

AUDITOR'S REPORT

The Audit Committee concurs and accepts the conclusions of the external auditor on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the auditor.



Mr Phumzile G Zitumane
Chairperson of the Audit and Risk Committee
12 August 2016

LEADERS
DON'T **PEOPLE**
FORCE **TO FOLLOW.**
THEY INVITE THEM
CHARLES LAUER **ON A JOURNEY.**





HUMAN RESOURCE MANAGEMENT

- 58 Introduction
- 60 Human Resource Oversight Statistics

INTRODUCTION

COMPREHENSIVE
EFFECTIVE & EFFICIENT



It is the mission of the MTC HR Department to provide a comprehensive, effective and efficient Human Resources function to the entire Corporation.

The following projects have been undertaken by the HR Department during the year under review:

| Project | Details |
|--|-----------------------------------|
| TETA | Bursary |
| TETA | Apprenticeship |
| TETA | Internship |
| TETA | Workplace Experience |
| TETA | Female Driver Training |
| HR Management System | Employee Self-Service and Premier |
| Organisational Redesign | Organogram Migration |
| <ul style="list-style-type: none"> • HRD Strategy • Skills Audit • Task Grade -> Paterson Grade • New Board Approved Organogram • New Board Approved Remuneration Structure • New Job Profiles • Job Evaluations | |

POSITIVE
EXTERNAL PERCEPTION
OF THE MTC
IN 2016



Key among these projects has been workforce planning. The strategies to attract and recruit a skilled workforce was prefaced with an organisation-wide restructuring process supported by a comprehensive skills audit and job evaluation exercise. The introduction of the new grading system has provided a sound basis for remuneration levels which in turn provided an opportunity for the MTC to enhance its competitiveness within the labour market. The HR strategy has eternalised the corporate vision statement by focusing its objectives around transforming the MTC into an employer of choice.

The optimal health and safety of our workforce remained a fundamental principle underlying the MTC's Corporate Strategy. This is catered for within the Wellness Management Plan for which there are four identified pillars in its implementation as unpacked below:

HIV, Aids and Tuberculosis Management which includes:

- Prevention encompassing Health education and provision of condoms, screening for TB and HIV;
- Treatment, care and support;
- Referral to local clinics for continuity of care and referral to private practitioners for employees to tap on chronic care;

- Human rights support and access to justice;
- Monitoring and evaluation; and
- Health education on human rights to prevent discrimination in the workplace on the grounds of positive status.

Health and Productivity Management which includes:

- Disease management and chronic care management;
- Mental health and psychometric illness assessment and support;
- Injury on duty and incapacity due to ill health management; and
- Occupational health education and promotion.

Safety, Health, Environment, Risk and Quality Management which includes:

- Risk and quality assurance;
- Environmental management; and
- Occupational health and safety management.

Wellness Management which includes:

- Workforce balance;
- Organisational wellness;
- Individual Wellness Psychosocial;
- Individual Wellness Physical; and
- Prevention encompassing health.

Highlights for the HR Department include the completion of the organizational redesign process which incorporated placement of

qualified staff into suitable positions. The MTC is now geared towards obtaining maximum performance and commitment from its human capital for the benefit of our customers.

The first female apprentice ever trained by the MTC has qualified as an Electrical Artisan. Furthermore, a total of 27 females underwent training to become bus drivers. These strategic interventions underline the MTC's commitment towards developing women in a male dominated industry.

The Corporation continues to invest in its future labour market. Technical skills remain scarce and therefore it is mission critical that investment in such development programmes is supported. Ten trainees have been enrolled into the MTC's apprenticeship programme. The programme runs for a period of 3 years consisting of full time training followed by rigorous testing. Successful completion of the programme results in apprentices becoming certified artisans.

In this respect, the entity has provided training to 25 unemployed graduates who participated in the annual internship programme. They were provided with in-service training in support services such as finance, human resources, marketing and ICT.

HUMAN RESOURCE OVERSIGHT STATISTICS

Personnel Cost by programme/ activity/ objective

| Programme/activity/objective | Total Expenditure [R'000] | Personnel Expenditure [R'000] | Personnel exp.as a % of total exp. | No. of employees | Average personnel cost per employee [R'000] |
|------------------------------------|---------------------------|-------------------------------|------------------------------------|------------------|---|
| 1.1 Office of the CEO | 8 264 | 3 988 | 48% | 4 | 997 |
| 1.2 Office of Strategic Management | 7 877 | 5 919 | 75% | 13 | 455 |
| 1.3. Office of the CFO | 20 347 | 9 299 | 46% | 22 | 423 |
| 1.4 HR Management | 9 116 | 5 912 | 65% | 12 | 493 |
| 2. Engineering | 40 039 | 15 385 | 39% | 64 | 240 |
| 3. Operations | 44 648 | 21 802 | 49% | 122 | 179 |
| Total | 130 291 | 62 304 | 48% | 237 | 263 |

Personnel cost by salary band

| Level | Personnel Expenditure [R'000] | % of personnel exp. to total personnel cost [R'000] | No. of employees | Average personnel cost per employee [R'000] |
|------------------------|-------------------------------|---|------------------|---|
| Top Management | 8 350 | 13% | 6 | 1 393 |
| Senior Management | 4 528 | 7% | 5 | 906 |
| Professional qualified | 9 984 | 16% | 12 | 907 |
| Skilled | 6 704 | 11% | 18 | 372 |
| Semi-skilled | 24 905 | 40% | 118 | 215 |
| Unskilled | 7 833 | 13% | 78 | 100 |
| Total | 62 304 | 100% | 237 | 263 |

Performance Rewards

| Level | Performance rewards [R'000] | Personnel Expenditure [R'000] | % of performance rewards to Personnel Cost |
|------------------------|-----------------------------|-------------------------------|--|
| Top Management | 89 | 8 350 | 1% |
| Senior Management | 70 | 4 528 | 1% |
| Professional qualified | 283 | 9 984 | 3% |
| Skilled | 496 | 6 704 | 7% |
| Semi-skilled | 301 | 24 905 | 1% |
| Unskilled | 106 | 7 833 | 1% |
| Total | 1 345 | 62 304 | 2% |

Training Costs

| Programme/activity/objective | Personnel Expenditure [R'000] | Training Expenditure [R'000] | Training Expenditure as a % of Personnel Cost. | No. of employees trained | Avg training cost per employee [000] |
|------------------------------------|-------------------------------|------------------------------|--|--------------------------|--------------------------------------|
| 1.1 Office of the CEO | 3 988 | 167 | 4,19% | 0 | 0 |
| 1.2 Office of Strategic Management | 5 919 | 169 | 2,86% | 7 | 24,1 |
| 1.3. Office of the CFO | 9 299 | 37 | 0,40% | 5 | 7,4 |
| 1.4 HR Management | 5 912 | 583 | 9,86% | 6 | 97,2 |
| 2. Engineering | 15 385 | 2 | 0,01% | 7 | 0,3 |
| 3. Operations | 21 802 | 58 | 0,26% | 45 | 1,3 |
| Total | 62 304 | 1 017 | 1,63% | 70 | 14,5 |

LEAVE UTILISATION 2015/16

Sick Leave

| Salary Band | Total Days | Number of Employees Using Sick Leave | %Days with Medical Certification | Average days per Employee |
|----------------------|------------|--------------------------------------|----------------------------------|---------------------------|
| Executive Management | 20 | 5 | 100 | 4 |
| Senior Management | 12 | 4 | 100 | 3 |
| Middle Management | 52 | 8 | 100 | 7 |
| Junior Management | 40 | 5 | 100 | 8 |
| Bargaining Unit | 1372 | 145 | 100 | 9 |

Annual Leave

| Salary Band | Total Days Taken | No of Employees using Annual Leave | Average Days per Employee |
|----------------------|------------------|------------------------------------|---------------------------|
| Executive Management | 89 | 5 | 17.8 |
| Senior Management | 69 | 5 | 13.8 |
| Middle Management | 314 | 12 | 26.16 |
| Junior Management | 240 | 8 | 30 |
| Bargaining Unit | 4 682 | 177 | 26 |

Leave Pay Outs 2015/16

| Reason | Total Amount | Total Number of Employees | Average |
|---|--------------|---------------------------|---------|
| Current Leave Pay Out on termination of service | 389 046 | 34 | 11 443 |

Employment and vacancies

| Programme | 2014/2015 No. of Employees | 2015/2016 Approved Posts | 2015/2016 No. of Employees | 2015/2016 Vacancies | % of vacancies |
|------------------------------------|----------------------------|--------------------------|----------------------------|---------------------|----------------|
| 1.1 Office of the CEO | 3 | 4 | 4 | 0 | 0 |
| 1.2 Office of Strategic Management | 13 | 16 | 13 | 3 | 19 |
| 1.3. Office of the CFO | 29 | 51 | 22 | 29 | 57 |
| 1.4 HR Management | 14 | 14 | 12 | 2 | 14 |
| 2. Engineering | 62 | 76 | 64 | 12 | 16 |
| 3. Operations | 115 | 134 | 122 | 12 | 9 |
| Total | 236 | 295 | 237 | 58 | 20 |

| Programme | 2014/2015 No. of Employees | 2015/2016 Approved Posts | 2015/2016 No. of Employees | 2015/2016 Vacancies | % of vacancies |
|------------------------|----------------------------|--------------------------|----------------------------|---------------------|----------------|
| Top Management | 5 | 5 | 5 | 0 | 0 |
| Senior Management | 3 | 5 | 4 | 1 | 20 |
| Professional qualified | 24 | 53 | 13 | 40 | 75 |
| Skilled | 94 | 107 | 98 | 9 | 8 |
| Semi-skilled | 32 | 125 | 117 | 8 | 6 |
| Unskilled | 78 | 0 | 0 | 0 | 0 |
| Total | 236 | 295 | 237 | 58 | 20 |

The Corporation undertook a comprehensive process of redesigning itself. Part of this development included an analysis of the existing skills base and placing suitably qualified staff into the correct positions. In cases where the necessary skill sets were not identified, as part of the skills audit, external recruitment is followed. The entity has re-evaluated all posts and is now better placed to compete for top candidates within the labour market. The MTC also

prides itself having trained and developed staff and realising positive returns on such investments. Of vital benefit to the MTC is the significant role that the TETA has played in funding our training programs. Key examples of the sterling support received from the TETA include the Apprenticeship Programme as well as the Female Driver Training Program. These interventions have enhanced the MTC's reputation as an employer of choice.

Employment changes

| Salary Band | Employment at beginning of period | Appointments | Terminations | Internal Transfers | Employment at end of the period |
|------------------------|-----------------------------------|--------------|--------------|--------------------|---------------------------------|
| Top Management | 5 | 0 | 0 | 0 | 5 |
| Senior Management | 3 | 2 | 1 | 0 | 4 |
| Professional qualified | 24 | 0 | 11 | 0 | 13 |
| Skilled | 94 | 14 | 10 | 0 | 98 |
| Semi-skilled | 32 | 23 | 16 | 78* | 117 |
| Unskilled | 78 | 0 | 0 | -78* | 0 |
| Total | 236 | 39 | 38 | 0 | 237 |

* As part of the Organisational Redesign Process, the unskilled posts have been re-evaluated and subsequently classified as semi-skilled and skilled positions.

Reasons for staff leaving

| Reason | Number | % of total no. of staff leaving |
|--------------------|-----------|---------------------------------|
| Death | 7 | 23 |
| Resignation | 8 | 23 |
| Dismissal | 13 | 29 |
| Retirement | 6 | 16 |
| Ill health | 0 | 0 |
| Expiry of contract | 4 | 9 |
| Other | 0 | 0 |
| Total | 38 | 100 |

Labour Relations: Misconduct and disciplinary action

| Nature of disciplinary action | Number | % of total |
|-------------------------------|-----------|------------|
| Correctional counselling | 0 | 0 |
| Verbal warning | 0 | 0 |
| Written warning | 3 | 12 |
| Final written warning | 5 | 20 |
| Suspended without pay | 2 | 8 |
| Fine | 0 | 0 |
| Demotion | 0 | 0 |
| Dismissal | 13 | 52 |
| Not guilty | 1 | 4 |
| Case withdrawn | 1 | 4 |
| Total | 25 | 100 |

Types of misconduct addressed at disciplinary hearings

| Type of misconduct | Number | % of total |
|--------------------------------|-----------|------------|
| Theft & fraud | 6 | 24 |
| Insubordination & negligence | 8 | 32 |
| Under the influence of alcohol | 5 | 20 |
| Dishonesty | 5 | 20 |
| Unauthorised absence | 1 | 4 |
| Other | 0 | 0 |
| Total | 25 | 100 |

Precautionary suspensions

| | |
|--|------|
| Number of people suspended | 8 |
| Number of people whose suspension exceeded 30 days | 8 |
| Average number of days suspended | 1282 |
| Cost (R'000) of suspension | 0 |

Grievances logged

| Status | Number | Grievances as % of Total Staff |
|--------------------------------|-----------|--------------------------------|
| Grievances Resolved | 5 | 2% |
| Grievances Not resolved | 5 | 2% |
| Total Grievances Lodged | 10 | 4% |

Disputes logged

| Status | Number | % of Total |
|------------------------------|----------|------------|
| Disputes Upheld | 0 | 0 |
| Disputed dismissed | 0 | 0 |
| Total Disputes Lodged | 0 | 0 |

Strike actions

| | |
|--|---|
| Total number of persons working days lost | 0 |
| Total costs working days lost | 0 |
| Amount (R'000) recovered as a result of the no work no pay principle | 0 |

Equity Target and Employment Equity Status

The workforce profile has been dominated by African Males placed at skilled and semi- skilled levels. In aid of enhancing female representation, the MTC's apprenticeship programme has targeted women for technical positions, an example thereof being the female Electrical Apprentice who has passed her trade test and has been employed at the MTC as a qualified Artisan.

MALE

| Levels | African | | Coloured | | Indian | | White | |
|------------------------|------------|------------|----------|----------|----------|----------|----------|----------|
| | Current | Target | Current | Target | Current | Target | Current | Target |
| Top Management | 3 | 3 | 1 | 1 | 0 | 0 | 0 | 0 |
| Senior Management | 0 | 4 | 0 | 0 | 0 | 0 | 1 | 0 |
| Professional qualified | 9 | 3 | 1 | 0 | 0 | 0 | 1 | 2 |
| Skilled | 90 | 45 | 3 | 1 | 0 | 0 | 1 | 0 |
| Semi-skilled | 71 | 130 | 0 | 2 | 0 | 0 | 1 | 0 |
| Unskilled | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 173 | 185 | 5 | 4 | 0 | 0 | 4 | 2 |

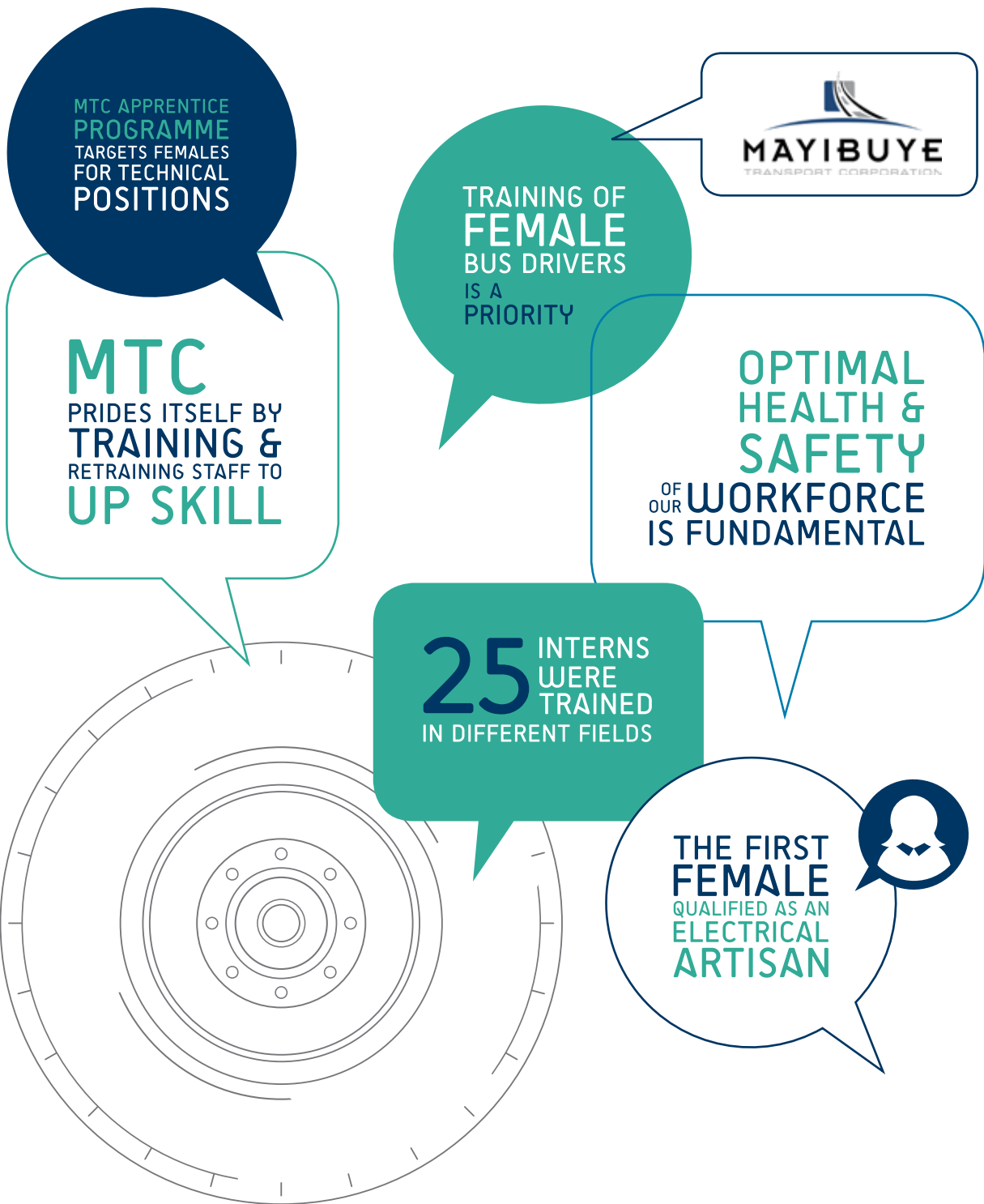
FEMALE

| Levels | African | | Coloured | | Indian | | White | |
|------------------------|-----------|-----------|----------|----------|----------|----------|----------|----------|
| | Current | Target | Current | Target | Current | Target | Current | Target |
| Top Management | 2 | 2 | 0 | 0 | 0 | 0 | 0 | 0 |
| Senior Management | 3 | 2 | 0 | 0 | 0 | 0 | 1 | 1 |
| Professional qualified | 3 | 2 | 1 | 0 | 0 | 0 | 1 | 2 |
| Skilled | 4 | 22 | 0 | 4 | 0 | 0 | 0 | 0 |
| Semi-skilled | 40 | 36 | 0 | 0 | 0 | 0 | 0 | 0 |
| Unskilled | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 52 | 68 | 1 | 4 | 0 | 0 | 2 | 3 |

DISABLED STAFF

| Levels | Male | | Female | |
|------------------------|----------|----------|----------|----------|
| | Current | Target | Current | Target |
| Top Management | 0 | 1 | 0 | 0 |
| Senior Management | 0 | 0 | 0 | 0 |
| Professional qualified | 0 | 0 | 0 | 1 |
| Skilled | 1 | 0 | 0 | 0 |
| Semi-skilled | 2 | 2 | 0 | 1 |
| Unskilled | 0 | 0 | 0 | 0 |
| Total | 3 | 3 | 0 | 2 |

HIGHLIGHTS 2016





WOMEN ARE THE
REAL
ARCHITECTS
OF SOCIETY



FINANCIAL INFORMATION

| | |
|----|---|
| 68 | Report of the Auditor General |
| 72 | General Information |
| 73 | Abbreviations |
| 73 | Index |
| 74 | Board Members Responsibilities and Approval |
| 75 | Board Members Report |
| 77 | Report of Financial Position |
| 78 | Statement of Comprehensive Income |
| 79 | Statement of Changes in Equity |
| 80 | Cash Flow Statement |
| 81 | Accounting Policies |
| 86 | Notes to the Annual Financial Statements |

REPORT OF THE AUDITOR GENERAL

REPORT ON THE FINANCIAL STATEMENTS

INTRODUCTION

I have audited the financial statements of the Mayibuye Transport Corporation set out on pages 72 to 102, which comprise the statement of financial position as at 31 March 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, as well as the notes, comprising a summary of Significant accounting policies and other explanatory information.

ACCOUNTING AUTHORITY'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

2. The accounting authority is responsible for the preparation and fair presentation of these financial statements in accordance with South African Statements of Generally Accepted Accounting Practice prescribed by the Accounting Standards Board (SA Statements of GAAP) and the requirements of the Public Finance Management Act of South Africa, 1999 (Act No. 1 of 1999) (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.

AUDITOR-GENERAL'S RESPONSIBILITY

3. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with ethical requirements, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or

error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

OPINION

6. In my opinion, the financial statements present fairly, in all material respects, the financial position of the Mayibuye Transport Corporation as at 31 March 2016 and its financial performance and cash flows for the year then ended, in accordance with SA Statements of GAAP and the requirements of the PFMA.

EMPHASIS OF MATTERS

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

SIGNIFICANT UNCERTAINTIES

8. As disclosed in note 4 to the financial statements, the entity does not hold the title deed to the Zwelitsha Depot, which is situated on communal land. The corporation derives economic benefits from the use thereof and carries the risks that are incidental to ownership. A process for the acquisition of the title deed has been initiated with the Eastern Cape Department of Roads and Public Works, the outcome of which is uncertain at the date of this report.

IRREGULAR EXPENDITURE

9. As disclosed in note 26 to the financial statements, irregular expenditure amounting to R31 million has accumulated over a number of years. This amount includes irregular expenditure of R2,2 million that was incurred by the entity during the year ended 31 March 2016 as a result of non-compliance with procurement requirements.

FINANCIAL VIABILITY

10. As disclosed in note 24 to the financial statements, the corporation had accumulated losses of R 92 million. This condition, along with other matters, indicates the existence of a material uncertainty which may cast significant doubt about the corporation's ability to continue as a going concern.
11. The ability of the corporation to continue to provide interrupted services 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

12. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) and the general notice issued in terms thereof, I have a responsibility to report findings on the reported performance information against predetermined objectives of selected programmes presented in the annual performance report, compliance with legislation and internal control. The objective of my tests was to identify reportable findings as described under each subheading but not to gather evidence to express assurance on these matters. Accordingly, I do not express an opinion or conclusion on these matters.

PREDETERMINED OBJECTIVES

13. I performed procedures to obtain evidence about the usefulness and reliability of the reported performance information of the following selected programme presented in the annual performance report of the Mayibuye Transport Corporation for the year ended 31 March 2016:

- Programme 2: Engineering on page 38

14. I evaluated the usefulness of the reported performance information to determine whether it was presented in accordance with the National Treasury's annual reporting principles and whether the reported performance was consistent with the planned programme. I further performed tests to determine whether indicators and targets were well defined, verifiable, specific, measurable, time bound and relevant, as required by the National Treasury's Framework for managing programme performance information (FMPPPI).

15. I assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

16. I did not identify any material findings on the usefulness and reliability of the reported performance information for the following programme:
- Programme 2: Engineering on page 38

ADDITIONAL MATTER

17. Although I identified no material findings on the usefulness and reliability of the reported performance information for the selected programme, I draw attention to the following matter:

ACHIEVEMENT OF PLANNED TARGETS

18. Refer to the annual performance report on pages 54 to 55 for information on the achievement of the planned targets for the year.

COMPLIANCE WITH LEGISLATION

19. I performed procedures to obtain evidence that Mayibuye Transport Corporation had complied with applicable legislation regarding financial matters, financial management and other related matters. My material findings on compliance with specific matters in key legislation, as set out in the general notice issued in terms of the PAA, are as follows:

FINANCIAL STATEMENTS AND ANNUAL REPORT

20. The financial statements submitted for auditing were not prepared in accordance with the prescribed financial reporting framework and/or supported by full and proper records as required by section 55(1) (a) and (b) of the PFMA.
21. Material misstatements of current assets, liabilities, revenue and disclosure items identified by the auditors in the submitted financial statement were subsequently corrected resulting in the financial statements receiving an unqualified audit opinion.

EXPENDITURE MANAGEMENT

22. Effective steps were not taken to prevent irregular expenditure, amounting to R2,2million as disclosed in note 26 of the annual financial statement as required by section 51 (1)(b)(ii) of the PFMA and Treasury Regulation (TR) 9.1.1.
23. Effective steps were not taken to prevent fruitless and wasteful expenditure, amounting to R82 170 as disclosed in note 27 of the AFS, as required by section 51(1)(b)(ii) of the PFMA and TR 9.1.1.

PROCUREMENT AND CONTRACT MANAGEMENT

24. Goods, works or services were not procured through a procurement process which is fair, equitable, transparent and competitive as required by the PFMA section 51 (1)(a)(iii).
25. Quotations were awarded to suppliers whose tax matters had not been declared by the South African Revenue Services to be in order as required by the Preferential Procurement Regulation 14.

INTERNAL CONTROL

26. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with legislation. 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.

LEADERSHIP

27. The entity has experienced stability in leadership in the current financial year, with a chief executive officer and a chief financial officer in place throughout the financial year.

The extended suspension of senior management and gaps in middle-management limited the ability of management and those charged with governance to exercise sufficient oversight over financial reporting and compliance with laws and regulations.

FINANCIAL AND PERFORMANCE MANAGEMENT

28. The record management system in place at the entity is insufficient and inadequate for the preparation of financial statements that are free of material misstatements. Inadequate records management at the entity also resulted in delays in obtaining requested information for audit purposes.
29. Residual values, useful lives and impairments assessments were not performed resulting in misstatements in assets which were subsequently corrected. The commitments register was not updated on a monthly basis to ensure accurate and complete disclosure of commitments in the annual financial statements.

GOVERNANCE

30. The entity utilised the resources available to it in the form of internal audit and the audit committee during the financial year. However, the recommendations made were not always implemented by management.

OTHER REPORTS

31. I draw attention to the following engagements that could potentially impact on the entity's financial, performance and compliance related matters.

My opinion is not modified in respect of these engagements that are either in progress or have been completed.

INVESTIGATIONS

32. The entity engaged the services of a forensic auditor to investigate allegations of irregularities. The investigation was conducted over a period of six months and covers the current and previous financial years.

The investigations have been completed. Eighteen (18) officials were charged for misconduct. Disciplinary hearings for thirteen (13) have been concluded while the remaining five (5) are expected to be concluded by end of August 2016.



AUDITOR-GENERAL
SOUTH AFRICA

Auditor-General.

East London
31 July 2016

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

GENERAL INFORMATION

| | | |
|---|---|----------------------------|
| Country of incorporation and domicile | South Africa | |
| Nature of business and principal activities | Providing subsidised public transport, governed by the Public Finance Management Act 1 of 1999, Schedule 3D Provincial Government Business Enterprises Entity | |
| Board Members | Dr. V Mkosana (Board Chairperson) | Resigned 31 January 2016 |
| | Ms. RN Luzuka (Board Deputy Chairperson) | Resigned 31 January 2016 |
| | Adv. M Sishuba | Resigned 31 January 2016 |
| | Rev. M Matya | Resigned 31 January 2016 |
| | Mr. MC Mafani | Resigned 31 January 2016 |
| | Mr. PG Zitumane | Resigned 31 January 2016 |
| | Mrs. NB Petela-Ngcanga | Resigned 31 January 2016 |
| | Mr. AJ de Vries | Resigned 31 January 2016 |
| | Cllr. M Vaaiboom | Resigned 31 January 2016 |
| | Ms. Z Pakati | Resigned 31 January 2016 |
| Incoming Board Members | Ms. FKP Ntlemeza (Board Chairperson) | Appointed 01 February 2016 |
| | Dr. V Mkosana (Deputy Board Chairperson) | Appointed 01 February 2016 |
| | Mr. PG Zitumane | Appointed 01 February 2016 |
| | Mrs. NB Petela-Ngcanga | Appointed 01 February 2016 |
| | Mrs. T Godongwana | Appointed 01 February 2016 |
| | Dr. B Ssamula | Appointed 01 February 2016 |
| | Mr. AJ De Vries | Appointed 01 February 2016 |
| | Mr. R Surajbali | Appointed 01 February 2016 |
| | Adv. M Sishuba | Appointed 01 February 2016 |
| Registered office | Reeston Depot Corner of Drummond and Mdantsane Access Road East London Eastern Cape | |
| Postal address | PO Box 19596 Tecoma East London 5214 | |
| Bankers | Standard Bank of South Africa Limited | |

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

ABBREVIATIONS

| | |
|---------------|--|
| Corporation | Mayibuye Transport Corporation |
| Board Members | Accounting Authority |
| GAAP | South African Statements of Generally Accepted Accounting Practice |
| SDL | Skills Development Levy |
| UIF | Unemployment Insurance Fund |
| MEC | Member of the Executive Committee |
| SARPBAC | South African Road Passenger Bargaining Council |
| ECSECC | Eastern Cape Socio Economic Consultive Council |
| CEO | Chief Executive Office |
| IFRS | International Financial Reporting Standards |
| GBE's | Government Business Enterprise |
| ECDC | Eastern Cape Development Corporation |

INDEX

The reports and statements set out below comprise the annual financial statements presented to the shareholder:

| | |
|--|--------------|
| Board Members' Responsibilities and Approval | Page 74 |
| Board Members' Report | Pages 75-76 |
| Statement of Financial Position | Page 77 |
| Statement of Comprehensive Income | Page 78 |
| Statement of Changes in Equity | Page 79 |
| Statement of Cash Flows | Page 80 |
| Accounting Policies | Pages 81-85 |
| Notes to the Annual Financial Statements | Pages 86-102 |

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

BOARD MEMBERS' RESPONSIBILITIES AND APPROVAL

The board members are required in terms of the Public Finance Management Act No.1 of 1999 to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the Corporation as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with South African Statements of Generally Accepted Accounting Practice.

The annual financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The board members acknowledge that they are ultimately responsible for the system of internal financial control established by the Corporation and place considerable importance on maintaining a strong control environment. To enable the board members to meet these responsibilities, the board members set standards for internal control aimed at reducing the risk of error or loss 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 Corporation and all employees are required to maintain the highest ethical standards in ensuring the Corporation's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Corporation is on identifying, assessing, managing and monitoring all known forms of risk across the Corporation. While operating risk cannot be fully eliminated, the Corporation endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The board members have reviewed the Corporation's cash flow forecast for the year to 31 March 2017 and, in light of this review and the current financial position, they are satisfied that the Corporation has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the Corporation's annual financial statements.

The annual financial statements and additional schedules set out on pages 7 to 36, which have been prepared on the going concern basis, were approved by the board members on 31 May 2016 and were signed on its behalf by:



MS FKP Ntlemeza
Board Chairperson
Mayibuye Transport Corporation
31 May 2016



Mrs Ntombizine Madyibi
Chief Executive Officer
Mayibuye Transport Corporation
31 May 2016

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

BOARD MEMBERS' REPORT

The board members submit their report for the year ended 31 March 2016.

1. REVIEW OF ACTIVITIES

Main business and operations

The Corporation is engaged in providing subsidised public transport, governed by the Public Finance Management Act 1 of 1999, schedule 3D provincial government business enterprises entity and operates in South Africa.

The operating results and state of affairs of the Corporation are set out in the attached annual financial statements.

Net loss of the Corporation was R 2 395 669 for the year (2015: R 11 279 094 loss).

Registered office Reeston Depot: Corner of Drummond and Mdantsane Access Rd, East London, Eastern Cape

2. GOING CONCERN

We draw attention to the fact that at 31 March 2016, the Corporation had accumulated losses of R 91 637 266, although the Corporation's total assets exceed its liabilities by R 139 718 809.

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

The ability of the Corporation 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.

3. EVENTS AFTER REPORTING PERIOD

The board members are not aware of any matter or circumstance arising since the end of the financial year that would affect the financial position at 31 March 2016.

The issued share capital was increased by R10 million after year end but before the reporting date. This is the capital grant received from the Eastern Cape Department of Transport as part of the 2016/17 budget allocation.

4. BOARD MEMBERS' INTEREST IN CONTRACTS

No material contracts in which the board members have an interest were entered into in the current year.

5. AUTHORISED AND ISSUED SHARE CAPITAL

During the current financial year the issued share capital increased by R10.000 million to R231.356 million.

6. BOARD MEMBERS

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

| | |
|---|--------------------------|
| Dr. V Mrosana (Board Chairperson) | Resigned 31 January 2016 |
| Ms. RN Luzuka (Board Deputy Chairperson) | Resigned 31 January 2016 |
| Adv. M Sishuba | Resigned 31 January 2016 |
| Rev. M Matya | Resigned 31 January 2016 |
| Mr. MC Mafani | Resigned 31 January 2016 |
| Mr. PG Zitumane | Resigned 31 January 2016 |
| Ms. NB Petela-Ngcanga | Resigned 31 January 2016 |
| Cllr. S Gomba | Resigned 31 January 2016 |
| Cllr. M Vaaiboorn | Resigned 31 January 2016 |
| Mr. AJ de Vries | Resigned 31 January 2016 |
| Mr. D Qhali | Resigned 31 January 2016 |
| Ms Z Pakati | Resigned 31 January 2016 |

Incoming Board Members

| | |
|---|----------------------------|
| Ms. FKP Ntlemeza (Board Chairperson) | Appointed 01 February 2016 |
| Dr. V Mrosana (Board Deputy Chairperson) | Appointed 01 February 2016 |
| Mr. PG Zitumane | Appointed 01 February 2016 |
| Mrs. NB Petela-Ngcanga | Appointed 01 February 2016 |
| Mrs. T Godongwana | Appointed 01 February 2016 |
| Mr. A De Vries | Appointed 01 February 2016 |
| Mr. R Surajbali | Appointed 01 February 2016 |
| Dr. B Ssamula | Appointed 01 February 2016 |
| Adv. M Sishuba | Appointed 01 February 2016 |

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

7. AUDITORS

The auditors of the Corporation is Auditor-General of South Africa:

Business address:
Auditor-General of South Africa
69 Frere Road
Vincent
5247

8. SECRETARY

The Secretary of the Corporation is Simthandile Gugwini-Peter.

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2016

| | Notes | 2016 (ZAR) | 2015 (ZAR) |
|-------------------------------------|-------|--------------------|--------------------|
| Assets | | | |
| Non-Current Assets | | | |
| Property, plant and equipment | 4 | 138 840 192 | 75 238 211 |
| Intangible assets | 5 | 1 029 021 | 962 128 |
| | | <u>139 869 213</u> | <u>76 200 339</u> |
| Current Assets | | | |
| Inventories | 6 | 5 187 251 | 4 039 381 |
| Trade and other receivables | 7 | 13 475 540 | 974 390 |
| Cash and cash equivalents | 8 | 15 844 216 | 62 449 801 |
| | | <u>34 507 007</u> | <u>67 463 572</u> |
| Non-current assets held for sale | | 1 148 740 | - |
| | | <u>175 524 960</u> | <u>143 663 911</u> |
| Total Assets | | | |
| Equity and Liabilities | | | |
| Equity | | | |
| Share capital | 9 | 231 356 075 | 221 356 075 |
| Accumulated deficit | | (91 637 266) | (89 241 597) |
| | | <u>139 718 809</u> | <u>132 114 478</u> |
| Liabilities | | | |
| Non-Current Liabilities | | | |
| Finance lease liability | 10 | 19 424 073 | 301 449 |
| Current Liabilities | | | |
| Finance lease liability | 10 | 6 571 387 | 240 411 |
| Trade and other payables | 11 | 9 810 691 | 11 007 573 |
| | | <u>16 382 078</u> | <u>11 247 984</u> |
| Total Liabilities | | 35 806 151 | 11 549 433 |
| Total Equity and Liabilities | | 175 524 960 | 143 663 911 |

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

STATEMENT OF COMPREHENSIVE INCOME

| | Notes | 2016 (ZAR) | 2015 (ZAR) |
|-----------------------------------|-------|--------------------|---------------------|
| Revenue | 12 | 27 546 280 | 28 755 719 |
| Other income | 13 | 106 586 987 | 95 029 657 |
| | | - | - |
| Operating expenses | 14 | (32 967 866) | (39 306 310) |
| Depreciation | 4 | (11 742 737) | (10 231 885) |
| Administration expenses | 15 | (29 513 842) | (24 152 747) |
| Employee costs | 16 | (62 304 491) | (61 373 528) |
| Profit (Loss) for the year | 17 | (2 395 669) | (11 279 094) |

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

STATEMENT OF CHANGES IN EQUITY

| | Share capital (ZAR) | Accumulated deficit (ZAR) | Total equity (ZAR) |
|--|------------------------|---------------------------------|-----------------------|
| | - | - | - |
| Balance at 01 April 2014 as restated | 148 371 075 | (77 962 503) | 70 408 572 |
| Loss for the year | - | (11 279 094) | (11 279 094) |
| Issue of shares | 72 985 000 | - | 72 985 000 |
| Total contributions by the shareholder to the corporation recognised directly in equity | 72 985 000 | - | 72 985 000 |
| Balance at 01 April 2015 | 221 356 075 | (89 241 597) | 132 114 478 |
| Issue of shares | 10 000 000 | - | 10 000 000 |
| Profit/(Loss) for the year | - | (2 395 669) | (2 395 669) |
| Total contributions by the shareholder to the corporation recognised directly in equity | 10 000 000 | (2 395 669) | 7 604 331 |
| Balance at 31 March 2016 | 231 356 075 | (91 637 266) | 139 718 809 |

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

STATEMENT OF CASH FLOWS

| | Notes | 2016 (ZAR) | 2015 (ZAR) |
|---|-------|---------------------|---------------------|
| Cash flows from operating activities | | | |
| Cash receipts from customers and government grant income | | 119 115 633 | 122 867 032 |
| Cash paid to suppliers and employees | | (119 155 603) | (122 690 511) |
| Cash generated from (used in) operations | 19 | (39 970) | 176 521 |
| Interest income | | 2 516 484 | 883 259 |
| Finance cost | | (521 129) | (909 903) |
| Net cash flows from operating activities | | 1 955 385 | 149 877 |
| Cash flows from investing activities | | | |
| Purchase of property, plant and equipment | 4 | (84 336 012) | (10 851 315) |
| Proceeds from sale of property, plant and equipment | 4 | 388 335 | - |
| Purchase of intangible assets | 5 | (66 893) | (32 372) |
| Net cash used in investing activities | | (84 014 570) | (10 883 687) |
| Cash flows from financing activities | | | |
| Proceeds on share issue | 9 | 10 000 000 | 72 985 000 |
| Movement in Finance lease | | 25 453 600 | (5 380 212) |
| Net cash from/(used in) financing activities | | 35 453 600 | 67 604 788 |
| Net cash increase/(decrease) in cash and cash equivalents for the year | | (46 605 585) | 56 870 978 |
| Cash and cash equivalents at the beginning of the year | | 62 449 801 | 5 578 823 |
| Total cash at end of the year | 8 | 15 844 216 | 62 449 801 |

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

ACCOUNTING POLICIES

1. BASIS OF PREPARATION

These financial statements are presented in South African Rand [R] since that is the functional currency in which the transactions are denominated.

Summary of significant accounting policies

The Annual Financial Statements are prepared under the historical cost convention, other than certain financial instruments, and incorporate the following principal accounting policies, which have been consistently applied in all material respect. The financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice. The principal accounting policies adopted remained unchanged from the previous year.

1.1 KEY MANAGEMENT ASSUMPTIONS, ESTIMATES AND JUDGEMENTS

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 Corporation'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 condition.

1.2 PROPERTY, PLANT AND EQUIPMENT

Buildings, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria are met. All other repair and maintenance costs are recognised in profit or loss as incurred.

Land is not depreciated as it is deemed to have an indefinite useful life.

Items of property, plant and equipment are depreciated using the straight line basis at rates that will reduce the

carrying values to estimated residual values over the anticipated useful lives of the assets concerned. The principal annual rates used for this purpose are:

| Item | Depreciation method | Average useful life |
|-----------------------------|---------------------|---|
| Buildings | Straight line | 3,33% |
| Internal Roads | Straight line | 5% |
| Workshop Equipment | Straight line | 20% |
| Furniture and fixtures | Straight line | 10% |
| Ancillary vehicles | Straight line | 14,3% |
| Office equipment | Straight line | 20% |
| Operating equipment | Straight line | 20% |
| Leased Equipment | Straight line | Lease term |
| Leased buses | Straight line | Useful life of Buses: Body; Chassis, Engine |
| Buses - Body | Straight line | 14,3% |
| Buses - Chassis, Engine etc | Straight line | 6,67% |
| Property Fencing | Straight line | 4% |

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Surpluses or deficits on the disposal of assets are credited or charged to profit or loss. The surplus or deficit is the difference between the net disposal proceeds and the carrying amount of the asset. Subsequent expenditure relating to property, plant and equipment is capitalised if the subsequent expenditure meets the definition of an asset.

When parts 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 and shall be depreciated according to their different useful life. The bus components are split into Body and Chasis components.

The gains and losses arising from the de-recognition of property, plant and equipment (difference between carrying amount less any revaluation surpluses and net disposal proceeds) are included in surplus or deficit when the item is derecognized.

The residual value and the useful life of each asset are reviewed and adjusted at year end.

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

The depreciation charge for each year is recognized in surplus and deficit unless it is included in the carrying amount of another asset.

Items of Property Plant and Equipment are classified as held for sale once the classification criteria as per IFRS 5 has been met.

IFRS 5 requires:

- a) assistant that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell, and depreciation on such assets to cease; and:
- b) assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of comprehensive income

Assets classified as non-current in accordance with IAS 1 Presentation of Financial Statements shall not be reclassified as current assets until they meet the criteria to be classified as held for sale in accordance with this IFRS. Assets of a class that an entity would normally regard as non-current that are acquired exclusively with a view to resale shall not be classified as current unless they meet the criteria to be classified as held for sale in accordance with this IFRS.

1.3 INTANGIBLE ASSETS

Intangible assets are initially recognised at cost.

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

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

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

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

| Item | Useful life |
|--------------------------|-------------|
| Computer software, other | Indefinite |

1.4 FINANCIAL INSTRUMENTS

Financial Assets

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

The corporation determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement loans and receivables are carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss shall be recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in profit or loss.

In relation to trade receivables, a provision for impairment is made when there is objective evidence that the Corporation will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on liabilities held for trading are recognised in profit or loss.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

the rights to receive cash flows from the asset have expired;

the Corporation retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or

the Corporation has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified,

such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Trade and other receivables

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

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

Trade and other receivables are classified as loans and receivables.

Trade and other payables

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

Cash and cash equivalents

Cash and cash equivalents are measured at fair value. Cash in the statement of financial position comprises cash at bank and on hand and short-term deposits held by the Corporation. For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

1.5 INCOME TAX Taxation

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

1.6 LEASES Finance leases – lessee

Finance leases are recognised as assets of the corporation 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.

The 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.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease liability. This liability is not discounted.

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

1.7 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, and the estimated costs necessary to make the sale.

Inventory cost includes the costs of purchase of inventories comprising the purchase price, levies, pressing and storage. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.

1.8 IMPAIRMENT OF NON-FINANCIAL ASSETS

The corporation assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the corporation estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

For an asset that does not generate cash inflows that are largely independent of those from other assets the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised in profit or loss whenever the carrying amount of the cash-generating unit exceeds recoverable amount.

A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a change in the estimates used to determine the recoverable amount, but not to an amount higher than the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior years.

1.9 SHARE CAPITAL

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

1.10 RELATED PARTIES

The corporation operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the provincial sphere of government are considered to be related parties.

Key management are those persons responsible for planning, directing and controlling the activities of the corporation, including those charged with the governance of the corporation 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 corporation. Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.11 CONTINGENT LIABILITIES

The corporation does not recognise contingent liabilities or contingent assets, but discloses them.

A contingent liability is a possible outflow of resources embodying economic benefits or service potential that is subject to a future event.

Contingencies are disclosed in note 28.

1.12 EMPLOYEE BENEFITS

Short-term employee benefits

The cost of short-term employee benefits, (those that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

The cost of defined contribution plans is the contribution payable by the employer for that accounting period. Contribution to a defined contribution plan, in respect of service in a particular period, are recognised as an expense in that period.

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

1.13 PROVISIONS

Provisions are recognised where the corporation has a present legal or constructive obligation as a result of a past event, a reliable estimate of the obligation can be made and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

1.14 GOVERNMENT GRANTS

Government grants are recognised when there is reasonable assurance that:

the corporation will comply with the conditions attaching to them; and the grants will be received.

Government grants are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate.

1.15 REVENUE

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates.

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 end of the reporting period.

Revenue from the bus tickets and bus hiring is recognised when the passengers utilises services with corporation.

Interest income is accrued on a timely basis, by reference to the principal outstanding and at the interest applicable, except for interest earned on capital funding which is disclosed separately.

1.16 EVENTS AFTER REPORTING PERIOD

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 those that is indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

b) The corporation will adjust the amounts recognised in the annual financial statements to reflect adjusting events after the reporting date once the event occurred.

The corporation 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 annual financial statements.

1.17 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Public Finance Management Act (Act No.1 of 1999), or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Comprehensive Income and where recovered, it is subsequently accounted for as revenue in the Comprehensive Income.

1.18 COMMITMENTS

Items are classified as commitments where the corporation has committed itself to future transactions. Capital commitments as disclosed as required in terms of IAS 16 Property, plant and equipment.

1.19 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 comprehensive income 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.

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2. NEW STANDARDS AND INTERPRETATIONS

Future standards

The Accounting Standards Board (the Board) approved the Directive on The Selection of an Appropriate Reporting Framework by Public Entities (Directive 12) in July 2015.

Since the withdrawal of Statements of GAAP in 2012, the Board has been deliberating on what the most appropriate reporting framework should be for entities that applied Statements of GAAP. During this time, the Board agreed as an interim measure, after consultation with its constituents, that Government Business Enterprises (GBEs) should retain the status quo regarding the reporting frameworks applied in preparing their financial statements. This meant that those GBEs that applied Statements of GAAP in previous reporting periods would continue to do so, while those that applied IFRS in previous reporting periods, would continue to apply IFRS.

The Board's deliberations on this matter gave way to three consultations which resulted in the development of two Exposure Drafts on The Application of Standards of GRAP by Government Business Enterprises (Schedule 3B and 3D) (ED 124), and The Selection of an Appropriate Reporting Framework by Public Entities (ED 130), issued for comment

in May 2014 and February 2015 respectively. The Directive is effective for financial years commencing on or after 1 April 2018 so as to provide entities sufficient time to prepare for any change in reporting framework, with earlier application permitted. Therefore the initial application is 1 April 2018, or earlier. The Directive is applied subsequently where entities believe that a significant change has occurred that leads them to conclude that they meet, or no longer meet, the criteria in the Directive.

3. RISK MANAGEMENT

Capital risk management

The primary objective of the corporation's capital management is to ensure that it continues to provide a safe and reliable public transport service and to maximise internal revenue collection. In addition the corporation manages its capital to ensure that the entity will continue as a going concern. Budgets and financial forecasts are prepared and reviewed by the accounting authority and disclosed to the Eastern Cape Department of Transport and the Eastern Cape Provincial Planning and Treasury for funding purposes.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

The gearing ratio at 2016, and 2015 respectively were as follows:

| | | 2016 (ZAR) | 2015 (ZAR) |
|---------------------------------|----|--------------------|-------------------|
| Total borrowings | | | |
| Finance lease obligation | 10 | 25 995 460 | 541 860 |
| Less: Cash and cash equivalents | 8 | 15 844 216 | 62 449 801 |
| Net assets (debt) | | 10 151 244 | (61 907 941) |
| Total equity | | 139 718 809 | 132 114 478 |
| Total capital | | 149 870 053 | 70 206 537 |

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Financial risk management

The corporation's principal financial liabilities comprise of trade and other payables. The main purpose of these financial liabilities is to recognise amounts payable by the corporation. The corporation has various financial assets such as trade and other receivables and cash and short-term deposits, which arise directly from its operations.

The main risks arising from the corporation's financial instruments are cash flow interest rate risk, liquidity risk and credit risk. The Board Members reviews and agrees policies for managing each of these risks which are summarised below.

Liquidity risk

The corporation monitors its risk to a shortage of funds by considering the maturity of both its financial assets and projected cash flows from operations. The corporation's objective is to maintain a balance between continuity of funding and flexibility through use of of the grant-in-aid funding.

The table below analyses the corporation's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

| At 31 March 2016 | Less than 1 year | Between 1 and 2 years | Between 2 and 5 years |
|--------------------------|------------------|-----------------------|-----------------------|
| Finance lease obligation | 6 571 386 | 14 507 843 | 4 916 230 |
| Trade and other payables | 9 810 691 | - | - |
| At 31 March 2015 | Less than 1 year | Between 1 and 2 years | |
| Finance lease obligation | | 240 411 | 301 449 |
| Trade and other payables | | 11 007 573 | - |

Interest rate risk

The corporation is exposed to interest rate risk as it has bus lease agreements in place. As a result, the term of the lease agreements are for a period of five years.

At 31 March 2016, if interest rates had been 1% (2015: 1%) higher/lower with all other variables held constant, post profit for the year would have been R127 268 (2015: R78 629) lower/higher, mainly as a result of higher/lower interest expense income on cash balances.

Credit risk

The corporation trades only with recognised, creditworthy third parties. Receivable balances are monitored on an ongoing basis with the result that the corporation's exposure to bad debts is not significant. The maximum exposure is the carrying amount as disclosed in Note 7. There are no significant concentrations of credit risk within the corporation.

With respect to credit risk arising from the other financial assets of the corporation, which comprise of cash and short-term deposits, the corporation's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Foreign exchange risk

The corporation is not exposed to foreign currency risk.

Price risk

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

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

4. PROPERTY, PLANT AND EQUIPMENT

| | 2016 | | | 2015 | | |
|----------------------------|--------------------|--------------------------|--------------------|--------------------|--------------------------|-------------------|
| | Cost | Accumulated depreciation | Carrying value | Cost | Accumulated depreciation | Carrying value |
| Land | 3 877 745 | - | 3 877 745 | 3 877 745 | - | 3 877 745 |
| Buildings | 16 033 661 | (4 953 330) | 11 080 331 | 16 033 661 | (3 735 818) | 12 297 843 |
| Leasehold Land & Buildings | 802 348 | - | 802 348 | - | - | - |
| Leased buses | 42 828 660 | (772 393) | 42 056 267 | - | - | - |
| Office equipment | 2 222 988 | (1 227 473) | 995 515 | 1 709 994 | (853 729) | 856 265 |
| Ancillary vehicles | 6 835 754 | (1 839 028) | 4 996 726 | 5 125 698 | (2 196 700) | 2 928 998 |
| Workshop equipment | 2 383 611 | (981 642) | 1 401 969 | 1 278 118 | (508 673) | 769 445 |
| Office furniture | 1 565 190 | (548 486) | 1 016 704 | 1 516 534 | (373 192) | 1 143 342 |
| Property fencing | 1 315 503 | (674 275) | 641 228 | 973 130 | (639 087) | 334 043 |
| Leased office equipment | 968 187 | (743 281) | 224 906 | 968 187 | (516 621) | 451 566 |
| Buses | 92 083 973 | (21 179 157) | 70 904 816 | 72 655 888 | (21 052 697) | 51 603 191 |
| Internal roads | 1 577 575 | (954 236) | 623 339 | 1 577 575 | (762 827) | 814 748 |
| Operating equipment | 555 356 | (337 058) | 218 298 | 393 344 | (232 319) | 161 025 |
| Total | 173 050 551 | (34 210 359) | 138 840 192 | 106 109 874 | (30 871 663) | 75 238 211 |

Reconciliation of property, plant and equipment - 2016

| | Opening balance | Additions | Disposals | Classified as held for sale | Impairment Loss | Depreciation | Total |
|-------------------------|-------------------|-------------------|--------------------|-----------------------------|--------------------|---------------------|--------------------|
| Land | 3 877 745 | - | - | - | - | - | 3 877 745 |
| Buildings | 12 297 843 | - | - | - | - | (1 217 512) | 11 080 331 |
| WIP - Depot upgrade | - | 802 348 | - | - | - | - | 802 348 |
| Leased buses | - | 42 828 660 | - | - | - | (772 393) | 42 056 267 |
| Office equipment | 856 265 | 515 170 | (175) | - | - | (375 745) | 995 515 |
| Ancillary vehicles | 2 928 998 | 3 260 499 | (61 903) | (143 137) | (281 161) | (706 570) | 4 996 726 |
| Workshop equipment | 769 445 | 1 134 518 | (1 353) | - | - | (500 641) | 1 401 969 |
| Office furniture | 1 143 342 | 54 371 | (4 519) | - | - | (176 490) | 1 016 704 |
| Property fencing | 334 043 | 342 373 | - | - | - | (35 188) | 641 228 |
| Leased office equipment | 451 566 | - | - | - | - | (226 660) | 224 906 |
| Buses | 51 603 191 | 35 236 060 | (1 885 186) | (1 005 605) | (5 608 255) | (7 435 389) | 70 904 816 |
| Internal roads | 814 748 | - | - | - | - | (191 409) | 623 339 |
| Operating equipment | 161 025 | 162 013 | - | - | - | (104 740) | 218 298 |
| | 75 238 211 | 84 336 012 | (1 953 136) | (1 148 742) | (5 889 416) | (11 742 737) | 138 840 192 |

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Reconciliation of property, plant and equipment - 2015

| | Opening balance | Additions | Disposals | Transfers | Depreciation | Total |
|-------------------------|-------------------|-------------------|-----------------|-------------|---------------------|-------------------|
| Land | 3 877 745 | - | - | - | - | 3 877 745 |
| Buildings | 13 541 788 | - | - | - | (1 243 945) | 12 297 843 |
| Leased buses | 5 542 173 | - | - | (4 970 972) | (571 201) | - |
| Office equipment | 653 160 | 496 990 | (25 239) | - | (268 646) | 856 265 |
| Ancillary vehicles | 3 453 852 | - | - | - | (524 854) | 2 928 998 |
| Workshop equipment | 357 182 | 601 791 | - | - | (189 528) | 769 445 |
| Office furniture | 1 273 952 | 73 905 | - | - | (204 515) | 1 143 342 |
| Property fencing | 356 870 | - | - | - | (22 827) | 334 043 |
| Leased office equipment | 217 804 | 569 242 | (22 849) | - | (312 631) | 451 566 |
| Buses | 43 582 403 | 9 671 833 | - | 4 970 972 | (6 622 017) | 51 603 191 |
| Internal roads | 1 006 157 | - | - | - | (191 409) | 814 748 |
| Operating equipment | 234 541 | 6 796 | - | - | (80 312) | 161 025 |
| | 74 097 627 | 11 420 557 | (48 088) | - | (10 231 885) | 75 238 211 |

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.

Leased buses have been settled during the year 2015 and have been reclassified as owned.

Lease office equipment assets are held as security for the finance lease liabilities which are disclosed in note 10. The Corporation entered into finance lease for the acquisition of buses. The lessor is holding titles as securities.

The Board Members approved the disposal of scrapped buses and ancillary vehicles in 2015/16 financial year, these buses have been removed from Property Plant and Equipment and now have been classified as assets held for sale.

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

5. INTANGIBLE ASSETS

| | 2016 | | | 2015 | | |
|--|-----------|------------------------|----------------|-----------------|------------------------|----------------|
| | Cost | Accumulated impairment | Carrying value | Cost | Accumulated impairment | Carrying value |
| Computer software | 1 029 021 | - | 1 029 021 | 962 128 | - | 962 128 |
| Reconciliation of intangible assets - 2016 | | | | | | |
| | | | | Opening balance | Additions | Total |
| Computer software | | | | 962 128 | 66 893 | 1 029 021 |
| Reconciliation of intangible assets - 2015 | | | | | | |
| | | | | Opening balance | Additions | Total |
| Computer software | | | | 929 756 | 32 372 | 962 128 |

Other information

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

6. INVENTORIES

| | | |
|-------------|-----------|-----------|
| Inventories | 5 187 251 | 4 039 381 |
|-------------|-----------|-----------|

An inventory loss of R270 864 (2015:R901 663) was recognised by the corporation.

7. TRADE AND OTHER RECEIVABLES

| | | |
|-------------------|------------|---------|
| Other receivables | 4 475 037 | 699 461 |
| | 4 475 037 | 699 461 |
| Prepayments | 8 682 462 | - |
| Staff loans | 318 041 | 274 929 |
| | 13 475 540 | 974 390 |

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following statement of financial position amounts:

| | 2016 (ZAR) | 2015 (ZAR) |
|---------------|-------------------|-------------------|
| Cash on hand | 1 529 | 3 024 |
| Bank balances | 15 842 687 | 62 446 777 |
| | <u>15 844 216</u> | <u>62 449 801</u> |

The fair value of cash and short-term deposits is R15 844 216 (2015:R62 449 801).

9. SHARE CAPITAL

Authorised

Ordinary shares of R1 each

| | |
|-------------|-------------|
| 250 000 000 | 250 000 000 |
|-------------|-------------|

Ordinary shares of R1 each

| | |
|--------------------|--------------------|
| <u>231 356 075</u> | <u>221 356 075</u> |
|--------------------|--------------------|

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 entity has one class of ordinary shares which carry no right to fixed income. During the current year the issued share capital was increased by R10.000 million to R231.356 million. The authorised share capital was not increased during the current financial year.

The issued share capital was increased by R72. 985 million to R221.356 million during the prior year.

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

10. FINANCE LEASE LIABILITY

| | 2016 (ZAR) | 2015 (ZAR) |
|--|-------------------|----------------|
| Minimum lease payments due | | |
| - no later than one year | 8 568 450 | 343 403 |
| - later than one year and no later than five years | 21 921 606 | 345 641 |
| | 30 490 056 | 689 044 |
| less: future finance charges | (4 494 596) | (147 184) |
| Present value of minimum lease payments | 25 995 460 | 541 860 |
| Present value of minimum lease payments due | | |
| - no later than one year | 6 571 387 | 240 411 |
| - later than one year and no later than five years | 19 424 073 | 301 449 |
| | 25 995 460 | 541 860 |
| Non-current liabilities | 19 424 073 | 301 449 |
| Current liabilities | 6 571 387 | 240 411 |
| | 25 995 460 | 541 860 |

It is the corporation's policy to lease certain buses and computer equipment are held under finance leases.

The average lease term for office equipment was 3 years and the average effective borrowing rate was 9% (2015: 9%)

The lease term for leased buses is five years and the effective borrowing rate was 9.25%.

The security for the lease liability are the buses and computer equipment that are leased and are disclosed in note 4.

11. TRADE AND OTHER PAYABLES

| | | |
|--------------------------------|------------------|-------------------|
| Trade payables | 2 956 305 | 3 993 789 |
| Amounts received in advance | 117 697 | 520 083 |
| Accrued leave pay | 3 567 200 | 4 372 934 |
| Accrued bonuses | 767 314 | 1 005 000 |
| Accrued workmen's compensation | 842 008 | 550 379 |
| Other accrued expenses | 1 560 167 | 565 388 |
| | 9 810 691 | 11 007 573 |

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

12. REVENUE

| | 2016 (ZAR) | 2015 (ZAR) |
|-----------------|-------------------|-------------------|
| Passenger fares | 22 840 975 | 24 413 279 |
| Private hire | 4 705 305 | 4 342 440 |
| | 27 546 280 | 28 755 719 |

A major portion of the Corporation's revenue comprises cash sales to passengers. It should be recognised that controls are designed to provide reasonable, but not absolute assurance that errors and irregularities will not occur, and that procedures are performed in accordance with management's intentions. There are inherent limitations that should be recognised in considering the potential effectiveness of any system of internal controls. The Corporation utilises the sole service provider in South Africa to record bus fare information. Revenue that cannot be measured reliably is not recognised.

13. OTHER INCOME

| | | |
|-------------------|--------------------|-------------------|
| Interest income | 2 516 484 | 883 259 |
| Discount received | 32 062 | 13 693 |
| Penalties Income | 4 357 900 | - |
| Sundry income | 503 841 | 391 705 |
| Insurance Claims | 186 700 | - |
| Government income | 98 990 000 | 93 741 000 |
| | 106 586 987 | 95 029 657 |

14. OPERATING EXPENSES

| | | |
|--|-------------------|-------------------|
| Fuel | 14 401 772 | 15 601 843 |
| Tyres | 1 881 905 | 1 013 413 |
| Licences and permits | 2 201 631 | 1 594 254 |
| Fines and penalties | 80 156 | 2 620 |
| Spares, units, repairs and maintenance | 9 730 794 | 15 330 976 |
| Consumables (lubricants and grease) | 1 046 442 | 2 509 129 |
| Motor vehicle expenses | 794 457 | 947 776 |
| Inventory adjustments | 270 864 | 901 663 |
| Other operating expenses | 2 559 845 | 1 404 636 |
| | 32 967 866 | 39 306 310 |

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

15. ADMINISTRATION EXPENSES

| | 2016 (ZAR) | 2015 (ZAR) |
|----------------------------------|-------------------|-------------------|
| Training costs | 637 139 | 653 584 |
| Subsistence and travel | 677 234 | 763 361 |
| Telephone, cellphone and postage | 1 249 471 | 1 283 742 |
| Insurance | 1 958 663 | 2 098 861 |
| Audit fees | 3 894 468 | 3 559 735 |
| Security expenses | 1 530 194 | 1 631 302 |
| Finance costs | 521 129 | 909 903 |
| Rentals and leases | 954 858 | 937 628 |
| Water and electricity | 1 142 927 | 935 786 |
| Internal audit fees | 917 339 | 640 982 |
| Computer expenses | 346 235 | 420 795 |
| Consulting fees | 2 941 404 | 3 856 839 |
| Printing and Stationery | 712 540 | 626 423 |
| Recruitment Costs | 381 576 | 617 287 |
| Board members fees and expenses | 2 428 805 | 2 203 429 |
| Other administrative expenses | 3 330 444 | 3 013 090 |
| Impairment Loss | 5 889 416 | - |
| | 29 513 842 | 24 152 747 |

16. EMPLOYEE COSTS

| | | |
|-----------------------------|-------------------|-------------------|
| Salaries and wages | 49 427 065 | 46 435 378 |
| Overtime | 1 223 641 | 2 566 522 |
| Pension | 5 437 600 | 5 397 048 |
| Medical aid | 3 384 537 | 3 046 369 |
| Unemployment Insurance Fund | 364 447 | 358 272 |
| Skills Development Levy | 558 538 | 529 247 |
| Leave pay | (239 482) | 1 318 850 |
| Allowances | 1 347 209 | 1 134 819 |
| SARPBAC | 35 475 | 36 645 |
| Workman's Compensation | 765 461 | 550 378 |
| | 62 304 491 | 61 373 528 |

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

17. PROFIT/(LOSS) FOR THE YEAR

| | 2016 (ZAR) | 2015 (ZAR) |
|---|---------------|---------------|
| Profit/(Loss) for the year is stated after accounting for the following: | | |
| Income | | |
| Interest income | 2 516 484 | 883 259 |
| (Loss)/Profit on sale of property, plant and equipment | (1 564 803) | - |
| Audit committee emoluments | 174 121 | 292 113 |
| Depreciation | 11 742 737 | 10 231 885 |
| Finance costs | 521 129 | 909 903 |

18. INCOME TAX EXPENSE

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.

19. CASH GENERATED FROM (USED IN) OPERATIONS

| | | |
|---|-----------------|----------------|
| Profit/(Loss) | (2 395 669) | (11 279 094) |
| Adjustments for: | | |
| Depreciation | 11 742 737 | 10 231 885 |
| Net loss on disposal of property, plant and equipment | 1 564 803 | 48 088 |
| Interest received | (2 516 484) | (883 259) |
| Finance costs | 521 129 | 909 903 |
| Impairment loss | 5 889 416 | - |
| Changes in working capital: | | |
| Inventories | (1 147 870) | 1 470 707 |
| Trade and other receivables | (12 501 150) | (35 085) |
| Trade and other payables | (1 196 882) | (286 624) |
| | (39 970) | 176 521 |

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

20. RELATED PARTIES

Relationships

Shareholder Eastern Cape Department of Transport
ECSECC Secondment of CEO

| | | 2016 (ZAR) | 2015 (ZAR) |
|---|---|---------------|---------------|
| Members of key management | Refer to note 22 | | |
| Board members | Refer to note 21 | | |
| ECDC | Refurbishment of Depots | | |
| Lwando Phumlani Nkunjana | Bhejula Holdings - Director | | |
| Zilindile Donald Leni | Curoguard - Director | | |
| Nolufefe Patricia Funani | East London Women In Transport Primary Co-Operative Limited Founding Member | | |
| Lwando Phumlani Nkunjana | Optimul Solutions - Director | | |
| Related party transactions | | | |
| Grant aid received | | | |
| Eastern Cape Department of Transport | | 98 990 000 | 93 741 000 |
| Capital contribution - Increase in share capital | | | |
| Eastern Cape Department of Transport | | 10 000 000 | 72 985 000 |
| Staff loans to senior management | | | |
| Mr ZD Leni - Cellphone expenses | | 3 679 | 3 679 |
| Mr C Mtise - Cellphone expenses | | 5 653 | 5 653 |
| Ms N Leni - Cellphone expenses | | 2 378 | 2 378 |
| Ms N Leni - Study Loan | | 41 067 | - |
| Mr N Van Wyk - Cellphone expenses | | 6 038 | 6 038 |
| | | 58 815 | 17 748 |
| ECDC | | | |
| Refurbishment of Alice and Queenstown Depots | | 4 300 000 | - |

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 21 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 22 for detail of transactions with key personnel. Management is responsible for the day-to-day operations of the Corporation.

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

21. BOARD MEMBERS' EMOLUMENTS

| 2016 | Meetings | Travel | Total |
|---|------------------|---------------|------------------|
| Dr V Mkosana (Board Chairperson) & Deputy Board Chairperson from 01 February 2016 | 362 035 | 5 728 | 367 763 |
| Mrs RN Luzuka (Board Deputy Chairperson) | 238 622 | 2 690 | 241 312 |
| ADV M Sishuba | 362 500 | 1 958 | 364 458 |
| Rev M Matya | 295 000 | 31 941 | 326 941 |
| Mr M Mafani | 90 500 | 1 400 | 91 900 |
| Mr PG Zitumane | 418 500 | 4 868 | 423 368 |
| Ms NM Petela | 265 594 | 7 470 | 273 064 |
| CLLR M Vaaiboom | 106 000 | 2 021 | 108 021 |
| Ms FK Pearl Ntlemenza (Board Chairperson) | 55 714 | 3 231 | 58 945 |
| Mrs T Godongwana | 31 353 | 352 | 31 705 |
| Dr B Ssamula | 20 380 | 558 | 20 938 |
| | 2 246 198 | 62 217 | 2 308 415 |
| 2015 | Meetings | Travel | Total |
| Dr V Mkosana (Board Chairperson) | 414 000 | 8 455 | 422 455 |
| Mrs RN Luzuka (Board Deputy Chairperson) | 262 000 | 1 937 | 263 937 |
| ADV M Sishuba | 231 000 | 698 | 231 698 |
| Rev M Matya | 281 000 | 27 793 | 308 793 |
| Mr M Mafani | 140 500 | 2 668 | 143 168 |
| Mr PG Zitumane | 380 000 | 3 859 | 383 859 |
| Ms NM Petela | 159 000 | 6 249 | 165 249 |
| Mr M Saziwa | 43 500 | 2 084 | 45 584 |
| CLLR M Vaaiboom | 106 500 | 5 490 | 111 990 |
| | 2 017 500 | 59 233 | 2 076 733 |

Mr A De Vries is a non remunerated board member as he represents the Eastern Cape Department of Transport.

Mr D Qhali is a non remunerated board member as he represents the Eastern Cape Provincial Treasury.

Mr Radhesh Surajbali is a non remunerated board member as he represents the Eastern Cape Provincial Treasury starting from 01 February 2016.

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

22. SENIOR MANAGEMENT

| 2015 | CEO | Acting CEO | Former CEO | CFO | Acting CFO | HOD: OSM | HOD: HR | HOD: OPS | HOD: ENG | Compliance Officer |
|---------------------|----------------------|---|-----------------------|----------------------|--------------------------------|------------------|------------------|----------------|----------------|--------------------|
| | N Madyibi | L Mosana | R Mbinda | S Galada | J Ewers | N Van Wyk | LC Mtise | N Leni | Z Leni | J Tsholo |
| | Appointed 17.11.2014 | Acted 01.04.2014 to 16.11.2014 CEO support till 31.01.2015 | Terminated 31.08.2014 | Appointed 10.07.2014 | Acted 01.04.2014 to 09.07.2014 | | | | | |
| Basic | 576 376 | - | 515 163 | 775 000 | 212 991 | 1 365 074 | 723 329 | 658 421 | 666 799 | 589 595 |
| Backpay | - | - | 42 453 | 4 840 | - | 34 559 | 25 131 | 28 753 | 23 214 | 19 471 |
| Car | 105 000 | - | 50 000 | - | - | - | 64 548 | 45 288 | 49 812 | 84 000 |
| Housing allowance | - | - | - | - | - | - | 17 563 | - | - | - |
| Cellphone allowance | - | - | 15 000 | - | - | - | - | - | - | - |
| Leave paid out | - | - | 239 632 | - | - | - | - | - | - | - |
| Medical aid | - | - | 25 330 | - | 7 453 | - | - | 15 621 | 27 760 | - |
| Provident | - | - | 83 456 | - | - | - | 126 944 | 149 313 | 117 023 | 95 514 |
| Reimbursive travel | 22 946 | - | - | 15 546 | - | - | - | 18 091 | 29 935 | 14 082 |
| 13th cheque | - | - | - | - | - | - | 61 941 | 73 080 | 57 148 | - |
| UIF | 744 | - | 744 | 1 338 | 494 | 1 785 | 1 785 | 1 785 | 1 785 | 1 785 |
| SDL | 6 604 | - | 8 776 | 7 798 | 2 204 | 13 996 | 8 796 | 8 121 | 8 148 | 6 763 |
| Payment to ECSSEC | - | 1 326 672 | - | - | - | - | - | - | - | - |
| | 711 670 | 1 326 672 | 980 554 | 804 522 | 223 142 | 1 415 414 | 1 030 037 | 998 473 | 981 624 | 811 210 |

| 2016 | CEO | CFO | ED:OSM | EM:HR | EM:OPS | EM:ENG | Compliance Officer |
|----------------------|------------------|------------------|------------------|------------------|------------------|------------------|--------------------|
| | N Madyibi | S Galada | N Van Wyk | LC Mtise | N Leni | Z Leni | J Tsholo |
| Basic | 1 475 516 | 1 077 032 | 1 473 113 | 761 329 | 892 065 | 700 552 | 619 755 |
| Backpay | 21 071 | 18 867 | 24 493 | 16 453 | 20 379 | 16 453 | 14 786 |
| Car | 420 000 | 30 000 | - | 59 790 | 37 740 | 41 510 | 70 000 |
| Housing allowance | - | - | - | 14 635 | - | - | - |
| Cellphone allowance | 7 500 | - | - | - | - | - | - |
| Cash allowance | - | 27 679 | - | 48 960 | 59 785 | 45 230 | 42 782 |
| Medical aid | - | - | - | - | 17 208 | 30 657 | - |
| Provident | - | - | - | 132 143 | 154 875 | 121 588 | 100 400 |
| Performance bonus | - | - | 89 017 | - | - | - | 88 479 |
| 13th cheque | - | - | - | 85 340 | 88 282 | 68 966 | - |
| UIF | 1 785 | 1 785 | 1 784 | 1 785 | 1 785 | 1 785 | 1 785 |
| SDL | 18 401 | 11 476 | 15 866 | 9 705 | 11 032 | 8 913 | 9 049 |
| Re-imbursment of KMS | 72 426 | 20 530 | 3 977 | 8 801 | 56 686 | 29 327 | 13 896 |
| Acting Allowance | - | - | - | - | - | - | 86 311 |
| | 2 016 699 | 1 187 369 | 1 608 250 | 1 138 941 | 1 339 837 | 1 064 981 | 1 047 243 |

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

23. AUDIT COMMITTEE

Fees for attending meetings:

| 2016 | Meetings | Travel | Total |
|--------------------------|----------------|---------------|----------------|
| Mr J Mdeni - Chairperson | 55 000 | 9 553 | 64 553 |
| Mrs RN Luzuka | 54 000 | 378 | 54 378 |
| Mrs T Cumming | 55 190 | - | 55 190 |
| | 164 190 | 9 931 | 174 121 |
| 2015 | Meetings | Travel | Total |
| Mr J Mdeni - Chairperson | 123 500 | 17 963 | 141 463 |
| Mrs RN Luzuka | 70 500 | 650 | 71 150 |
| Mrs T Cumming | 79 500 | - | 79 500 |
| | 273 500 | 18 613 | 292 113 |

24. GOING CONCERN

We draw attention to the fact that at 31 March 2016, the corporation had accumulated losses of R (91 637 266). This condition, along with other matters, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern.

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. The Corporation's total assets exceed its liabilities by R 139 718 809.

The ability of the corporation 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.

25. EVENTS AFTER THE REPORTING PERIOD

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.

The issued share capital was increased by R10 million after year end but before the reporting date. This is the capital grant received from the Eastern Cape Department of Transport as part of the 2016/17 budget allocation.

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

26. IRREGULAR EXPENDITURE

| | 2016 (ZAR) | 2015 (ZAR) |
|--|-------------------|-------------------|
| Reconciliation of irregular expenditure | | |
| Opening balance | 29 225 097 | 28 053 232 |
| Add: Movement in current year | 2 164 596 | 3 931 725 |
| Less: Condonement | - | (2 759 860) |
| | 31 389 693 | 29 225 097 |
| Details of irregular expenditure | | |
| Incident | 2016 | 2015 |
| Insufficient number of quotations | 49 212 | 880 455 |
| Continuous service with no contract | 1 726 279 | 501 901 |
| Insufficient supporting documentation | 389 105 | 2 549 369 |
| | 2 164 596 | 3 931 725 |

Disciplinary steps taken/criminal proceedings

Disciplinary action has been instituted against responsible officials and the action is in progress with regards to the 2016, 2015 and 2014. The historical information is currently being investigated and will be dealt with in the 2017 financial year.

27. FRUITLESS AND WASTEFUL EXPENDITURE

| | | |
|---|----------------|----------------|
| Reconciliation of fruitless and wasteful expenditure | | |
| Opening balance | 539 189 | 411 699 |
| Add: Movement in current year | 82 170 | 127 490 |
| Closing balance | 621 359 | 539 189 |
| Details of fruitless and wasteful expenditure | | |
| Incident | 2016 | 2015 |
| Penalties on late payment | - | 98 917 |
| Interest on late payment | 2 014 | 10 131 |
| Other | - | 15 822 |
| Traffic fines | 3 610 | 2 620 |
| Penalty on late submission of WC declarations | 76 546 | - |
| | 82 170 | 127 490 |

Disciplinary steps taken/criminal proceedings

An investigation is being undertaken into the instances of fruitless and wasteful expenditure and appropriate action will be taking in due course.

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

28. CONTINGENCIES

During the reporting period, there were matters arising that gives rise to contingent liabilities:

There is one Labour dispute cases as at 31 March 2016 and there are currently no indication as to the probability of the success of the claim.

| | Anticipated legal fees | Estimated claim | Nature | Referred to | Total contingent liability |
|-----------------------|------------------------|-----------------|----------------|--------------|----------------------------|
| 2016 | | | | | |
| Mbabane & Sokutu Inc. | 78 375 | - | Labour dispute | Labour court | 78 375 |
| 2015 | | | | | |
| Mayibuye Vs Qomarana | 170 000 | 286 300 | Labour dispute | Labour court | 456 300 |

29. COMMITMENTS

| | 2016 R | 2015 R |
|---|------------------|----------------|
| Authorised capital expenditure | | |
| Already contracted for but not provided for | | |
| • 3 Semi - lux buses | - | 8 055 331 |
| • Alice Depot fencing | - | 342 373 |
| • Installation of Compressor | - | 206 258 |
| • Installation of Generator | - | 453 000 |
| • Refurbishment of Depots - ECDC | 7 549 206 | - |
| • Automated Fare collection - Vix-Questek | 5 439 535 | - |
| • Standard Commuter buses - Siga Capital | 38 749 740 | - |
| Operating leases – as lessee (expense) | | |
| Minimum lease payments due | | |
| - within one year | 1 579 755 | 345 762 |
| - in second to fifth year inclusive | 5 042 651 | - |
| | 6 622 406 | 345 762 |

Operating lease payments represent rentals payable by the Corporation for certain of its office properties. No contingent rent is payable.

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

30. FINANCIAL ASSETS BY CATEGORY

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

| | Loans and receivables | Fair value through profit or loss - designated | Total |
|-----------------------------|-----------------------|--|-------------------|
| 2016 | | | |
| Trade and other receivables | 13 475 540 | - | 13 475 540 |
| Cash and cash equivalents | - | 15 844 216 | 15 844 216 |
| | 13 475 540 | 15 844 216 | 29 319 756 |
| 2015 | | | |
| Trade and other receivables | 974 390 | - | 974 390 |
| Cash and cash equivalents | - | 62 449 801 | 62 449 801 |
| | 974 390 | 62 449 801 | 63 424 191 |

31. FINANCIAL LIABILITIES BY CATEGORY

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

| | Fair value through profit or loss | Total |
|--------------------------|-----------------------------------|------------|
| 2016 | | |
| Trade and other payables | 9 810 691 | 9 810 691 |
| 2015 | | |
| Trade and other payables | 11 007 573 | 11 007 573 |



HEAD OFFICE

Shop 15, Beacon Bay Crossing, Beacon Bay, East London,
Province of the Eastern Cape, 5247

T: 081 289 5008, 081 253 2350 or 081 259 6411
F: 043 745 2586

ALICE DEPOT

6 Thompson Road, Alice,
Province of the Eastern Cape, 5700

T: 045 858 8826
F: 045 858 8290

QUEENSTOWN DEPOT

8 Faraday Road, Queendustria, Queenstown,
Province of the Eastern Cape, 52415

T: 045 858 8826
F: 045 858 8290

REESTON DEPOT

Corner of Drummond and Mdantsane, Access Roads,
East London, Province of the Eastern Cape, 5247

T: 043 745 2582
F: 043 745 2152

ZWELITSHA DEPOT

Mount Coke Road, Zwelitsha, King William's Town,
Province of the Eastern Cape, 5608

T: 040 654 1351
F: 040 655 1907

PR162/2016
ISBN: 978-0-621-44601-2

www.mayibuyetransport.co.za

