

**5.3(b)****Disqualified directors  
in terms of Municipal Finance Act**

	Directors' fees	Other	Total
S Ngwenya	11,001	-	11,001
NG Nketele	4,588	2,000	6,588
F Palm	10,625	12,375	23,000
K Sambo	9,122	-	9,122
DA Sepirwa	13,250	9,750	23,000
AJ Theron	9,000	28,821	37,821
A van den Berg (treasurer from 1 December 2004)	12,750	44,072	56,822
	<u>70,336</u>	<u>97,018</u>	<u>167,353</u>

	Fees	Other	Total
<b>5.3(c)</b> Treasurer from 1 December 2004 A van den Berg	<u>6,750</u>	<u>43,571</u>	<u>50,321</u>

**5.3(d)**

In the previous year Mr CP Ucko and others purchased a sectional title unit

at an arms-length gross price of R590000.

	2006 R	2005 R
<b>6. Provisions</b>		
This relates to estimates for:		
Cost of completing properties sold already transferred	524,441	-
and properties sold but not yet transferred	-	100,000
Claim for defects in properties sold previously.	230,000	230,000
Legal fees for transfer costs of roads where sold, properties have already been transferred.	20,000	20,000
Audit fees	<u>175,797</u>	<u>170,000</u>
	<u>950,238</u>	<u>520,000</u>

## 7. Inventory

This includes accumulated amount spent in respect of property.

<b>8. Cash at bankers</b>	2006 R	2005 R
This consists of the following		
Former secretaries/attorneys trust accounts	10,217,007	9,464,092
Bankers	182,573	1,074,138
Transferring attorneys	-	3,000,800
Bank for guarantee	500,000	500,000
Bank for interest on guarantee	2,763	2,828
	<hr/>	<hr/>
	10,902,343	14,041,858
	<hr/>	<hr/>
Funds held by former Secretaries/attorneys for collateral security provied to banks and other	914,452	867,812
	<hr/>	<hr/>

## 9. Turnover

Turnover comprises of properties sold and transferred.

LETHABONG HOUSING INSTITUTE  
REGISTRATION NO 2000000567308  
ANNEXURE - DETAILED INCOME STATEMENT FOR THE  
YEAR ENDED 30 JUNE 2006

	2006 R	2005 R
<b>Sales</b>	3,365,375	21,755,790
<b>Less: Estimated cost of sales</b>	<u>2,973,845</u>	<u>17,328,940</u>
Cost of land - proportion sold	2,670,934	15,282,903
Assessment rates (prior years included in cost of land)	43,617	-
Attorneys bond, transfer costs and sundries	102,158	498,296
Repairs, improvements & additions	8,219	260,049
Commission selling & marketing	129,500	923,796
Land surveying Commercial 9	3,600	9,200
National Home Builders Registration Council applications	-	292,473
Managing Agents - fees, security & expenses - body corporate home owners association including levies	15,817	62,223
	<u>391,529</u>	<u>4,426,850</u>
Interest received	715,093	395,405
Rent received	21,477	54,542
Sundry income	2,260	-
	<u>1,130,359</u>	<u>4,876,797</u>
<b>Less: Expenses</b>	<u>824,970</u>	<u>1,057,889</u>
Auditors - prior auditors fees	251,160	165,094
- new auditors fees provision	170,000	170,000
- underprovided prior year	7,431	-
Advertising & marketing	2,065	9,561
Annual general meeting expenses	-	7,587
Bank charges	5,068	6,084
Bookkeeping fees	39,100	44,000
Consulting fees re municipal regulations	-	20,748
Depreciation of fixed asset	1,815	1,817
Directors' remuneration and treasurer remuneration	311,750	335,887
General expenses	-	32,100
Insurance	3,785	7,280
Interest paid to Municipality	1	4,172
Printing & stationery	2,114	6,992
Refreshments & functions	1,111	28,296
Secretary's secretarial charges	5,395	8,440
Secretaries fees van Rensburg Schoon & Cronje	19,610	51,940
Seminar	1,815	155,483
Unemployment insurance fund contributions	2,749	2,408
<b>Profit for year</b>	<u>305,389</u>	<u>3,818,908</u>

LETHABONG HOUSING INSTITUTE  
 REGISTRATION NO 2000000557308  
 BALANCE SHEET AT 30 JUNE 2006

	Note	2006 R	2005 R
<b>ASSETS</b>			
<b>NON CURRENT ASSETS</b>			
Collateral security held by bankers	8	-	869,628 ^
Fixed asset at carrying value	B1/12 1	1	1,816
<b>CURRENT ASSETS</b>			
Inventory	7	24,945,238 ^	21,458,222 ^
Trade and other receivables	B1/13 2	10,568,876	4,846,354
Vat to be refunded		664,713	997,166
Cash at bankers	B1/16 8	1,894,854	1,572,844
		11,816,795	14,041,858 B1/16
<b>Total assets</b>		24,945,239 ^	22,327,850 ^
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Retained profit		21,912,436	21,607,047
<b>CURRENT LIABILITIES</b>			
Sundry creditors		3,032,803 ^	720,803 ^
Provisions	6	2,082,565	200,803
<b>Total equity and liabilities</b>		950,238	520,000
		24,945,239 ^	22,327,850 ^

LETHABONG HOUSING INSTITUTE  
 REGISTRATION NO 2000000557308

A = CASH

INCOME & EXPENDITURE ACCOUNT FOR THE  
YEAR ENDED 30 JUNE 2006

	Note	2006 R	2005 R
<b>REVENUE</b>	9 B1/7	3,365,375	21,755,790
Less: Cost of inventory sold	B1/7	2,973,845	17,328,940
		391,529	4,426,850
Finance income - interest received	4 B1/13	715,093	395,405
Sundry income		2,260	-
Rent received		21,477	54,542
		1,130,359	4,876,797
<b>LESS: EXPENDITURE</b>	B1/7	824,970	1,057,889
Administration and other costs			
<b>NET PROFIT FOR YEAR</b>	B1/8	305,389	3,818,908

LETHABONG HOUSING INSTITUTE  
REGISTRATION NO 2000000557308  
ACCOUNTING POLICIES FOR THE YEAR  
ENDED 30 JUNE 2006

The financial statements are prepared on the historical cost basis and incorporate the following principal accounting policies which are consistent with those of the previous year.

**1. Statement of compliance**

The financial statements are prepared in accordance with statements of International Financial Reporting Standards and the requirements of the Companies Act in South Africa.

^ = COSTED

b. = Note 11.3 Note on the income statement to account on page B1/13

## **2. Equipment and depreciation**

Equipment is valued at historical cost less accumulated depreciation.

Depreciation on cost is calculated over the estimated useful life of the asset using the straight-line method on the annual basis of 16.67% per annum.

## **3. Inventory**

Inventory is stated at the lower of cost, on a first-in, first-out basis, and net realisable value. This is the accumulated cost to date.

## **4. Cash and cash equivalents**

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, cash at bank and deposits held on call with banks.

## **5. Provisions**

Provisions are recognised when the company has present legal or constructive obligations as a result of past events, for which it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligations and a reliable estimate can be made of the amount of the obligations.

Provisions are reviewed at year end and adjusted annually.

## **6. Revenue**

Turnover is recognised when the properties sold to purchasers are transferred into the name of the purchasers.

The proceeds of the properties sold not yet transferred are taken into account only in the period in which the transfers are effected. Interest and rent received is accounted for on the date it becomes due and payable.

## **7. Comparative figures**

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

## **8. Offsetting**

The financial statements are prepared on the historical cost basis and incorporate the following principal accounting policies which are consistent with those of the previous year.

**1. Statement of compliance**

The financial statements are prepared in accordance with statements of International Financial Reporting Standards and the requirements of the Companies Act in South Africa.

**2. Equipment and depreciation**

Equipment is valued at historical cost less accumulated depreciation.

Depreciation on cost is calculated over the estimated useful life of the asset using the straight-line method on the annual basis of 16.67% per annum.

**3. Inventory**

Inventory is stated at the lower of cost, on a first-in, first-out basis, and net realisable value. This is the accumulated cost to date.

**4. Cash and cash equivalents**

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, cash at bank and deposits held on call with banks.

LETHABONG HOUSING INSTITUTE  
 REGISTRATION NO 2000000557308  
 BALANCE SHEET AT 30 JUNE 2006

	Note	2006 R	2005 R
<b>ASSETS</b>			
<i>NON CURRENT ASSETS</i>			
Collateral security held by bankers	8	1	869,628
Fixed asset at carrying value	1	-	867,812
		1	1,816
<i>CURRENT ASSETS</i>			
Inventory	7	24,945,238	21,458,222
Trade and other receivables	2	10,568,876	4,846,354
Vat to be refunded		664,713	997,166
Cash at bankers	8	1,894,854	1,572,844
		11,816,795	14,041,858
<b>Total assets</b>		<b>24,945,239</b>	<b>22,327,850</b>
<b>EQUITY AND LIABILITIES</b>			
<i>EQUITY</i>			
Retained profit		21,912,436	21,607,047
<i>CURRENT LIABILITIES</i>			
Sundry creditors		3,032,803	720,803
Provisions	6	2,082,565	200,803
		950,238	520,000
<b>Total equity and liabilities</b>		<b>24,945,239</b>	<b>22,327,850</b>



## **5. Provisions**

Provisions are recognised when the company has present legal or constructive obligations as a result of past events, for which it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligations and a reliable estimate can be made of the amount of the obligations.

Provisions are reviewed at year end and adjusted annually.

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The proceeds of the properties sold not yet transferred are taken into account only in the period in which the transfers are effected. Interest and rent received is accounted for on the date it becomes due and payable.

## **7. Comparative figures**

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

## **8. Offsetting**

Financial assets and liabilities are offset, and the net amount reported in the balance sheet, when there is a legally enforceable right to set off the recognised amounts and the intention is to settle the amounts on a net basis or realise the asset and settle the liability simultaneously.

LETHABONG HOUSING INSTITUTE  
 REGISTRATION NO 2000000557308  
 INCOME & EXPENDITURE ACCOUNT FOR THE  
 YEAR ENDED 30 JUNE 2006

	Note	2006 R	2005 R
<b>REVENUE</b>	9	3,365,375	21,755,790
Less: Cost of inventory sold		<u>2,973,845</u>	<u>17,328,940</u>
		391,529	4,426,850
Finance income - interest received	4	715,093	395,405
Sundry income		2,260	-
Rent received		<u>21,477</u>	<u>54,542</u>
		1,130,359	4,876,797
<b>LESS: EXPENDITURE</b>		824,970	1,057,889
Administration and other costs			
		<u>305,389</u>	<u>3,818,908</u>
<b>NET PROFIT FOR YEAR</b>		<u><u>305,389</u></u>	<u><u>3,818,908</u></u>

## **FINANCES**

Originally the Association obtained a donation from an agency of the Chinese Government for the erection of 664 dwellings units on land acquired and developed by this association.

The acquisition of land was financed by the then Edenvale Metropolitan Council.

This formed the start-up capital. The company has adequate funds and will require facilities if required when necessary to complete the development.

## **MUNICIPAL ENTITY**

During the previous year the company became a municipal entity to form part of the Ekurhuleni Metropolitan Municipality.

#### **11. Contingent liability**

An amount of R500000.00 has been provided to a banker who has provided a guarantee to the National Home Builders Registration Council for making good defects in respect of properties sold in previous years.

The conditions of the guarantee expire on 30 November 2006. The funds will then be free to be used by the company for other purposes.

#### **12. Vat to be refunded**

This is subject to an audit by the South African Revenue Services

#### **13. Trade receivables**

The amount includes an amount of R638035 (2005 R887256) which bears interest at 12% per annum and is repayable in monthly instalments of R28269.53 which includes interest.

This debtor has not paid the September and October 2006 monthly instalments. There is a dispute as to the amount of a counter claim by the debtor. An amount of R230000 has been provided to provide for this alleged claim.

#### **14. Taxation and contingent liability**

No taxation has been provided for. Application has been made to the Commissioner of Inland Revenue for the company to be classified as a public benefit organisation with an exempt tax status. This has not been received at the date of these statements. Until this is received, there is a contingent liability for taxation of approximately R6532488 (2005 R6443925) plus interest to date of payment.

#### **15. Currency**

The annual financial statements are presented in South African Rands

LETHABONG HOUSING INSTITUTE  
REGISTRATION NO 2000000557308  
ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2006

Country of incorporation	Republic of South Africa
Nature of business	Housing Institute registered in terms of Section 21 of the Companies Act. The main purpose is to provide affordable housing. Vacant land is acquired, services installed and homes erected and sold.
Directors	NA Kara (Chairman), S Kanyile, PE Sigasa SP Gerber and P Ucko Additional directors were appointed after the year end.
Treasurer	A van den Berg
Registered office	40 - 8th Avenue, Edenvale 1609
Business address	C/o Ekhurleni Development Company Entrance Queen Street, Cor Jack Street Germiston.
Postal address	P.O. Box 347 Edenvale 1610
Bankers	First National Bank - Edenvale
Auditors	Sizwe Ntsaluba VSP - on behalf of Office of the Auditor General
Secretary	The secretaries resigned during the year and have not been replaced.
Company registration	2000000557308

LETHABONG HOUSING INSTITUTE  
FINANCIAL STATEMENTS FOR THE YEAR

ENDED 30 JUNE 2006

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

**Index**

Report of the directors

Accounting policies

Balance sheet

Income statement

Statement of changes in equity

Cash flow statement

Notes to the financial statements

Annexure - detailed income statement

**Approval and statement of responsibility**

The directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and related information. The external auditors are responsible for independently auditing and reporting on the fair presentation of financial statements in conformity with International Auditing Standards. The financial statements have been prepared in accordance with International Financial Reporting Standards and in the manner required by the South African Companies Act, 1973.

The directors are also responsible for the company's system of internal financial control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial

Financial assets and liabilities are offset, and the net amount reported in the balance sheet, when there is a legally enforceable right to set off the recognised amounts and the intention is to settle the amounts on a net basis or realise the asset and settle the liability simultaneously.

## **9. Financial instruments**

### *Recognition*

Financial assets and financial liabilities are recognised on the balance sheet when the company becomes party to the contractual provisions of the instrument.

### *Measurement*

Financial instruments are initially measured at cost, which includes transaction costs.

Subsequent to initial recognition these instruments are measured as set out below.

### *Financial assets*

The company's principle financial assets are accounts receivable, cash and cash equivalents.

#### - Trade and other payables

Trade and other receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

### *Financial liabilities*

The company's principle financial liabilities are accounts payable and provisions.

All financial liabilities are measured at cost and subsequently measured at fair value.

#### - Trade and other payables

- Trade and other payables are stated at their nominal value.

## **10. Collateral security**

Collateral security held by bankers - this relates to security provided for indebtedness to banks by purchasers of properties sold to them where they have mortgage bonds.

The amounts bear interest and are repayable when the lenders are fully satisfied that they have adequate security for the balance owing by the purchasers.

#### **11. Contingent liability**

An amount of R500000.00 has been provided to a banker who has provided a guarantee to the National Home Builders Registration Council for making good defects in respect of properties sold in previous years.

The conditions of the guarantee expire on 30 November 2006. The funds will then be free to be used by the company for other purposes.

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This debtor has not paid the September and October 2006 monthly instalments. There is a dispute as to the amount of a counter claim by the debtor. An amount of R230000 has been provided to provide for this alleged claim.

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#### **15. Currency**

The annual financial statements are presented in South African Rands

LETHABONG HOUSING INSTITUTE



## **NATURE OF BUSINESS**

The company carried on business as a housing institute in the form of an association incorporated in terms of Section 21 of the Company's Act as amended, being a non-profit organisation. The business consists mainly of developing affordable housing.

The annexed Balance Sheet and Income Statement reflect the financial position of the company.

## **DIRECTORS**

The directors at the beginning of the year comprised of :

SP Gerber, S Kanyile, NA Kara, PE Sigasa and P Ucko who have held office the entire year.

S Kanyile did not attend any meetings.

Directors remuneration is shown in notes 5.2, 5.3 and 5.4

Since the year end further appointments took place:

## **TREASURER**

A van den Berg who resigned as a director in the previous year has continued to act as treasurer.

## **FINANCES**

Originally the Association obtained a donation from an agency of the Chinese Government for the erection of 664 dwellings units on land acquired and developed by this association.

The acquisition of land was financed by the then Edenvale Metropolitan Council.

This formed the start-up capital. The company has adequate funds and will require facilities if required when necessary to complete the development.

Auditors - prior auditors fees	251,160	165,094
- new auditors fees provision	170,000	170,000
- underprovided prior year	7,431	-
Advertising & marketing	2,065	9,561
Annual general meeting expenses	-	7,587
Bank charges	5,068	6,084
Bookkeeping fees	39,100	44,000
Consulting fees re municipal regulations	-	20,748
Depreciation of fixed asset	1,815	1,817
Directors' remuneration and treasurer remuneration	311,750	335,887
General expenses	-	32,100
Insurance	3,785	7,280
Interest paid to Municipality	1	4,172
Printing & stationery	2,114	6,992
Refreshments & functions	1,111	28,296
Secretary's secretarial charges	5,395	8,440
Secretaries fees van Rensburg Schoon & Cronje	19,610	51,940
Seminar	1,815	155,483
Unemployment insurance fund contributions	2,749	2,408
<b>Profit for year</b>	<b>305,389</b>	<b>3,818,908</b>

3/2- 8/9

305,389  
^

3,818,908  
^

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LETHABONG HOUSING INSTITUTE  
REGISTRATION NO 2000000557308  
STATEMENT OF CHANGE IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2006

^ = CESTED

Retained  
Profit  
R

Total  
R

## 9. Financial instruments

### *Recognition*

Financial assets and financial liabilities are recognised on the balance sheet when the company becomes party to the contractual provisions of the instrument.

### *Measurement*

Financial instruments are initially measured at cost, which includes transaction costs.

Subsequent to initial recognition these instruments are measured as set out below.

### *Financial assets*

The company principle financial assets are accounts receivable, cash and cash equivalents.

#### - Trade and other payables

Trade and other receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

### *Financial liabilities*

The company's principle financial liabilities are accounts payable and provisions.

All financial liabilities are measured at cost and subsequently measured at fair value.

#### - Trade and other payables

Trade and other payables are stated at their nominal value.

## 10. Collateral security

Collateral security held by bankers - this relates to security provided for indebtedness to banks by purchasers of properties sold to them where they have mortgage bonds.

The amounts bear interest and are repayable when the lenders are fully satisfied that they have adequate security for the balance owing by the purchasers.

**MUNICIPAL ENTITY**

During the previous year the company became a municipal entity to form part of the Ekurhuleni Metropolitan Municipality.

**SEE DETAILED INCOME STATE ON NEXT PAGE FOR PRINTING**

LETHABONG HOUSING INSTITUTE  
REGISTRATION NO 2000000557308  
ANNEXURE - DETAILED INCOME STATEMENT FOR THE  
YEAR ENDED 30 JUNE 2006

		2006 R	2005 R
<b>Sales</b>	<i>B/2</i>	3,365,375	21,755,790
<b>Less: Estimated cost of sales</b>	<i>B/2</i>	<u>2,973,845</u>	<u>17,328,940</u>
Cost of land - proportion sold		2,670,934	15,282,903
Assessment rates (prior years included in cost of land)		43,617	-
Attorneys bond, transfer costs and sundries		102,158	498,296
Repairs, improvements & additions		8,219	260,049
Commission selling & marketing		129,500	923,796
Land surveying Commercial		3,600	9,200
National Home Builders Registration Council applications		-	292,473
Managing Agents - fees, security & expenses - body corporate home owners association including levies		15,817	62,223
		<u>391,529</u>	<u>4,426,850</u>
Interest received		715,093	395,405
Rent received		21,477	54,542
Sundry income		<u>2,260</u>	-
		1,130,359	4,876,797
<b>Less: Expenses</b>	<i>B/2</i>	<u>824,970</u>	<u>1,057,889</u>
		^	^

Retained profit at 30 June 2004	17,788,139	17,788,139
Net profit for the year ended June 2005	3,818,908	3,818,908
Retained profit at 30 June 2005	21,607,047	21,607,047
Net profit for the year ended June 2006	305,389	305,389
Retained profit at 30 June 2006	21,912,436	21,912,436

B/2 B/8

LETHABONG HOUSING INSTITUTE  
REGISTRATION NO 2000000557308  
CASH FLOW STATEMENT FOR THE YEAR ENDED  
30 JUNE 2006

	2006 R	2005 R
<b>NET CASH DEFICIT (2005 CASH FLOW) FROM OPERATING ACTIVITIES</b>	-2,963,892	6,456,447
Cash receipts from customers	3,697,828	21,867,088
Cash paid to suppliers and employees	-6,661,720	-15,410,641
Interest received	715,093	395,405
Rent received	21,477	54,542
Sundry income	2,260	-
<b>CASH EFFECTS OF FINANCING ACTIVITIES</b>	-2,225,063	6,906,394
Collateral security held by bankers increased	-261,656	-47,917
<b>CASH AT BANKS DECREASED- (2005 INCREASE) (EXCLUDING COLLATERAL SECURITY)</b>	-2,486,719	6,858,477
Balance at end of year	10,902,343	14,041,858
Balance at beginning of year	13,389,062*	7,183,381

Λ = CASHED

**7. Inventory**

This includes accumulated amount spent in respect of property.

<b>8. Cash at bankers</b>	2006 R	2005 R
This consists of the following		
Former secretaries/attorneys trust accounts	10,217,007	9,464,092
Bankers	182,573	1,074,138
Transferring attorneys	-	3,000,800
Bank for guarantee	500,000	500,000
Bank for interest on guarantee	2,763	2,828
	<hr/>	<hr/>
	€ 10,902,343	14,041,858 B.1,
	<hr/>	<hr/>
Funds held by former Secretaries/attorneys for collateral security provided to banks and other	^ € 914,452	^ 867,812

**9. Turnover**

Turnover comprises of properties sold and transferred.

$\Lambda = \text{CESTED}$

$E = \text{CESTED OF BANKERS} = 10902343 + 914452 = 11,816,795 \text{ B.1}$

statements, and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect misstatement and loss. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The financial statements have been prepared on the going concern basis, since the directors have every reason to believe that the company has adequate resources in place to continue in operation for the foreseeable future.

The financial statements which appear on pages 1 to 16 were approved by the board of directors on \_\_\_\_\_ and signed on their behalf by :

.....  
**CHAIRMAN**

.....  
**DIRECTOR**

Page 11

LETHABONG HOUSING INSTITUTE  
 REGISTRATION NO 2000000557308  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 30 JUNE 2006

	2006 R	2005 R
<b>1. Property, plant and equipment</b>		
COST		
At 1 July 2005	<u>10,901</u>	<u>10,901</u>
At 30 June 2006	<u>10,901</u>	<u>10,901</u>
ACCUMULATED DEPRECIATION		
At 1 July 2005	9,085	7,268
Charge for year	<u>1,815</u>	<u>1,817</u>
At 30 June 2006	<u>10,900</u>	<u>9,085</u>
CARRYING VALUE	<u>1</u>	<u>1816</u>

*B1/3*

*B1/1*

*1 = CASHED*

**2. Trade and other receivables**

	2006 R	2005 R
Trade account receivable	653728	887256
Advance to director for expenses	-	3052
Deposits and payments in advance	10985	106858
<b>Total</b>	<u>664713</u>	<u>997166</u>

B1/1

**3. Operating profit**

Operating surplus is stated after :

*Expenditure*

Auditors remunerations	170000	335094
Depreciation		
- Office Equipment	1815	1817
Directors' remuneration and treasurer remuneration	311750	335887

B1/12

B1/14

B1/15

**4. Finance income**

Interest received

715093	395405
--------	--------

B1/2

**5. Related party transactions**

During the year the company entered into arms length transactions with the undermentioned.

**5.1 Ekurhuleni Metro**

*Land purchase*

Land at a cost of R3000000 was purchased from the Ekurhuleni Metro.

In addition to the purchase price the company has agreed to pay a further R2000000 to Metro's Mayoral Fund.

These amount have been included in inventory.

*Rates and Taxes and Deposit paid*

Rates and taxes and other charges amounting to R15743 (2005 R190200) was payable to Ekurhuleni Metro. R5698 was recovered from a third party in respect of rates paid in the previous year. The deposit made in the previous

Λ = COSTED

B = NOTE 3. NOT ON FACE OF INCOME STATEMENTS



year of R56000 has been repaid.

Interest paid this year R1 (2005 R4172).

### 5.2 SP Gerber - director and project manager.

In addition to payments for his services as a director and related duties, SP Gerber has acted as an independent project manager for which he was paid R163400 (2005 189115). In the previous year Mr SP Gerber and his wife purchased a sectional title unit at an arms-length gross price of R590000.

### 5.3 Directors' remuneration and treasurer - 2006

	Directors fees	Other	Total
SP Gerber	23,500	90,750	114,250 C/C
P Ucko	18,500	2,000	20,500 C/C
N Kara	20,500	4,000	24,500 C/C
E Sigasa	20,500	8,000	28,500 C/C
<b>Former director and treasurer</b>	83,000 ^	104,750 ^	187,750 ^ C/C
A van den Berg	8,000	116,000	124,000 C/C
	91,000	220,750	311,750 C/C B1/13
	^	^	^

### 2005 5.3(a) Qualified directors

	Directors' fees	Other	Total
SP Gerber	23,335	49,820	73,155 C/C
N Kara	8,669	760	9,429 C/C
S Khanyili	1,347	-	1,347 C/C
E Sigasa	8,002	754	8,756 C/C
P Ucko	14,125	11,400	25,525 C/C

^ = COSTED

C/C = CROSS COSTED

statements. These changes to balances were not brought to my attention and audit evidence therefore was not provided to me. This was due to the lack of independent review not being performed to ensure compliance with the accounting framework.

## **6.2 Non-compliance with laws and regulations**

### **6.2.1 Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA)**

As a result of a lack of proper monitoring to ensure legal compliance, the following non-compliance with the MFMA (the Act) were identified:

- In terms of section 165(1) of the MFMA, each municipal entity must have an internal audit unit, subject to section 165(3). Section 165(3) stipulates that such internal audit function may be outsourced. Although the Lethabong Housing Institute entered into an agreement with EMM to share the internal audit services for the year under review, the internal audit of EMM did not prepare a risk based audit plan and internal audit program for LHI as required by section 165(2) of the MFMA.
- A functional audit committee was not established as required by section 166(1) of the MFMA.
- There were instances of long outstanding trade and other payables on the creditors list. These creditors were older than 240 days. This was in contravention with section 65 of the MFMA.
- For the period under review, the position of Chief Executive Officer who also acts as accounting officer in terms of section 93 was vacant.
- LHI's trust accounts were controlled by the company's attorneys, even subsequent to the resignation of the attorneys. This was in contravention with sections 7(3), 7(4), 10, 11 and 85 of the MFMA.
- There was no evidence that journal entries were being authorised by a senior official as required by section 78(1)(a) of the MFMA.

### **6.2.2 Companies Act**

As a result of a lack of proper monitoring to ensure legal compliance, the following contraventions of the Company's Act 1973 (Act No. 52 of 1973), as amended (the Act) were identified:

- Accounting records were not kept in the manner required by section 284 of the Act, as in certain instances supporting documentation could not be provided for audit purposes;
- Copies of all the minutes of directors meetings were not kept in terms of sections 204(2) and 242.
- An attendance register of meetings held were not kept in terms of sections 242(3) and 245.
- A company secretary was not appointed in terms of sections 268A and 268C (1).
- The directors did not declare any interest in the company's contracts as required by section 240.
- Section 279 was not complied with as the directors' remuneration did not contain sufficient detail as to the nature of the remuneration. LHI did not disclose whether directors were executive or non executive. Furthermore, details of allowances paid to directors were also not disclosed.

### **6.2.3 Non compliance with section 21(2)(a) of the Company's Act and Memorandum of Association**

LHI purchased land from EMM, its holding company at a purchase price of R3m. However, the contract had a special condition that a further payment of R2m over and above the



# **LETHABONG HOUSING INSTITUTE**

Registration No. of Company  
2000/005573/08

**ANNUAL FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**30 JUNE 2006**

**BRAKPAN BUS COMPANY**

**DRAFT**

**Annual report for the period 2005/6**  
**For the**  
**Brakpan Bus Company (Pty) Ltd**

# Annual report for the period 2005/6 For the Brakpan Bus Company (Pty) Ltd

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# Annual report for the period 2005/6

## For the Brakpan Bus Company (Pty) Ltd

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### ***Chapter 1: Introduction and Overview***

#### **Chairperson overview**

The Period under review has been a challenging time for the company. In an economy where growth is being experienced, with concomitant demands on the transport sector, the company has been constrained in participating fully in the economic upswing whilst awaiting the finalisation of a negotiated Contract for the provision of transport services.

Notwithstanding the protracted conclusion of the aforementioned contract, the company has continued to provide an effective transport services, meeting its set objectives and targets.

The Board has continued to provide the requisite strategic guidance and input for management and has observed the necessary governance requirements. The Board are commended for their loyal service to the Company.

#### ***Mission statement***

The Brakpan Bus Company's mission statement reads as follows:

- To provide reliable, affordable and efficient passenger transport in a professional way (mission) way
- To strive to reach communities so that they may support the bus service as the safe, reliable and affordable means of transport in their community with an expected growth of +- 10% over three years.

#### ***Strategy statements***

During the nineties the National Department of Transport was involved in an in-depth process for restructuring the subsidised transport industry and proposed that a system regulated competition be introduced in subsidising passenger transport services with tendering for subsidised services forming the basis of the provision.

The department concluded interim contracts with all subsidised bus operators of which Brakpan |Bus Company was one, to enable companies to prepare themselves for competitive tendering.



In order to comply with the above requirements and to be in a position to tender for bus routes and services that Brakpan Bus Company has been rendering services under the interim contract to date, the Ekurhuleni Metropolitan Municipality is in the process to conclude the process adopted in January 2000 to form a private company in accordance with the Companies Act no 61 of 1973 as amended.

Our business plan is directed towards new development in LTTA as amended in 2000 about negotiated contracts and tendering; following the new Model Tender Documents ring, fencing and our current focus are the following

- Fully privatisation; and
- Negotiated contracts and tendering

### ***Introduction***

This report contained in a summarized form the activities of Brakpan Bus Company (Pty) Ltd for the year ended 30 June 2006 financial year. This period/year presented very daunting but manageable challenges because our service/business is dependent on the number of passengers we are having/transporting on the daily basis. This document looks at the performance of the company over the period 2005/2006 compared to the budget and the financial year ended June 2005 (2004/2005).

### ***The Brakpan Bus Company (Pty) Ltd***

- **Background**

As far as can be established, the Brakpan bus service started operating in 1921, approximately 86 years ago.

Ekurhuleni is the sole owner but do not provide any subsidies or grants resulting in the company having to be totally self-sufficient and self-sustaining.

In recent years, the core business of the company was the transporting of mainly worker passengers from Tsakane to their different places of work in Brakpan and springs. Today the company services a huge geographical area covering Brakpan, Springs, Nigel, parts of Boksburg, parts of Benoni and parts of Germiston.

- **Tsakane**

Due to the fact that Tsakane was established several kilometres outside Brakpan the Department of Transport approved the payment of subsidies which made it more affordable to the commuters to travel between Tsakane and their different places of work.

- **Interim Contracts**

In order to afford the Provinces ample time to develop passenger transport plans the Department of Transport entered into interim Contracts with the bus operators for a period of

three years. The interim Contract with Brakpan was concluded on 1 April 1997 and has now been extended a number of times and is currently being extended on a month to month basis. The reason for this is to enable the Department of Transport to restructure the bus industry into either Negotiated or Tendered Contracts which is now set for the 30 September 2007.

- **Subsidies**

The Brakpan Bus Company (Pty) Ltd was established in 2000 in terms of the Company's Act no 61 of 1973, after discussions and being strongly advised by the National Department of Transport, to give effect this requirement and to enable it to participate in the new passenger transport dispensation as per the NLTTA (National Land Transitional Transport Act. 22 of 2000).

In addition to the existing subsidies, an amount of R 262 113 was given as an assistance but was combined with the existing subsidies as from 1 December 2003.

- **Revenue streams**

The deterioration of the bus fleet, the quality of service rendered and the severe competition from minibus taxis has had a negative impact on revenue streams over the years, in particular the subsidy from the Department as it is directly linked to the number of passengers.

- **Contribution to the economy**

The Brakpan Bus Company continues to make a huge contribution to the economy and social development of transport, not only in Brakpan, but also the Ekurhuleni Metro transporting thousands of passengers every month.

# Annual report for the period 2005/6 For the Brakpan Bus Company (Pty) Ltd

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## ***Chapter 2: Performance highlights***

### ***Managing Directors overview.***

Brakpan Bus Company (Pty) Ltd has performed favourably in the financial year 2005/2006. Our clients/passengers and the political stakeholders rely on us to provide services that meet the agreed objectives and performance targets. In the year in question of our activities we were able to transport 7 11 710 passengers with our reliable, safe and affordable buses that have improved our relationship with our passengers and other organised groups as schools, churches and the community at large.

Our passenger base declined by 15% compared to previous financial year (2003/2004). In the year in question Brakpan Bus Company transported 7 11710 passengers. The closure of some big industries and community services influenced the decline not letting out our main competitors being the taxis.

Within those constraints Brakpan Bus Company has continued to be a contributor in the economy and social development of Ekurhuleni Metropolitan and the surrounding areas as a provider of passenger transport to thousands of people who are dependent on public transport to get to and from work, hospitals and other social services e.g. Seek employment as well as scholars who need to be transported to schools and back.

There still lie many great challenges to face as a company in the industry as well as in our operational area as the market is open for competition.

Brakpan Bus Company's involvement in the economy can be summarised as follows:

- BBC have 32 standard buses and 4 train buses with an estimated value of R 3 318 390
- BBC provides direct employment for about 65 people in the Ekurhuleni and around Gauteng Province, about 30 people indirectly dependent on the company (directly related to companies activities, e.g. Fuel suppliers, tyre suppliers, technical staff. etc.)
- The Company buses travel an estimated 1 048 970 kilometres per annum and use about 498 835 litres of diesel per annum, which is an average of 48 litres per 100kilometres.

The highlights for the period under review will serve as foundation of encouragement for the year ahead, while we accelerate the momentums to achieve the added / envisaged objectives of taking the company to the competitive Negotiated Contract so that it can do better and sustain itself for the next ten years in the industry and beyond.

Brakpan Bus Company (Pty) Ltd ensures that its processes and practices are reviewed on an ongoing basis to ensure compliance with legal obligations, use of funds in an economic, efficient and effective manner and adherence to good governance practices.

Processes and practices are characterised by reporting on economic, environmental and social responsibility. Such reporting is underpinned by the principles of openness, integrity and accountability and is an inclusive approach that recognises the importance of all stakeholders with respect to the viability and sustainability of the company.

The Company has complied, and is in compliance with the Companies Act, the King II report on corporate governance and all other relevant legislation.

### ***Core business***

The company's core business is that of transporting mainly workers from Tsakane to their different places of work in Brakpan and Springs and in and around Ekurhuleni. They also provide passenger services for schools, churches, sporting and touring bodies and any other organised groups.

These organisations are looking for a service that is cost effective, safe, timeous and reliable

### ***Passenger logistics***

Approximately 37 buses convey 6 500 passengers per day during peak periods (or approximately 175 passengers per day per bus and 240 500 passengers per day. The company transported 822 639 passengers (or approximately 22 230 passengers per bus) during 2004/5 which was down fractionally from 873 944 (or 23 620 passengers per bus) in 2005/6 – a decline of 5.9% which has come about as the direct result of a drop off in the business environment in and around Brakpan. Ergo, one of the major mining operations in the areas closed down which led to many retrenchments. The Ministry of Health also moved Daggafontein Hospital to Delmo in Germiston and Klipspruit Hospital to North Duda in Nigel with the resultant impact on passenger services to these areas.

### ***Number of buses***

There are at present 36 buses operational. There is an additional bus that was stolen investigation are at an advance stage with SAPS.

The buses are on average 23 years old and of the 36 buses approximately 70% have had fairly extensive renovations carried out with engine upgrades and refurbishment of the coaches.

### ***Value of the buses***

The conservative replacement value of the buses are estimated at R 40 000 000.

### ***Contribution to employment and Development***

Brakpan Bus Company provides direct employment for 65 people at present plus a further estimated 30 people indirectly via body builders, tyre operations and fuel suppliers (technical departments).

BBC has registered 12 students with U.J through Teta, as BBC is a subscriber to SDL and 20 Learners Ships from the community of Ekurhuleni, reason to do these is to involved more women in transport management.

***New routes***

Following this move a new route was opened in September 2005 to Delmo Hospital. A new route was also opened to the areas around Carnival City where a new mall was opened and fairly extensive residential property development has taken place.

The company continues to perform favourably under difficult and trying economic and business conditions. Our clients/passengers and our political stakeholders have come to rely on our services that ultimately meet the agreed objectives and performance targets.

***Total kilometres travelled***

The company travelled an estimated 1 131 884 kilometres during the period 2005/6. This equated to approximately 31 441 per bus.

***Total diesel usage***

The company used 526 954 litres of diesel during this period. These equated to approximately 14 638 litres per bus.

***Fuel consumption***

Based on the above fuel consumption performance statistics above these equate to approximately 46.55 litres per 100 kilometres .or 0.46 litres per kilometres.

***Enhancements to the service***

New Wayfarer Electronic ticketing machines running on a Microsoft platform have been installed

To alleviate the ongoing problems that we have experienced over time with drivers we have embarked on a strategy to train and develop women in this capacity.

As part of our social responsibility program, we have provided the University of Johannesburg sponsors free learner ship to community student in a form of an in service training that.

## Annual report for the period 2005/6 For the Brakpan Bus Company (Pty) Ltd

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### ***Chapter 3: Human Resource and Other Organisational Management***

The company remains a municipal entity whose shareholding is wholly owned by the Ekurhuleni Metropolitan Municipality.

The Board comprises three directors, the executive director, namely the managing director and two Councillors as an observer in the Board Meetings representing Ekurhuleni Metropolitan Municipality. The directors are appointed by the Metro and were drawn from diverse backgrounds and bring a wide range of experience and professional skills to the Board.

The Managing Director was appointed on 1 October 2004 and operates on a month to month contract.

The Board is responsible for providing strategic direction and leadership, ensuring good corporate governance and ethics, determining policy, agreeing on performance criteria and delegating the detailed planning and implementation of policy to the Executive Management Committee (EXCO)

A number of Board Committees exist in order to assist the Board in discharging its responsibilities. Each committee operates within the ambit of its defined terms of reference and delegated duties. A comprehensive framework, which assists in the control of the decision making process and the delegation of authority within the company has been approved by the Board.

The directors are as follows:

- Non-executive directors
  - Ms. PF Radebe                      Chair person
  - Prof GC Prinsloo                  Director
  - Ms. M Whitehead                  Director
  - Mr. LM Sibeko                      Councillor – Observer
  - Ms. N Dube                          Councillor - Observer
- Executive directors
  - Mr. RE Matenche                  Managing Director

Members of the Executive Committee are:

Mr. RE Matenche	Managing Director
Mr. NJ Mleya	Financial Manager
Mr. MA Nkutha	Operations Manager

Brakpan Bus Company recognises that BEE and SMME development represent an important vehicle to address the challenges of job creation, economic development, growth and equity in South Africa.

In view of these challenges our procurement processes placed specific emphasis on creating a market for this sector.

Our commitment to productivity improvement, service delivery excellence, improved asset management, emphasis on employee well being.

Our employees are expected to continue performing at a high standard to ensure that our communities experience an ongoing level of service that they have become used to and expect.

Skills development and training will be performed and customer relationship development will continue to be a focus area.

The year ahead includes a number of challenges and included amongst these are:

- Capital funding for new buses
- The age of the buses currently in operation
- Customer satisfaction
- The inroads that taxis are making in our market place

### **Employee Relations**

The labour environment is stabilized though there are some unhappiness prevailing about their condition of employment regarding the month to month contracts which deprive them of benefits such as pensions, medical aid contributions etc.

The BBC management are busy exercising progressive discipline, education, training and continuous meetings with workers representatives encouraging them to take ownership of the company. Our continuous interaction with employees through their representatives it helps us to find out their dissatisfaction whilst are still in premature stages and resolved before it can explode.

Management also succeeded in guiding the workers through their representatives that they should join a union which are relevant to the industry and affiliated to the SARPBAC, as BBC is affiliated member of SABEA, so the unions that they ( employees ) are in now is relevant to a transport industry i.e. SATAWU.

### **Employment Equity**

Our equity status is not balanced in gender, as the top structure/level we have PDI's, though there is no female in the managerial position, whilst the middle management is balanced we have two ladies, and two gentlemen.

In the bottom level we have previously disadvantaged individuals but 99% are males as our industry is mostly dominated by male employees. Our challenge remains that of improving the female component, the other races than blacks a disabled group.

The achievement of the equity targets is challenged by the fact that male bus drivers dominate the market more especially at the lower/bottom category. It is worth nothing that despite our efforts to meet the required levels in the gender targets, there is a general shortage in the market due to culture; companies need to comply so the female candidates are in demand. The management has come to a decision that all vacancies will be filled by individuals with an emphasis on the appointment of females.

<b>Brakpan Bus Company</b>					
	<i>Male</i>	<i>Female</i>	<i>Total</i>	<i>Current</i>	<i>Target 2010</i>
Snr. Management	3	0	3	3	3
Mid. Management	1	1	2	2	4
Supervisory Level	2	0	2	2	4
Inspection	2	0	2	3	8
Bus Drivers	38	6	44	39	50
Office Staff	1	3	4	4	10
Gen. Workers	4	5	8	14	16
<b>Totals</b>	<b>51</b>	<b>15</b>	<b>65</b>	<b>67</b>	<b>95</b>

The following organogramme details the operational staff and where they fit into the organisation.



## Annual report for the period 2005/6 for the Brakpan Bus Company (Pty) Ltd

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### **Chapter 4: Audited Statements and Related Financial Information**

#### **Report of the Auditor General to the Member on the Financial Statements of the Brakpan Bus Company (Pty) Ltd**

**For the year ended 30 JUNE 2006**

o Audit Assignment

**The financial statements as set out on pages [ ] to [ ], for the year end**

ed 30 June 2006, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read with sections 4 and 20 of the Public Audit Act, 2004 (Act No. 25 of 2004), and sections 92 and 126 (3) of Municipal Finance Management Act, 2003 (Act No. 56 of 2003). These financial statements, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the accounting officer. My responsibility is to express an opinion on these financial statements, based on the audit.

o **Nature and Scope**

The audit was conducted in accordance with Statements of South African Auditing Standards. Those standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

**An audit includes:**

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements,
- assessing the accounting principles used and significant estimates made by management, and
- evaluating the overall financial statement presentation.

Furthermore, an audit includes an examination, on a test basis, of evidence supporting compliance in all material respects with the relevant laws and regulations which came to my attention and are applicable to financial matters.

The audit was completed in accordance with Auditor-General Directive No.1 of 2005.

I believe that the audit provides a reasonable basis for my opinion.

o Audit Opinion

In my opinion the financial statements fairly present, in all material respects the financial position of the Brakpan Bus Company (Proprietary) Limited at 30 June 2006 and the results of its operations and cash flows for the year then ended, in accordance with South African Statements of Generally Accepted Accounting Practice and in the manner required by the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) and the Companies Act, 1973 (Act No. 61 of 1973), as amended.

o Emphasis of Matters

*Without qualifying the audit opinion expressed above, attention is drawn to the following matters:*

• Property, plant and equipment.

The primary source of the company's revenue, namely the bus fleet, was not reflected in either the asset register or the financial statements of the company.

Although the busses were owned by the Ekurhuleni Metropolitan Municipality, these busses were under the full control of the Brakpan Bus Company

This aspect was reported on in the prior year, and was mainly attributable to uncertainty between the Ekurhuleni Metropolitan Municipality and the Brakpan Bus Company as to the financial disclosure of the assets.

• Non-compliance with the Municipal Finance Management Act (MFMA)

Management was in the process of establishing an audit committee and decided since 28 October 2005 to utilise the audit committee structure of the Ekurhuleni Metropolitan Municipality. However, the oversight function by the audit committee on matters pertaining to the company was not effective as a proper risk analysis was not performed for the Brakpan Bus Company.

• Financial management

The number of control related issues identified during the audit suggested shortcomings in respect of financial management capacity of the company due to the lack of established Policies and procedures particular in the areas of revenue and debt collection.

• Performance information

In terms of section 121(4) (d) of the MFMA, the annual report of a Municipality entity must include an assessment by the entity's accounting officer of the entity's performance against any measurable performance objectives set in terms of the service delivery agreement or other agreement between the entity and its parent municipality. This information was not prepared. The Company's internal monitoring systems and processes did not accommodate the compilation of the information

- Late completion of audit

In terms of section 126(3) of the MFMA I am required to submit my report to the accounting officer within three months of the receipt of the financial statements. The Audited was completed on 15 March 2007 as the annual financial statements submitted for audit purposes on 31 August 2006 in terms of section 126(2) of the MFMA, did not comply with the prescribed accounting framework. Significant changes to be made to the financial statements.

- Appreciation

*The assistance rendered by the staff of the Brakpan Bus Company (Proprietary) Limited during the audit is sincerely appreciated.*

M.A Masemola  
For Auditor-General  
Johannesburg

15 March 2007

#### **Additional comments on financial performance**

The company turned over R 9 392 924 from operations against R 9 110 854 in 2005. This 3.09% increase in turnover resulted from a number of larger engineering companies closing down and municipal hospitals being relocated resulting in retrenchments of staff members.

The company received a subsidy of R4 826 130 compared with R 4 558 734 in 2005. This represented a 5% increase year on year.

Total administration costs totalled R 3 689 993 compared with R3 179 075 in 2005 which represents an increase of 16%.

Profit for the decrease by 2776% from R 587 904 in 2005 to R 20 442 this year.

The net book value of the buses was R - as at June 2006. These buses are all still owned by Ekurhuleni Metropolitan Municipality.

The focus of the company for the forthcoming period is to regain control of the business and grow operating revenues whilst at the same time instituting tighter cost control measures and improving the general efficiency of the company.

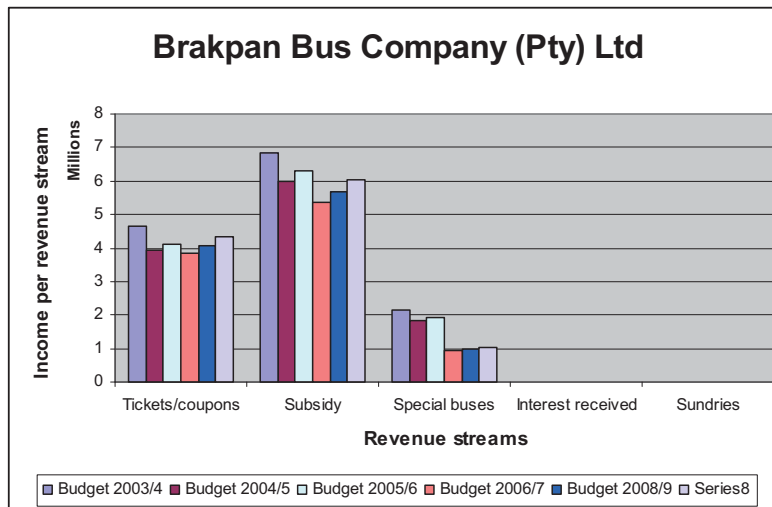
All the economic indications are that business overall is improving which will hopefully reignite business in our operating areas. The timing and implementation of negotiated contracts and/or tender contract options remains a concern.

The future of the company is dependant on the continued support of its passengers; provincial department of transport (subsidy) and special buses/private hire only-no grants from the shareholders.

Should these subsidies be withdrawn management considered opinion is that the company would not be able to compete and therefore to continue as a going concern on its current mandate.

Management foresees the department of transport withdrawing its subsidies if the company does not give direction of which option to take – i.e. negotiated contracts or open tender as per NLTTA as amended.

Actual income generated from operations



### Actual and potential liabilities and commitments

The following implications regarding financial resources need to be highlighted:

- The Department of Transport subsidy allocation for BBC is +- R6 000 per annum. This minimal subsidy which cannot sustain BBC if the interim contract continues, BBC should apply for a 12 month interim relief negotiated contract (phase 1) in order to acquire new buses to replace the aging fleet
- The current operating expenditure budget of R 9 372 482 for 2005/6 greatly compromises the way forward as it allows BBC to maintain only +- 70% of the envisaged operations coverage (long distance private hire/trips are excluded due to condition of our buses).

In addition, fuel is a major cost as the age of our buses influences high consumption of fuel. Any diesel increase is not taken into account in the current interim contract as compared to negotiated contracts or tenders:

- A full privatisation and ring fencing process should take place as soon as possible to enable BBC to compete in the market for new routes, tenders and advancing new developments.

The following schedule provides an indication of the age and value of our buses:

YEAR	TYPE	MARKET VALUE
1983	1619	59,250.00
1982	1619	62,550.00
1988	1619	62,000.00
1996	1619	120,000.00
1996	1619	120,000.00
1996	1619	120,000.00
1986	1619	60,450.00
1985	1619	61,500.00
1986	1619	60,450.00
1985	1619	61,500.00
1985	1619	61,500.00
1985	1619	<b>Scrapped</b>
1985	1619	61,500.00
1986	1619	120,000.00
1989	17240	120,000.00
1989	17240	120,000.00
1989	17240	200,000.00
1989	17240	200,000.00
1989	1619	<b>Scrapped</b>
1989	1619	75,000.00
1996	1619	<b>Scrapped</b>
1996	1619	120,000.00
1996	1619	120,000.00
1983	1619	59,250.00
1984	1619	58,380.00

1984	1619	58,380.00
1984	1619	58,380.00
1984	1619	58,380.00
1984	1619	58,380.00
1984	1619	58,380.00
1984	1619	58,380.00
1986	1619	61,600.00
1986	1619	61,600.00
1987	1624	64,250.00
1987	1619	64,600.00
1987	1619	64,600.00
1987	1619	64,600.00
1985	1624	61,450.00
1996	1724	350,000.00
1996	1724	350,000.00
		<b>3 255 510</b>
1983		<b>Scrapped</b>
1993		25,480.00
1993		27,400.00
1984		10,000.00
		<b>62,880.00</b>
<b>TOTAL VALUE OF FLEET</b>		<b>3 318 390</b>

# Annual report for the period 2005/6

## For the Brakpan Bus Company (Pty) Ltd

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### ***Chapter 5: Functional Area Service Delivery Reporting***

The company operates in and around Brakpan including other areas like Springs, Nigel, Benoni, Boksburg and Germiston

Monitoring of our performance is carried out on a continual basis and the results of this monitoring have been included in chapters 2, 3 and 4 above.

## ***Urbanization***

Andrew Boraine, Special Advisor to the Minister for Provincial and Local Government, in a paper presented to the Local Government Conference "African Cities in Change", Johannesburg, 15-17 October 2001 stated that "the world's population is rapidly urbanizing, especially in developing countries. In 1950, only 30% of the world's population was urbanized. By 2030, 60% of people will live in cities.

In terms of urbanization, South Africa is slightly ahead of the world average, with 55% of the population currently living in urban areas. Urbanization will reach 70% by 2030. The most important cause of urbanization in Southern Africa is natural population increase.

The urban transition presents opportunities for economic growth and social development. It also presents challenges of poverty, homelessness and marginalization.

The process of urbanization can be beneficial. For many municipalities, the problem is generally not urban growth per se, but the inability of city administrations to adequately manage the growth.

Rapid growth of urban population means that many municipalities are struggling to keep up with the provision of basic services and infrastructure. It is important for municipalities to become involved in long-term finance and investment planning (20-30 years).

Like most towns and cities in South Africa, the metropolitan areas are confronted with the legacy of the 'inside-out' city, where, as a matter of government policy, the urban poor were located furthest away from economic opportunities and urban infrastructure. The consequences of this legacy include spatial fragmentation; racial and social division; heavy reliance on subsidies (particularly public transport); partially functioning land and housing markets; urban sprawl and poor land use management; and, environmental degradation.

Minister FS Mufamadi, in his address in February 2002 advised that "the importance of metropolitan and city economies to the national economy is increasingly evident. As part of national economic policy, we need to ensure that our cities achieve higher levels of economic growth and become more competitive, are well governed and well managed, and achieve greater degrees of social equity and cohesion"

## ***The bus market in South Africa***

### ***Background***

Buses in South Africa fall into three main categories

- Urban
- Rural
- 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.



This is widely misunderstood as being a subsidy "handout" to the operator. All cash fares on privately operated urban buses and on all rural services (other than those entering urban areas) are fully economic and unsubsidised. In addition, the fares on intercity bus services operated by private companies are also unsubsidised.

Current government policy is for urban bus routes to be put out to tender, but this applies only to those presently operated by private companies - not those owned by municipalities.

The difficulty of effecting co-ordination between multiple small operators has been highlighted, as has the impossibility of monitoring the provision of prescribed services. This concept is out of line with generally accepted practices in Western cities, where it is recognised that urban transport functions best when integrated under a single authority.

### ***Industry overview***

The bus industry in South Africa has for many years made a vital contribution to the economic development of the country. As a provider of services it has, and continues to provide, mobility to millions of people who are dependent on public transport. According to available statistics 80% of the South African population is totally dependent on public transport for their mobility needs.

- It is estimated that there are approximately 20,000 buses in South Africa of which 15,000 are involved in formal public transport.
- The other 5,000 buses are found in commerce and industry and government institutions where they are mostly used for in-house purposes.
- The bus industry's involvement in the economy can be summarised as follows:
  - The 15,000 buses have a replacement cost of R15 billion;
  - The industry travel approximately 900 million kilometres per annum and uses about 400 million litres of diesel fuel;
  - The industry provides direct employment for about 34,500 people countrywide, with about 172,500 people indirectly dependant on the industry; and
  - The industry undertakes approximately 720 million passenger trips per annum.
- The Department of Transport (DOT) aims to establish a national transport system that enables the provision of efficient, affordable and fully integrated infrastructure and services, that best meets the needs of commuters and promote economic and social development, while being environmentally and economically stable.
- South Africa has one of the most modern and extensive transport infrastructures in Africa. This infrastructure plays a critical role in the country's economy and is depended on by many neighbouring states.
- The DoT is working to improve and expand infrastructure, and through subsidies, reduce the cost of public transport. Transport policy is built on the framework set out by the Moving South Africa Strategy (1999) and the National Land Transport Act, 2000 (Act 22 of 2000)

- The Moving South Africa long-term transport strategy has been adopted by the DoT as the key framework to guide its programmes in future.
- The strategy provides a framework for transforming the transport sector in both rural and urban areas.
- Four commercial companies deal with operational transport activities:
  - SA National Roads Agency;
  - Cross-Border Road Transport Agency;
  - Civil Aviation Authority; and
  - SA Maritime Safety Authority.
- The DoT has highlighted the need to restructure apartheid-era public transport systems, which place black South Africans in inaccessible areas without appropriate transportation systems in place. The aim is to promote efficient transport systems on a national level.
- It is estimated that as many as 13% of all South Africans either do not have access to or cannot afford existing public transport services. Over the medium-term, the current practice of paying subsidies to buses and computer rail in exclusion of the transport industry will be redesigned towards a public transport subsidy scheme driven by socio-economic factors for targeted commuters.
- Approximately 62% of the commuting public is currently subsidised and there are increasing pressures to expand the subsidised services to new areas. The major allocations in the transport's budget are for bus and rail subsidies, with a total fund of???????? R3, 737 billion in 2002/3. This includes additional funding of R150m for bus subsidies. Government aims to retain current levels of public transport, while putting subsidy schemes on more competitive basis. This will include shifting government subsidies towards infrastructure while increasing cost recovery from passenger fares. Of the estimated two million migrant workers in South Africa, about 850 000 use unsubsidised public transport.
- The taxi industry is a critical backbone of the South African public transport sector, currently being the most available mode to urban transport customers, minibuses carry 65% of all public transport trips in South Africa, 20% are carried by bus and 15% by rail.
- Since 2001 no new open tenders have been awarded. Progress has however been made on a hybrid form of tendering where bids are solicited and a preferred provider identified. The final part of this hybrid process is a negotiated settlement involving all role players.
- Bus companies previously operated under a ticket subsidy system, where discounted tickets were sold to commuters and claimed the difference between the passenger fare and the economic fare from the government, but this ended in 1995.
- Since then a competitive tendering system was introduced, which caused increased competitiveness, and, in turn, led to retrenchments of the employees of bus operator companies and reductions of salaries and wages of up to 50%, because of the increased competitiveness. Following the unions objection to this system, the government placed a moratorium on the competitive tendering system, and as a result no new tenders have been made in the past four





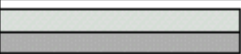

years. All tenders previously made have since expired and are now extended on a month-to-month basis.

- The following represents bus subsidy expenditure from 1999/00 to 2005/6

Expenditure R'M	99/00	00/01	01/02	02/02	03/04	04/05	05/06
Bus subsidies	1344	1429	1522	1629	1743	1865	1995
Total	1344	1429	1522	1629	1743	1865	1995

- Gauteng Transport and Public Works MEC, Ignatius Jacobs, plans to introduce a single-ticket system to Gauteng public transport, where a single ticket is accepted by all buses, taxis and trains, but regulation will be critical for its success.
- The National Department of Transport began the Moving South Africa (MSA) project in June, 1997. The project encompassed a 14 month process to take the vision developed in the 1996 White Paper and develop a twenty year strategy, to realise it. The Moving South Africa long-term transport strategy has been adopted by the DoT as the key framework to guide its programmes in future. The strategy provides a framework for transforming the transport sector in both rural and urban areas.
- MSA examined several different groups of customers to identify their needs and goals for the transport system. The first major MSA consultation with government prioritised urban passengers as the area for most in-depth analysis, as well as where the vast majority of passengers reside. In addition, the situational analysis examined the needs of tourist and long-distance passengers, rural passengers, and special needs passengers.
- Based on original survey research, combined with established databases (AMPS and the October Household Survey), Moving South Africa divided urban passengers into six customer segments, each with different needs from the urban transport system.

**Figure 1: Urban Passenger Segmentation**

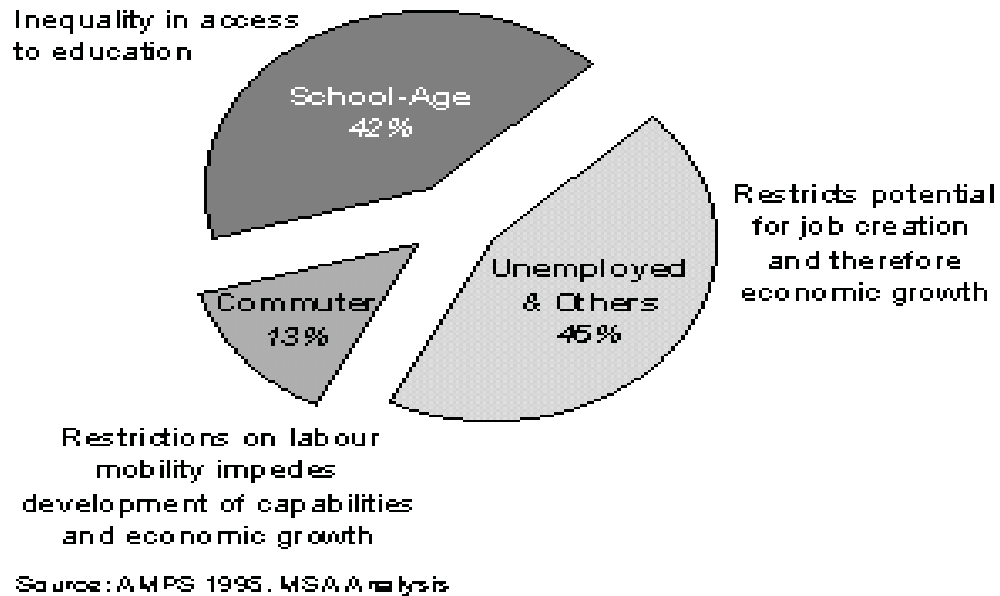
Customer Segments	Key Transport Needs (prioritised)	% of SA Urban Population (1996 = Black, 2020 = Grey)	Number in 1996 (m)	Growth to 2020
Strider (prefers to walk or cycle)	Cost		5.4	28%
Stranded (no affordable public transport available)	Cost		2.8	28%
Survival (captive to cheapest PT option)	Cost, Speed		4.1	24%
Sensitive (captive to PT but selects 'best' option)	Speed, Cost, Choice		2.1	25%
Selective (can afford car but willing to use PT)	Speed, Choice, Convenience		4.1	39%
Stubborn (only uses car)	Convenience, Speed		3.0	88%
TOTAL Urban Population			21.4 million	38% (1.4% pa)

Note: All customer segments rated safety as a key transport need

Source: MSA Survey and Analysis. Forecasts are based on MSA Analysis using WEF A macroeconomic forecasts

- The **Strider** segment - accounts for 5.4 million of the urban population, and prefers to walk or cycle as the most convenient way to travel. This group is generally satisfied with dimensions of travel time, affordability, and availability since, by definition, they enjoy good low-cost access to their preferred destinations.
- The **Stranded** segment accounts for 2.8 million citizens, or 13% of the urban population, and is expected to grow by 28% between now and 2020. The transport system is failing more egregiously for this group than for any other: they lack affordable basic access to motorised transport and therefore have little ability to integrate with the rest of society or participate in the broader economy. The principal customer need is for low cost public transport. Two factors drive their current lack of access to low cost transport: **income levels** and **distance**. As **Figure 2** below indicates, income levels are low because a substantial majority of the stranded are either scholars or unemployed, which carries negative implications for the country's ability to create jobs and economic growth, or extend educational opportunity.
- In addition, distances for the stranded tend to be long: 67% live in townships and average of 20km from CBD's or other work locations. Even on formal modes like bus and commuter rail, these distances cause high prices, which are unaffordable to this segment. The stranded who live in closer areas (suburbs, informal settlements, or inner cities) generally have access only to taxi, which is the highest priced mode.

**Figure 2: Breakdown of 'Stranded' (Currently = 2.8m, 2020 = 3.6m)**



- The next segment, **Survival** passengers, covers 4.1 million people, or 19% of the current population. Their principal needs are for low cost, higher speed public transport. This group can afford to use public transport, but is 'captive' to the least expensive option – they have few choices, even within public transport. Over 70% of this group spends above 10% of their household income – the standard set in the White Paper – on transport services. Moreover, 46% of this group spends more time travelling than they would like, leading to a high level of dissatisfaction with both service and cost.
- The **Sensitive** segment is still captive to public transport but has enough income that members can select the best transport option. This is the smallest segment of urban customers, including only 2.1 million customers, or about 10% of the urban population. The key dimensions of dissatisfaction for this group centre on speed and choice, with some additional unhappiness with prices. Of the Sensitive users, 47% said they are currently above their desired travel times, and only 12% have a choice of three modes, while 51% have a choice of two modes.
- The **Selective** segment, which today encompasses 4.1 million people, or 19% of the urban population, will be one of the fastest growing in the future, with expected growth of 39% between 1998 and 2020. This segment can afford a car but is willing to use public transport if it meets their primary requirements of higher speed, and greater choice and convenience. 43% of this group find themselves above their goal for waiting time, and even fewer – only ten percent – have a choice of three modes. In the twenty year view, this becomes a critical segment because of their ability to afford cars. **They will only stay with public transport if it offers sufficient convenience and choice to make it attractive.**
- The final segment is comprised of the **stubborn** customers. This group will only use cars, and represents 3 million people, or 14% of the current urban population. This group is expected to grow by significantly between 1998 and 2020, which will create significant challenges for urban areas in terms of road infrastructure and congestion. Members of this segment opt out of the

- public transport system altogether by using their cars, and cost is a minor issue for these customers, compared to the much more salient concerns of convenience and speed.
- Finally, at an overall level, **all customers were highly dissatisfied with the level of safety and security they experience in urban transport.**
- In addition to customers' objectives for the system, the nation created specific goals for performance during the White Paper process. Measured against the national objectives for cost, journey time, and public transport usage, MSA found significant system performance gaps, as outlined in the chart in **Figure 3** below:

**Figure 3: National Objectives and System Gaps**

	National Objective	Gap <sup>1</sup>
<b>Cost</b>	Expenditure on commuting = 10% of household disposable income	Stranded cannot afford to travel Most Survival spend more than 10% of HDI
<b>Journey Time</b>	Commuting Distance < 40Km Commuting time < 1 Hour Walking time < 15 minutes (1Km)	30% of DoT subsidised bus trips exceed 40km target 12% exceed target 4% exceed target
<b>Public Transport Share</b>	Motorised trips by public transport = 80% of total	Currently 47% of motorised trips by public transport

<sup>1</sup> October household survey, MSA

- When viewed as a whole, the South African urban transport system is performing relatively poorly against the needs of key groups of customers, as well as against overall national objectives. The Stranded and Survival segments are particularly badly served in terms of cost, travel times, and choice.
- Against national objectives, key RDP goals are not being met, including basic mobility, basic access, and social integration. Workforce mobility is restricted, creating friction on national efforts to create employment opportunities. Current land use patterns leave commuters and other residents distant from key services that they need, and the system's overall inefficiency is creating high requirements for subsidy.
- Lack of Affordable Basic Access
  - As the case of the stranded illustrates dramatically, many citizens still lack affordable basic access to the public transport system, which impedes the ability to deliver on national goals like employment creation and equality of access to social services and

education. Because distance and incomes are principally responsible for this problem, the key drivers of this challenge are past land use patterns and poor subsidy targeting.

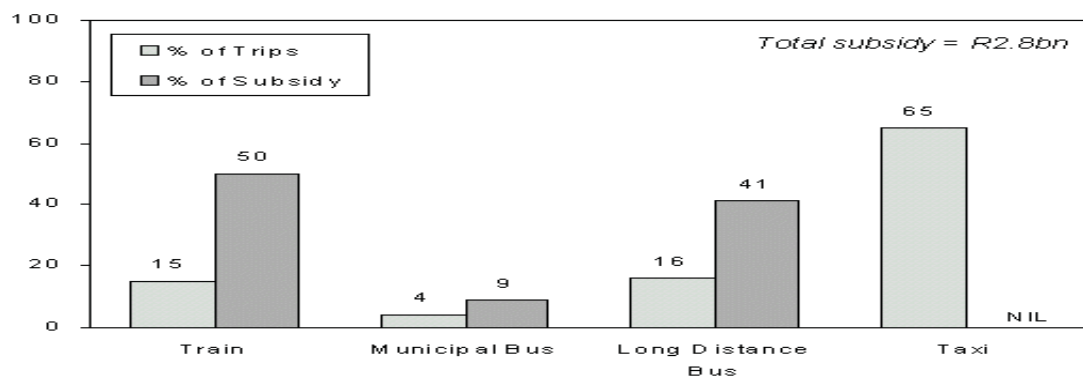
o Land Use Patterns

- Land use patterns determine the distance that many urban South Africans live from employment and services. One of the legacies of apartheid is a warped pattern of land use, with low-income, primarily black residents living very distant from CBD's and other employment nodes in either townships or ex-homelands.
- The average public transport trip in South Africa is 20 km, which is 11 km longer than in developing Asian countries. The result is that South African commuters spend almost 40% more time travelling than their Asian counterparts. The cost impact is even more dramatic: a hypothetical reduction in trip distances in Pretoria of 10 km would save an estimated annual R350 million in passenger fares, R110 million in bus and rail subsidies, and 100,000 person years of travelling time.

o Subsidy Targeting

- The second principal cause of this problem is the ineffectiveness of subsidy targeting. Different levels of South African government spend R2.8 billion annually to subsidise long-distance buses, municipal buses, and commuter rail services. But the subsidy mechanisms continue to support the legacy strategy of promoting the mobility of the formal work force on formal modes.
- Commuter rail and subsidised buses serve mainly commuters and offer limited off-peak service. Almost 20% of the bus subsidies go to municipal services in primarily white, higher income suburbs. One illustration of this occurs with the Stranded: 78% have access to taxi, whereas only 21% have access to commuter rail, which is the lowest price, most subsidised mode. Figure 4 demonstrates the mismatch between the amount of subsidy and the amount of traffic.

Figure 4: Comparison of Subsidy Levels with Market Share of Passenger Trips

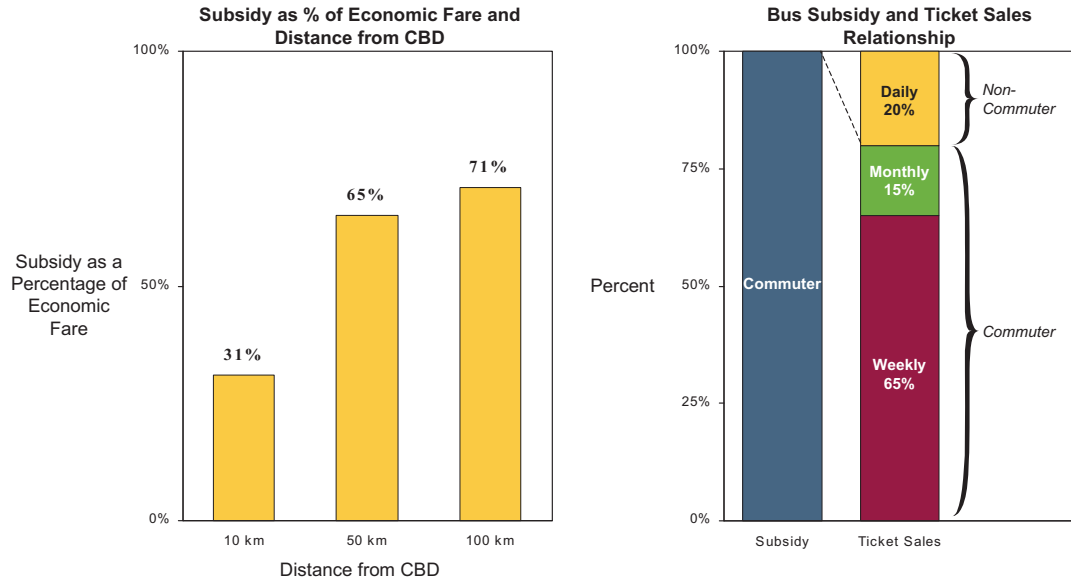


- o Currently, only long-distance bus subsidies are targeted for a specific user group, but this still focuses on commuters, as apposed to the Stranded and Survival groups.
- o Subsidies redesigned towards a public transport subsidy scheme

- Target Subsidies
  - Subsidies currently constitute a significant portion of urban transport funding, costing the government R2.8 billion annually. However, they still remain a function of the objectives of the apartheid era. Those objectives centred on moving working commuters long distances from decentralised homelands and townships, and only at peak periods, despite some of the locations being far a field of any economically rational metropolitan boundaries.
- Figure 5 illustrates the legacy, where the subsidy increases as a portion of the economic fare over longer distances, and where 80% of bus subsidy effectively supports commuting only. As a result, very little of the subsidy reaches those who need it most, the Stranded.
- In addition to inefficient targeting, the subsidy mechanisms have not contributed to renewing the system and keeping it sustainable in the long-term. Municipal buses, because they are funded by the deficit system, have collected an increasing level of subsidy per trip – up 50% between 1991 and 1995 – as their rider ship has decreased over time. And the national subsidy to rail and long-distance bus primarily supports operations, rather than capital costs, making it difficult for operators to upgrade their fleets, improve service levels and efficiencies, and reduce maintenance costs.
- In response to the performance of the current arrangements, the MSA urban strategy re-targets subsidies, which will still be necessary, to the following objectives:
  - Provide affordable access to the stranded;
  - Support the use of the optimal mode on a corridor and encourage feeder services; and
  - Begin to switch subsidies to capital expenditure.
- The cost of providing affordable access to the Stranded is substantial. MSA has calculated the cost of mobilising the Stranded to be an additional R1.74 billion, or an additional 50% of the existing subsidy payments.

Figure 5: The Bus Subsidy Legacy

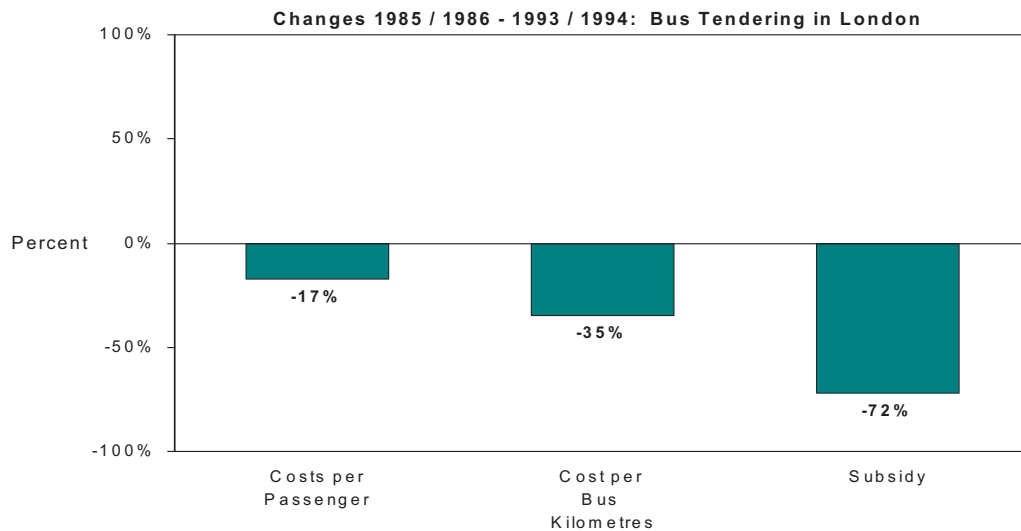




- The most effective way of providing the subsidy in the short term is to subsidise operators through the tendering system, to provide feeder services or extension services to areas where the Stranded live, at low cost to the users.
  - The MSA strategy envisions that the subsidy will become one way to ensure the vision of the optimal mode providing the base-load line haul service on a corridor. Subsidy can be used to ensure that the optimal mode retains the lowest cost structure, thereby enhancing affordability at a basic level. Other high occupancy modes can compete with the optimal mode along a corridor, but they will not receive subsidy and will be expected to compete on the basis of differentiated service. The subsidy should also be used to enable feeder services into the corridors, and should be administered in a fashion that enables inter-modal transfers into the corridors.
  - The third prong of the subsidy reorientation is to address an increasing proportion to capital, rather than operating costs. The situational analysis documented the high level of asset deterioration – the fleet is above 82% of its average economic life – that is endemic in the urban transport system in South Africa. Subsidy re-targeting will enable operators to upgrade equipment and improve operating costs and efficiencies, while providing more comfortable service with less need of maintenance and less risk of accident. Recapitalisation can be built into tendering and regulations.
- Public Transport Tendering
    - The MSA strategy emphasises tendering or concession bus and rail operations to create competition for the market and consequently promote innovation in order to win the contract. This should also raise levels of service for a given cost. This tendering and concession process has already begun in buses and commuter rail respectively. International experience indicates – as Figure 6 displays – that regulation through tendering is an effective way of reducing both costs and subsidies.

- The MSA strategy envisages that future bus tenders give more flexibility to operators to change service patterns in response to customer needs and to keep the benefits of productivity improvements. For road-based tenders, the contract need not even stipulate a given modal solution; rather, it should focus on performance objectives for operators to be met in any appropriate fashion. In addition to the competition for the market or the route, the strategy recommends allowing inter-modal and/or intra-modal competition for services. However, this competition should be unsubsidised and on the basis of offering a differentiated service, with the optimal mode for a given corridor providing the lowest-price service to ensure affordable basic access. Such competition will encourage improved levels of service, as well as ensuring that users have a choice and can make appropriate service/cost trade-offs.

▪ Figure 6: Saving Following Bus Tendering in London



### ***Progress with the Tendering and Negotiated Contract System***

- At present three main forms of competitive service procurement is found in South Africa:
  - The tender for contract system where bids are solicited through open competition;
  - A negotiated contract system where negotiation takes place with the incumbent operator regarding the provision of services broadly based on the standard contract document guidelines; and
  - A hybrid approach where bids are invited preferred bidders identified and bids finalised through negotiations with preferred bidders.
- Progress made with the three forms of bidding is depicted as follows:

Contract Systems in Place in South Africa	No. of buses	Contract Characteristics	Duration

Contract Systems in Place in South Africa	No. of buses	Contract Characteristics	Duration
<b>Interim Contracts</b>	3 450	A transition arrangement	1-3 years originally, but some contracts exceed 6 years.
<b>Tendered Contracts</b>	2 450	Standard tender process	<ul style="list-style-type: none"> <li>• 5 years originally;</li> <li>• Contracts have extended to 7 years;</li> <li>• New contracts to be 7 years.</li> </ul>
<b>Negotiated Contract</b>	250	Mostly applicable to state –owned and operated bus companies	<ul style="list-style-type: none"> <li>• 5 years originally;</li> <li>• New contracts to be 7 years.</li> </ul>
<b>Sale of bus entity through negotiation based on service contract specification</b>	1 050	Applicable to bus operations at local and provincial government levels	<ul style="list-style-type: none"> <li>• 5 years originally;</li> <li>• New contracts to be 7 years.</li> </ul>

- It is evident from the above that a substantial number of buses are negotiated on an interim contract basis. This is due to the delay in the implementation of the open tender for contract system as well as legal issues relating to the procuring of bus services through the negotiated contracts system.
- In terms of resolving the tender for contract system, and more specifically, the moratorium on further tenders, SABOA has proposed that interim contracts be converted to negotiated and tendered contracts in order to ensure that the transformation process be concluded.
- By mid 2004, there were 34 interim, 2 negotiated and 58 tendered contracts involving about 7 500 buses. On average passengers, receive R198 in subsidies per month, which equals 6, 7% of the average household income. Government was expected to spend more than R2.1 -13824 on bus subsidies in the 2005/06 financial year.

- In meeting transformation objectives, the DoT aims to set aside 30% of all contracted services to companies with 50% historically disadvantaged individuals, while the remaining 70% should have an equity ownership of 35%.

### ***Nation Transport Register***

- The establishment of the National Transport Register is a requirement of the National Land Transport Transition Act, 2000. The purpose of the Register is to integrate the land-transport systems i.e. the Subsidy Management System (SUMS), the Land Transport Permit System (LTPS) and the Registration Administration System (RAS).
- The LTPS facilitates the issuing of public road-carriers permits, to regulate entry into the road-carrier markets. The objective is to facilitate the processing of permit applications and enable the local road transportation boards (provincial permit boards), to provide an efficient service to the industry.

### ***The Role of Provincial Permit Boards Regulating the Industry***

- During the debate on White Paper on National Transport Policy in 1995/6 it was accepted that commuter transportation as well as intercity tour and coach services be regulated through the permit system.

### ***Inter-provincial permits***

- When an operator wishes to render services between provinces, the Provincial Permits Board has to obtain concurrence from all the relevant provinces through which the proposed service will operate, before the application can be considered. Once the permit is issued the operator may render such services.
- The slowness of the process underpinning the renewal, issuing and amendment of permits is currently hampering the adequate responses that the market demands of operators. Consequently, customer service levels are not in line with customer demand. This problem is exacerbated by inadequate information systems, adjudication criteria that differ between provinces for renewal, amendment or issuing of permits and generally poor administration systems. These factors do not contribute to the quality and spectrum of choice of services on offer and only serve to frustrate operators and users and damage the image of the industry.

### ***Intra-provincial permits***

- The demand for bus transport in urban areas has increased substantially over the last number of years, despite the approval of no new routes due to subsidy constraints. In respect of non-subsidised services, the process of obtaining permits is protracted.

## ***Prospects***

- The MSA long-term transport strategy, adopted by the DoT, identified the following issues with respect to transportation. We seek to exploit these opportunities by incorporating them into our BEE structure:
  - 67% (14.4 million) of the urban population is reliant on the public transport system;
  - 13% (2.8 million) of the urban population have no access to affordable transport (Stranded);
  - The most effective way of providing the subsidy in the short term is to subsidise operators through the tendering system, to provide feeder services or extension services where the Stranded live, at low cost to the users.
  - Subsidy can be used to ensure that optimal mode retains the lowest cost structure, thereby enhancing affordability at a basic level; and

The MSA strategy emphasizes tendering bus operators to create competition for the market and consequently promote innovation in order to win the contract

## ***Commuter problems***

According to Synovate Sub-Saharan Africa, a global market research company,

- 26% of South African commuters spend one to two hours a day stuck in traffic,
- 33% sit for 30 minutes to an hour,
- 66% have been affected by the chaos on the roads during peak time traffic
- about 73% claim that traffic problems are mostly due to selfish and uneducated drivers,
- they also attributed the jams to rocketing private car ownership, and poor road infrastructure and planning.
- Half the respondents complained about inadequate public transport.

## ***The Gauteng economy***

Workers in Gauteng account for 47, 7% of the country's total turnover and its businesses contribute 50, 4% of total turnover according to STATS SA – this from the smallest province in the country

The Ekurhuleni Metro Municipality is situated in South Africa's manufacturing heartland. It is a vibrant cosmopolitan and culturally diverse region with over 2.5 million residents. The area has around 8 000 industries and is responsible for about 23% of the gross geographical product of Gauteng province which is sub-Saharan Africa's most economically powerful and active region. The municipal area covers 1 880 square kilometers.

More than a fifth of the population of South Africa, about 9 million people live in Gauteng, and jobs are the priority of the Gauteng provincial government, which aims to halve unemployment by 2014. The provinces manufacturing sector alone employs 600 000 people in more than 9 000 enterprises. Many of these are in Ekurhuleni.

Ekurhuleni businesses contributed more than R 47 million in service levies and over R 160 million in establishment levies.

The municipality is comprised of nine towns of the former East Rand. Included amongst these is Brakpan which is located on the far eastern border of Ekurhuleni.

### ***History of Brakpan***

Brakpan can trace its history back to around 1888 when a coal seam was discovered and a coal mine under the name of Brakpan Collieries was established. When a railway line was constructed from Germiston to Springs, Brakpan became one of the stations along the route.

In 1905, Brakpan Mines Company sunk its first two gold mining shafts. One of its claims to fame was that it had the highest mine dump in the world at that time.

Following rapid growth it remained a suburb of Benoni until 1912 when it was granted the status of a municipality and proclaimed as a town.

Brakpan's central position in Ekurhuleni makes it a good distribution centre for industry, especially engineering works and foundries.



**REPORT OF THE AUDITOR-GENERAL TO THE MEMBER ON THE FINANCIAL  
STATEMENTS OF THE BRAKPAN BUS COMPANY (PROPRIETARY) LIMITED  
FOR THE YEAR ENDED 30 JUNE 2006**

**1. AUDIT ASSIGNMENT**

The financial statements as set out on pages [ ] to [ ], for the year ended 30 June 2006, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read with sections 4 and 20 of the Public Audit Act, 2004 (Act No. 25 of 2004) and sections 92 and 126(3) of the Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA). These financial statements are the responsibility of the accounting authority. My responsibility is to express an opinion on these financial statements, based on the audit.

**2. SCOPE**

The audit was conducted in accordance with the International Standards on Auditing read with General Notice 1512 of 2006, issued in Government Gazette no. 29326 of 27 October 2006. Those standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements
- assessing the accounting principles used and significant estimates made by management
- evaluating the overall financial statement presentation.

I believe that the audit provides a reasonable basis for my opinion.

**3. BASIS OF ACCOUNTING**

The entity's policy is to prepare financial statements on the basis of accounting determined by the National Treasury, as described in note 1 to the financial statements.

**4. AUDIT OPINION**

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Brakpan Bus Company (Proprietary) Limited at 30 June 2006 and the results of its operations and its cash flows for the year then ended, in accordance with the basis of accounting determined by the National Treasury of South Africa, as described in note 1 to the annual financial statements, and in the manner required by the Municipal Finance Management Act, 2003 (Act No. 56 of 2003).



## 5. EMPHASIS OF MATTER

Without qualifying the audit opinion expressed above, attention is drawn to the following matters:

### 5.1 Property, plant and equipment

The primary source of the company's revenue, namely the bus fleet, was not reflected in either the asset register or the financial statements of the company. Although the busses were owned by the Ekurhuleni Metropolitan Municipality, these busses were under the full control of the Brakpan Bus Company.

This aspect was reported on in the prior year, and was mainly attributable to uncertainty between the Ekurhuleni Metropolitan Municipality and the Brakpan Bus Company as to the financial disclosure of the assets.

### 5.2 Non-compliance with the Municipal Finance Management Act (MFMA)

Management was in the process of establishing an audit committee and decided since 28 October 2005 to utilise the audit committee structure of the Ekurhuleni Metropolitan Municipality. However, the oversight function by the audit committee on matters pertaining to the company was not effective as a proper risk analysis was not performed for the Brakpan Bus Company.

### 5.3 Financial management

The number of control related issues identified during the audit suggested shortcomings in respect of financial management capacity of the company ~~due to a lack of established policies and procedures particularly in the areas of revenue and debt collection.~~

### 5.4 Performance information

In terms of section 121(4)(d) of the MFMA, the annual report of a municipal entity must include an assessment by the entity's accounting officer of the entity's performance against any measurable performance objectives set in terms of the service delivery agreement or other agreement between the entity and its parent municipality. This information was not prepared. The company's internal monitoring systems and processes did not accommodate the compilation of the information.

## 6. LATE FINALISATION OF THE AUDIT REPORT

In terms of section 126(3) (b) of the MFMA I am required to submit my report to the accounting officer within three months of the receipt of the financial statements. The audit was completed on 15 March 2007 as the annual financial statements submitted for audit purposes on 31 August 2006 in terms of section 126(2) of the MFMA, did not comply with the prescribed accounting framework. Significant changes had to be made to the financial statements.

**7. APPRECIATION**

The assistance rendered by the staff of the Brakpan Bus Company (Proprietary) Limited during the audit is sincerely appreciated.



M.A. Masemola  
for Auditor-General

Johannesburg

15 March 2007



AUDITOR-GENERAL

**BRAKPAN BUS COMPANY  
(PROPRIETARY) LIMITED  
(Registration number 2000/024331/07)  
ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2006**

The Office of the Auditor General - Johannesburg  
Issued 06 September 2006

# Brakpan Bus Company (Proprietary) Limited

(Registration number 2000/024331/07)

Annual Financial Statements for the year ended 30 June 2006

## General Information

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<b>Country of incorporation and domicile</b>	South Africa
<b>Nature of business and principal activities</b>	Providing a public bus service to the communities of Brakpan, Springs & Tsakane and also the hiring out of its buses to individuals and organisations.
<b>Directors</b>	G.C. Prinsloo R.E. Matenche P.F. Radebe M. Whitehead L.M. Sibeko N. Dube
<b>Registered office</b>	1st Floor Block B Empire Park 55 Empire Road Parktown Johannesburg 2193
<b>Business address</b>	Cnr Lemmer/ Denne Road Rand Colliers Brakpan 1544
<b>Postal address</b>	P.O. Box 10298 Dalview Brakpan 1544
<b>Holding company</b>	Ekurhuleni Metropolitan Municipality
<b>Bankers</b>	ABSA Bank Limited
<b>Auditors</b>	The Office of the Auditor General - Johannesburg
<b>Company registration number</b>	2000/024331/07

# **Brakpan Bus Company (Proprietary) Limited**

(Registration number 2000/024331/07)

Annual Financial Statements for the year ended 30 June 2006

## **Index**

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

### **Index**

Report of the Auditor General

Directors' Responsibilities and Approval

Directors' Report

Corporate Governance Report

Statement of Financial Position

Statement of Financial Performance

Statement of Changes in Net Assets

Cash flow Statement

Accounting Policies

Notes to the Annual Financial Statements

The following supplementary information does not form part of the annual financial statements and is unaudited:

Detailed Statement of Financial Performance

Tax computation

## **Report of the Auditor General**

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### **To the shareholder of Brakpan Bus Company (Proprietary) Limited**

The financial statements as set out on pages 6 to 27 for the year ended 30 June 2006, have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act no. 25 of 1996), read with sections 4 and 20 of the Public Audit Act, 2004 (Act no. 25 of 2004), and sections 92 and 126 (3) of the Municipal Finance Management Act, 2003 (Act no. 56 of 2003). These Financial Statements, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the accounting officer and the company's directors. My responsibility is to express an opinion on these financial statements, based on the audit.

#### **Scope**

The audit was conducted in accordance with International Standards on Auditing. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the annual financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the annual financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

Furthermore, an audit includes an examination, on a test basis, of evidence supporting compliance in all material respects with the relevant laws and regulations which came to my attention and are applicable to financial matters.

The audit was completed in accordance with Auditor-General Directive No. 1 of 2005.

I believe that the audit provides a reasonable basis for my opinion.

#### **Qualification**

As stated in note 4 of the Directors Report and note 2 to the Financial Statements the bus fleet has been included in the Financial Statements of the Brakpan Bus Company (Proprietary) Limited. However we were unable to satisfy ourselves as to the correct disclosure, value and completeness of the bus fleet. The addition has been reflected in the Financial Statements at a cost of R 2,988,279 at the beginning of the period with a corresponding accumulated depreciation of the same amount at the beginning of the period. No entry has been made in the books and records of the company and the company did not maintain a fixed asset register required in terms of the Companies Act. Further we were unable to satisfy ourselves whether the Brakpan Bus Company (Proprietary) Limited has correctly recorded the values of the assets and any corresponding liability to the Ekurhuleni Metropolitan Municipality it may have.

#### **Audit opinion**

In my opinion, except for the effect on the financial statements of the matter referred to in the preceding paragraph, the annual financial statements present fairly, in all material respects, the financial position of the company at 30 June 2006 and the results of its operations and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Municipal Finance Management Act, Act 56 of 2003 and the South African Companies Act, Act 61 of 1973, as amended.

**Emphasis of matter**

Without qualifying the audit opinion expressed above, attention is drawn to the following matters:

**Statutory documents**

Upon review of the company register and CM documents we noted that they were not up to date. Statucor no longer performs any secretarial duties for the company and have not been formally resigned. Gobodo Inc. no longer performs the audit of the company and has also not been formally resigned. We noted that the directors in the Financial Statements do not agree to the company register and CM documents.

**Financial management**

The number of control related issues identified during the audit suggested shortcomings in respect of financial management capacity of the company due to lack of established policies and procedures.

**Appreciation**

The assistance rendered by the staff of the Brakpan Bus Company (Proprietary) Limited during the audit is sincerely appreciated.

**M.A. Masemola for Auditor-General**

**Johannesburg  
06 September 2006**

# Brakpan Bus Company (Proprietary) Limited

(Registration number 2000/024331/07)

Annual Financial Statements for the year ended 30 June 2006

## Directors' Responsibilities and Approval

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The directors are required by the Municipal Finance Management Act, Act 56 of 2003, and the South African Companies Act, Act 61 of 1973, 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 company 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 and the prescribed Standards of Generally Recognised Accounting Practice (GRAP). The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice including any interpretations of such Statements issued by the Accounting Practices Board, with the prescribed Standards of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board replacing the equivalent South African Statements of Generally Accepted Accounting Practice as follows:

Standard of GRAP	Replaced Statement of SA GAAP
GRAP1: Presentation of financial statements	AC101: Presentation of financial statements
GRAP2: Cash flow statements	AC118: Cash flow statements
GRAP3: Accounting policies, changes in accounting estimates and errors	AC103: Accounting policies, changes in accounting estimates and errors

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

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

The directors have reviewed the company's cash flow forecast for the year to 30 June 2007 and, in the light of this review and the current financial position, they are satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future.

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

The external auditors are responsible for independently reviewing and reporting on the company's annual financial statements. The annual financial statements have been examined by the company's external auditors.

The annual financial statements set out on pages 6 to 29, which have been prepared on the going concern basis, were approved by the board on 06 September 2006 and were signed on its behalf by:

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**R.E. Matenche**

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# Brakpan Bus Company (Proprietary) Limited

(Registration number 2000/024331/07)

Annual Financial Statements for the year ended 30 June 2006

## Directors' Report

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The directors submit their report for the year ended 30 June 2006.

### 1. Review of activities

#### Main business and operations

The company is engaged in transporting passengers/workers and operates principally in Brakpan, Springs & Tsakane.

The operating results and state of affairs of the company are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

Net profit of the company was R 20,442 (2005: profit R 587,904), after taxation of R 106,184 (2005: R 232,973).

### 2. Post Statement of Financial Position events

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

### 3. Directors' interest in contracts

The directors of the company have declared that they have no direct or indirect interest in the share capital of the company, or any contracts entered into by the company, as disclosed in the statutory records of the company.

### 4. Contribution from owners

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

### 5. Non-current assets

There have been no major changes in the nature of the non-current assets of the company during the year.

There have been no changes in the policy relating to the use of non-current assets.

### 6. Dividends

No dividends were declared or paid to shareholder during the year.

### 7. Directors

The directors of the company during the year and to the date of this report are as follows:

Name

R.E. Matenche

P.F. Radebe

G.C. Prinsloo

M. Whitehead

L.M. Sibeko

N. Dube

### 8. Secretary

The company had no secretary during the year.

### 9. Holding company

The company's holding company is Ekurhuleni Metropolitan Municipality and the company remains a municipal entity.

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# **Brakpan Bus Company (Proprietary) Limited**

(Registration number 2000/024331/07)

Annual Financial Statements for the year ended 30 June 2006

## **Directors' Report**

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### **10. Auditors**

The Office of the Auditor General - Johannesburg assumed responsibility of the company audit in accordance with section 270(2) of the Companies Act, and in terms of the Municipal Finance Management Act, Act 56 of 2003 from the financial year ended 30 June 2006.

# Brakpan Bus Company (Proprietary) Limited

(Registration number 2000/024331/07)

Annual Financial Statements for the year ended 30 June 2006.

## Corporate Governance Report

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### 1. Introduction

Brakpan Bus Company (Proprietary) Limited ensures that its processes and practices are reviewed on an ongoing basis to ensure compliance with legal obligations, use of funds in an economic, efficient, and effective manner and adherence to good corporate governance practices. Processes and practices are characterised by reporting on economic, environmental and social responsibility. Such reporting is underpinned by the principles of openness, integrity and accountability and is an inclusive approach that recognises the importance of all stakeholders with respect to the viability and sustainability of Brakpan Bus Company (Proprietary) Limited.

Corporate governance is concerned with structures and processes for decision-making, accountability, control and behaviour beginning at the top level of the organisation. Corporate governance sets the tone for behaviour right down to the lowest levels.

Brakpan Bus Company (Proprietary) Limited complies with the requirements of the Companies Act, 1973.

### 2. Shareholding

Ekurhuleni Metropolitan Municipality is the sole shareholder of the company.

### 3. Governing body

#### 3.1. Board of directors

##### 3.1.1 Composition of the board

The names of the members of the board appear on page 3.

The board of Brakpan Bus Company (Proprietary) Limited comprises six directors, one executive director and five non-executive directors, two of whom are councilors as observers in the board meetings representing Ekurhuleni Metropolitan Municipality. The directors are appointed by Ekurhuleni Metropolitan Municipality and were drawn from diverse backgrounds and bring a wide range of experience and professional skills to the board.

The managing director was appointed in 01 October 2004 on a month to month contract.

##### 3.1.2 Board administration

The board have meetings on a quarterly basis per annum. The majority of the non-executive directors were present in person at all meetings.

##### 3.1.3 Role and function of the board

The board is the accounting authority of Brakpan Bus Company (Proprietary) Limited in terms of the Companies Act, 1973.

The board is responsible for providing strategic direction and leadership, ensuring good corporate governance and ethics, determining policy, agreeing on performance criteria and delegating the detailed planning and implementation of policy to the Executive Management Committee.

The board evaluates and monitors management's compliance with policy and its achievements against objectives. A structured approach is followed for delegation, reporting and accountability, which include reliance on various board committees. The chairman guides and monitors the input and contribution of the directors.

##### 3.1.4 Board evaluation and performance

The shareholder evaluates the performance of the entire board and the individual members on an annual basis. The directors facilitates the evaluation of the performance of the senior management, including the managing director.

# Brakpan Bus Company (Proprietary) Limited

(Registration number 2000/024331/07)

Annual Financial Statements for the year ended 30 June 2006.

## Corporate Governance Report

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### 3.1.5 Directors' remuneration

Non-executive directors receive fees for their contribution to the board and the committees on which they serve. The remuneration of the directors is determined by Ekurhuleni Metropolitan Municipality. The rewards and remuneration of the board are linked to the value added to Brakpan Bus Company (Proprietary) Limited.

### 4. Company secretarial function

The members have agreed to appoint Castfin Trust & Consulting Services CC in order to assist the board members in taking minutes and other secretarial functions.

### 5. Board committees

A number of board committees exist in order to assist the board in discharging its responsibilities. Each committee operates within the ambit of its defined terms of reference and delegated duties. A comprehensive framework, which assists in the control of the decision-making process and the delegation of authority within Brakpan Bus Company (Proprietary) Limited, has been approved by the board.

The board has approved the terms of reference of each of its committees and reviews the performance and effectiveness of the committees on a regular basis.

### 6. Executive management committee

The executive management committee comprises the managing director, the executive finance officer and executive operations officer. The committee is chaired by the managing director.

The committee assists the managing director in guiding and controlling the overall direction of the business and is responsible for ensuring the effective management of the day-to-day operations of the business.

### 7. Audit and risk management committee

#### 7.1 Internal audit

Brakpan Bus Company (Proprietary) Limited was audited by an internal audit team from Ekurhuleni Metropolitan Municipality for the 2005/2006 financial year end.

#### 7.2 Risk management

The board has approved an external auditing firm in order to compile a report as well as to formulate all the policy and procedures to identify high risk areas.

### 8. Internal control

The board has ultimate responsibility for establishing a framework for internal control, including an appropriate procurement and provisioning system. The controls throughout Brakpan Bus Company (Proprietary) Limited focus on those critical risk areas identified by operational risk management, confirmed by executive management. The controls are designed to provide cost effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed. Organisational policies, procedures, structures and approval frameworks provide direction, accountability and division of responsibilities. They contain self-monitoring mechanisms. Management closely monitor the controls and actions are taken to correct deficiencies as they are identified.

### 9. Audit

The external auditors are responsible for independently auditing and reporting on the financial statements in conformity with the Municipal Finance Management Act and International Auditing Standards.

# Brakpan Bus Company (Proprietary) Limited

(Registration number 2000/024331/07)

Annual Financial Statements for the year ended 30 June 2006.

## Corporate Governance Report

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### 10. Finance committee

The committee comprises two non-executive directors and the managing director. The chairman of the committee is an independent non-executive director.

The committee is also responsible for evaluating and approving the finance policies and procedures including monitoring of a budget.

### 11. Human resources and remuneration committee

The committee comprises two non-executive directors and the managing director. The chairman of the committee is an independent non-executive director.

The committee is also responsible for evaluating and approving the human resources policies, the employment equity plan and the workplace skills plan and conducting disciplinary/appeal hearings.

### 12. Operations committee

The committee comprises two non-executive directors and the managing director. The chairman of the committee is an independent non-executive director.

The operations committee is responsible for guiding the organisation on issues relating to the strategic direction of the company regarding operations, technical and the marketing and business development. Over and above this, the committee is responsible for reviewing certain tenders based on the organisations' level of delegations of authority.

### 13. Reporting to stakeholders

In order to present a balanced and understandable assessment of its position, Brakpan Bus Company (Proprietary) Limited is continually striving to ensure that its reporting and disclosure to stakeholders is relevant, clear and effective. It places great emphasis on reporting on both financial and non-financial matters, as well as addressing both positive and negative aspects in order to demonstrate the long-term sustainability of the organisation.

Brakpan Bus Company (Proprietary) Limited's predetermined objectives, representing both financial and non-financial key performance indicators, and its performance against these indicators is evaluated by the Ekurhuleni Metropolitan Municipality.

### 14. Stakeholder relations

In addition to the interests of governance by the shareholder, Brakpan Bus Company (Proprietary) Limited recognises the legitimate interests of employees, consumers, suppliers, investors and lenders of capital, trade unions and local communities in its affairs. Communication and interaction with stakeholders are ongoing during the year and is addressed through various channels with clients or passengers through meetings on bi-monthly passenger liaison committee depending on the different needs of the various stakeholders.

### 15. Social impact

Brakpan Bus Company (Proprietary) Limited prioritises the social needs of the community it serves, as it realised that its success and existence emanates from the said community. Brakpan Bus Company (Proprietary) Limited has contributed towards the gross domestic product for the country by providing direct employment to 65 and 16 indirect technical staff who service our busses daily. Furthermore, Brakpan Bus Company (Proprietary) Limited provided free transport to non-profit organisations (Tirisano and Epilepsy S.A.)

### 16. Code of ethics

Brakpan Bus Company (Proprietary) Limited is committed to maintaining its integrity in dealing with all stakeholders. The company's code of conduct applies to all employees and forms part of their service contracts.

# Brakpan Bus Company (Proprietary) Limited

(Registration number 2000/024331/07)

Annual Financial Statements for the year ended 30 June 2006.

## Corporate Governance Report

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### 17. Transformation

Brakpan Bus Company (Proprietary) Limited remains firm in its support of the country's black economic empowerment as embraced by the South African government. Tenderers and companies dealing with the company should have a workable plan aimed at empowering the previously disadvantaged communities.

Brakpan Bus Company (Proprietary) Limited will achieve this without compromising the standards of the deliverables from its partners in business.

### 18. Employee participation

Participative structures are in place to ensure the ongoing involvement of employees and organised labour in influencing Brakpan Bus Company (Proprietary) Limited's policies and procedures work place forum.

### 19. Health and safety policy

The health and safety policy and the Occupational Health and Safety Act, 1993, continue to remain the guiding principles for the achievement of Brakpan Bus Company (Proprietary) Limited's safety vision. The operations committee regularly reviews the health and safety performance and accidents to ensure that the necessary corrective measures are implemented. The operations committee of the board reviews the overall strategy.

### 20. Statement of commitment

Brakpan Bus Company (Proprietary) Limited is committed to adherence to the good corporate governance and all relevant legislation governing the local authorities, transport, employment and financial management.

# Brakpan Bus Company (Proprietary) Limited

(Registration number 2000/024331/07)

Annual Financial Statements for the year ended 30 June 2006

## Statement of Financial Position

Figures in Rand	Note(s)	2006	2005
<b>Assets</b>			
<b>Non-Current Assets</b>			
Plant and equipment	2	797,442	1,028,541
Deferred tax	3	63,249	-
		<b>860,691</b>	<b>1,028,541</b>
<b>Current Assets</b>			
Current tax receivable		9,830	-
Trade and other receivables		620,861	1,082,653
Cash and cash equivalents	4	921,280	64,879
		<b>1,551,971</b>	<b>1,147,532</b>
<b>Total Assets</b>		<b>2,412,662</b>	<b>2,176,073</b>
<b>Net assets and liabilities</b>			
<b>Net assets</b>			
Contribution from owner	5	6	6
Retained income		1,626,319	1,605,877
		<b>1,626,325</b>	<b>1,605,883</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables		626,737	570,190
Provisions	6	159,600	-
		<b>786,337</b>	<b>570,190</b>
<b>Total Net assets and Liabilities</b>		<b>2,412,662</b>	<b>2,176,073</b>

## Brakpan Bus Company (Proprietary) Limited

(Registration number 2000/024331/07)

Annual Financial Statements for the year ended 30 June 2006

### Statement of Financial Performance

Figures in Rand	Note(s)	2006	2005
Revenue	7	9,392,924	9,110,854
Operating expenses		(9,266,634)	(8,290,171)
<b>Operating surplus</b>	8	<b>126,290</b>	<b>820,683</b>
Investment revenue	9	336	411
Finance costs	10	-	(217)
<b>Surplus before taxation</b>		<b>126,626</b>	<b>820,877</b>
Taxation	11	(106,184)	(232,973)
<b>Surplus for the period</b>		<b>20,442</b>	<b>587,904</b>



## Brakpan Bus Company (Proprietary) Limited

(Registration number 2000/024331/07)

Annual Financial Statements for the year ended 30 June 2006

### Statement of Changes in Net Assets

Figures in Rand	Contribution from owner	Accumulated surplus	Total net assets
Opening balance as previously reported	6	1,040,683	1,040,689
Adjustments			
Fundamental errors affecting net assets		(22,710)	(22,710)
<b>Balance at 01 July 2004 as restated</b>	<b>6</b>	<b>1,017,973</b>	<b>1,017,979</b>
Changes			
Surplus for the year		587,904	587,904
Total changes	-	587,904	587,904
<b>Balance at 01 July 2005</b>	<b>6</b>	<b>1,605,877</b>	<b>1,605,883</b>
Changes			
Surplus for the year		20,442	20,442
Total changes	-	20,442	20,442
<b>Balance at 30 June 2006</b>	<b>6</b>	<b>1,626,319</b>	<b>1,626,325</b>

## Brakpan Bus Company (Proprietary) Limited

(Registration number 2000/024331/07)

Annual Financial Statements for the year ended 30 June 2006

### Cash flow Statement

Figures in Rand	Note(s)	2006	2005
<b>Cash flows from operating activities</b>			
Cash receipts from customers		9,595,229	8,635,723
Cash paid to suppliers and employees		(8,537,228)	(7,880,929)
Cash generated from operations	13	1,058,001	754,794
Interest income		336	411
Finance costs		-	(217)
Tax paid	14	(179,263)	(377,872)
<b>Net cash from operating activities</b>		<b>879,074</b>	<b>377,116</b>
<b>Cash flows from investing activities</b>			
Purchase of plant and equipment	2	(22,673)	(144,848)
<b>Cash flows from financing activities</b>			
<b>Total cash movement for the period</b>		<b>856,401</b>	<b>232,268</b>
Cash at the beginning of the period		64,879	(167,389)
<b>Total cash at end of the period</b>	4	<b>921,280</b>	<b>64,879</b>

# Brakpan Bus Company (Proprietary) Limited

(Registration number 2000/024331/07)

Annual Financial Statements for the year ended 30 June 2006

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice including any interpretations of such Statements issued by the Accounting Practices Board, the prescribed standards of Generally Recognised Accounting Practice, The Municipal Finance Management Act, Act 56 of 2003, and the South African Companies Act, Act 61 of 1973 with the prescribed Standard of Generally Recognised Accounting Practice (GRAP) issued by the Accounting Standards Board replacing the equivalent South African Statements of Generally Accepted Accounting Practice as follows:

Standard of GRAP	Replaced Statement of SA GAAP
GRAP1: Presentation of financial statements	AC101: Presentation of financial statements
GRAP2: Cash flow statements	AC118: Cash flow statements
GRAP3: Accounting policies, changes in accounting estimates and errors	AC103: Accounting policies, changes in accounting estimates and errors

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

The annual financial statements have been prepared on the historical cost basis and incorporate the principal accounting policies set out below.

These accounting policies are consistent with the previous period.

#### 1.1 Significant judgements

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgment is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

##### Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

##### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 6 - Provisions.

Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

##### Expected manner of realisation for deferred tax

Deferred tax is provided for based on the expected manner of recovery i.e. sale or use. This manner of recovery affects the rate used to determine the deferred tax asset. Refer note 3 - Deferred tax.

#### 1.2 Plant and equipment

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

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

# Brakpan Bus Company (Proprietary) Limited

(Registration number 2000/024331/07)

Annual Financial Statements for the year ended 30 June 2006

## Accounting Policies

---

### 1.2 Plant and equipment (continued)

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

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment.

#### Cost model

Plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Depreciation is provided on all plant and equipment other than freehold land, to write down the cost, less residual value, on a straight line basis, except for ticket machines which is on a reducing balance basis, over their useful lives as follows:

Item	Average useful life
Furniture and fixtures	3 years
Motor vehicles	4 years
IT equipment	3 years
Ticket machines	5 years (Reducing balance)

The residual value and the useful life of each asset are reviewed at each financial period-end.

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

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

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

### 1.3 Financial instruments

#### Initial recognition

The company classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial assets and financial liabilities are recognised on the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

#### Trade and other receivables

Trade 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. 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.

# Brakpan Bus Company (Proprietary) Limited

(Registration number 2000/024331/07)

Annual Financial Statements for the year ended 30 June 2006

## Accounting Policies

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### 1.3 Financial instruments (continued)

#### 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 comprise bank balances, cash on hand and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

### 1.4 Tax

#### Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

#### Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from:

- the initial recognition of goodwill; or
- the initial recognition of an asset or liability in a transaction which:
  - is not a business combination; and
  - at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures, except to the extent that both of the following conditions are satisfied:

- the parent, investor or venturer is able to control the timing of the reversal of the temporary difference; and
- it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised, unless the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that:

- is not a business combination; and
- at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences arising from investments in subsidiaries, branches and associates, and interests in joint ventures, to the extent that it is probable that:

- the temporary difference will reverse in the foreseeable future; and
- taxable profit will be available against which the temporary difference can be utilised.

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

# Brakpan Bus Company (Proprietary) Limited

(Registration number 2000/024331/07)

Annual Financial Statements for the year ended 30 June 2006

## Accounting Policies

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### 1.4 Tax (continued)

#### Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, directly in equity, or
- a business combination.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

### 1.5 Impairment of assets

The company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the company also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
- tests goodwill acquired in a business combination for impairment annually.

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

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

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

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit in the following order:

- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit and
- then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

# Brakpan Bus Company (Proprietary) Limited

(Registration number 2000/024331/07)

Annual Financial Statements for the year ended 30 June 2006

## Accounting Policies

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### 1.6 Owners contributions and Net assets

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Equity instruments issued by the company are classified according to the substance of the contractual arrangements entered into.

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

### 1.7 Employee benefits

#### Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), 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 profit sharing and 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.

### 1.8 Provisions and contingencies

Provisions are recognised when:

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

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

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

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

# Brakpan Bus Company (Proprietary) Limited

(Registration number 2000/024331/07)

Annual Financial Statements for the year ended 30 June 2006

## Accounting Policies

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### 1.8 Provisions and contingencies (continued)

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

### 1.9 Government grants

Government grants are recognised when there is reasonable assurance that:

- the company 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.

A government grant that becomes receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the entity with no future related costs is recognised as income of the period in which it becomes receivable.

Government grants related to assets, including non-monetary grants at fair value, are presented in the balance sheet by setting up the grant as deferred income or by deducting the grant in arriving at the carrying amount of the asset.

Grants related to income are presented as a credit in the income statement (separately).

Repayment of a grant related to income is applied first against any un-amortised deferred credit set up in respect of the grant. To the extent that the repayment exceeds any such deferred credit, or where no deferred credit exists, the repayment is recognised immediately as an expense.

Repayment of a grant related to an asset is recorded by increasing the carrying amount of the asset or reducing the deferred income balance by the amount repayable. The cumulative additional depreciation that would have been recognised to date as an expense in the absence of the grant is recognised immediately as an expense.

### 1.10 Revenue

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

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

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 balance sheet date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company;
- the stage of completion of the transaction at the balance sheet date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

Service revenue is recognised by reference to the stage of completion of the transaction at balance sheet date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.



# **Brakpan Bus Company (Proprietary) Limited**

(Registration number 2000/024331/07)

Annual Financial Statements for the year ended 30 June 2006

## **Accounting Policies**

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### **1.10 Revenue (continued)**

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, and value added tax.

Interest is recognised, in profit or loss, using the effective interest rate method.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

# Brakpan Bus Company (Proprietary) Limited

(Registration number 2000/024331/07)

Annual Financial Statements for the year ended 30 June 2006

## Notes to the Annual Financial Statements

Figures in Rand

2006

2005

### 2. Plant and equipment

	2006			2005		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Furniture and fixtures	1,850	(943)	907	1,850	(331)	1,519
Motor vehicles	259,356	(171,518)	87,838	259,356	(116,376)	142,980
IT equipment	29,941	(12,629)	17,312	7,268	(5,652)	1,616
Ticket machines	1,110,163	(418,778)	691,385	1,134,833	(252,407)	882,426
<b>Total</b>	<b>1,401,310</b>	<b>(603,868)</b>	<b>797,442</b>	<b>1,403,307</b>	<b>(374,766)</b>	<b>1,028,541</b>

#### Reconciliation of plant and equipment - 2006

	Opening Balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	1,519	-	-	(612)	907
Motor vehicles	142,980	-	-	(55,142)	87,838
IT equipment	1,616	22,673	-	(6,977)	17,312
Ticket machines	882,426	-	(18,194)	(172,847)	691,385
	<b>1,028,541</b>	<b>22,673</b>	<b>(18,194)</b>	<b>(235,578)</b>	<b>797,442</b>

#### Reconciliation of plant and equipment - 2005

	Opening Balance	Additions	Depreciation	Total
Furniture and fixtures	-	1,850	(331)	1,519
Motor vehicles	48,483	142,998	(48,501)	142,980
IT equipment	4,039	-	(2,423)	1,616
Ticket machines	1,102,390	-	(219,964)	882,426
	<b>1,154,912</b>	<b>144,848</b>	<b>(271,219)</b>	<b>1,028,541</b>

A register containing the information required by paragraph 22(3) of Schedule 4 of the Companies Act is available for inspection at the registered office of the company.

# Brakpan Bus Company (Proprietary) Limited

(Registration number 2000/024331/07)

Annual Financial Statements for the year ended 30 June 2006

## Notes to the Annual Financial Statements

Figures in Rand 2006 2005

### 3. Deferred tax

#### Deferred tax asset (liability)

Provision against net assets	63,249	-
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#### Reconciliation of deferred tax asset (liability)

Provisions	63,249	-
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#### Recognition of deferred tax asset

An entity shall disclose the amount of a deferred tax asset and the nature of the evidence supporting its recognition, when:

- the utilisation of the deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences; and
- the entity has suffered a loss in either the current or preceding period in the tax jurisdiction to which the deferred tax asset relates.

### 4. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	6,000	6,000
Bank balances	915,280	58,879
	<b>921,280</b>	<b>64,879</b>

### 5. Contribution from owner

#### Authorised

1000 Ordinary shares of R1 each	1,000	1,000
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#### Reconciliation of number of shares issued:

Reported as at 01 July 2005	6	6
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#### Issued

Ordinary	6	6
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### 6. Provisions

#### Reconciliation of provisions - 2006

	Opening Balance	Additions	Total
Provision for audit fees	-	159,600	159,600

### 7. Revenue

Subsidy	4,826,130	4,558,734
Passenger fares	3,264,347	3,279,272
Private hire	1,302,447	1,272,848
	<b>9,392,924</b>	<b>9,110,854</b>

# Brakpan Bus Company (Proprietary) Limited

(Registration number 2000/024331/07)

Annual Financial Statements for the year ended 30 June 2006

## Notes to the Annual Financial Statements

Figures in Rand	2006	2005
<b>8. Operating profit</b>		
Operating profit for the year is stated after accounting for the following:		
<b>Operating lease charges</b>		
Equipment		
• Contractual amounts	11,966	6,799
Auditors remuneration	300,914	-
Depreciation on property, plant and equipment	235,578	271,219
Directors emoluments	326,860	250,350
Employee costs	3,689,993	3,179,075
Profit (loss) on sale of property, plant and equipment	(18,194)	-
<b>9. Investment revenue</b>		
<b>Interest revenue</b>		
Bank	336	411
<b>10. Finance costs</b>		
Bank	-	217
<b>11. Taxation</b>		
<b>Major components of the tax expense (income)</b>		
<b>Current</b>		
Local income tax - current period	100,170	232,973
Local income tax - recognised in current tax for prior periods	69,263	-
	<b>169,433</b>	<b>232,973</b>
<b>Deferred</b>		
Provisions	(63,249)	-
	<b>106,184</b>	<b>232,973</b>
<b>Reconciliation of the tax expense</b>		
Reconciliation between applicable tax rate and average effective tax rate.		
Applicable tax rate	29.00 %	30.00 %
Exempt income	- %	(1.60)%
Recognised in current tax for prior periods	54.80 %	- %
	<b>83.80 %</b>	<b>28.40 %</b>

# Brakpan Bus Company (Proprietary) Limited

(Registration number 2000/024331/07)

Annual Financial Statements for the year ended 30 June 2006

## Notes to the Annual Financial Statements

Figures in Rand	2006	2005
<b>12. Auditors' remuneration</b>		
Fees	159,600	-
Adjustment for previous year	141,314	-
	<b>300,914</b>	-
<b>13. Cash generated from operations</b>		
Profit before taxation	126,626	820,877
<b>Adjustments for:</b>		
Depreciation and amortisation	235,578	271,219
Loss on sale of assets	18,194	-
Interest received	(336)	(411)
Finance costs	-	217
Movements in provisions	159,600	(261,120)
<b>Changes in working capital:</b>		
Trade and other receivables	461,792	(581,628)
Trade and other payables	56,547	505,640
	<b>1,058,001</b>	<b>754,794</b>
<b>14. Tax (paid) refunded</b>		
Balance at beginning of the period	-	(144,899)
Current tax for the period recognised in income statement	(169,433)	(232,973)
Balance at end of the period	(9,830)	-
	<b>(179,263)</b>	<b>(377,872)</b>
<b>15. Related parties</b>		
<b>Relationships</b>		
Holding company	Ekurhuleni Metropolitan Municipality	
<b>Related party balances</b>		
<b>Amounts included in Trade receivable (Trade Payable) regarding related parties</b>		
Ekurhuleni Metropolitan Municipality	138,961	41,640
<b>Related party transactions</b>		
<b>Purchases from (sales to) related parties</b>		
Ekurhuleni Metropolitan Municipality	3,844,177	3,823,827

# Brakpan Bus Company (Proprietary) Limited

(Registration number 2000/024331/07)

Annual Financial Statements for the year ended 30 June 2006

## Notes to the Annual Financial Statements

Figures in Rand	2006	2005
<b>16. Directors' emoluments</b>		
<b>Executive</b>		
<b>2006</b>	<b>Emoluments</b>	<b>Total</b>
For services as directors	258,210	258,210
<b>2005</b>	<b>Emoluments</b>	<b>Total</b>
For services as directors	174,600	174,600
<b>Non-executive</b>		
<b>2006</b>	<b>Emoluments</b>	<b>Total</b>
For services as directors	68,650	68,650
<b>2005</b>	<b>Emoluments</b>	<b>Total</b>
For services as directors	75,750	75,750

# Brakpan Bus Company (Proprietary) Limited

(Registration number 2000/024331/07)

Annual Financial Statements for the year ended 30 June 2006

## Detailed Statement of Financial Performance

Figures in Rand	Note(s)	2006	2005
<b>Revenue</b>			
Rendering of services		9,392,924	9,110,854
<b>Other income</b>			
Interest received	9	336	411
<b>Operating expenses</b>			
Accounting fees		-	44,896
Advertising		1,769	4,138
Auditors remuneration	12	300,914	-
Bad debts		602	-
Bank charges		49,842	46,401
Cleaning		18,535	5,569
Computer expenses		22,403	9,721
Consulting fees		60,127	16,000
Depreciation, amortisation and impairments		235,578	271,219
Employee costs		3,689,993	3,179,075
Fines and penalties		688	120
Hire busses		81,800	94,172
Insurance		19,806	15,663
Lease rentals on operating lease		11,966	6,799
Legal expenses		213	2,000
Levies		26,444	19,264
Loss on disposal of assets		18,194	-
Membership fees		9,872	10,850
Motor vehicle expenses		4,194,720	4,162,069
Municipal charges		74,778	72,600
Other expenses		2,000	1,839
Postage		-	438
Printing and stationery		29,082	47,817
Protective clothing		81,181	34,659
Provision for doubtful debts		78,000	-
Refreshments		3,304	6,978
Refund - Special busses		10,445	9,223
Repairs and maintenance		119,249	110,007
Security		94,458	83,594
Telephone and fax		24,111	30,100
Training		6,560	4,960
		<b>9,266,634</b>	<b>8,290,171</b>
<b>Operating surplus</b>			
Finance costs	10	-	(217)
<b>Surplus before taxation</b>			
Taxation	11	106,184	232,973
<b>Surplus for the period</b>			
		<b>20,442</b>	<b>587,904</b>

The supplementary information presented does not form part of the annual financial statements and is unaudited

## Brakpan Bus Company (Proprietary) Limited

(Registration number 2000/024331/07)

Tax registration number 9329/128/14/5

Annual Financial Statements for the year ended 30 June 2006

### Tax Computation

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Net income per income statement	126,626
<b>Permanent differences</b>	
Fines and penalties	<u>688</u>
	127,314
<b>Temporary differences</b>	218,100
Provision for doubtful debts	<u>78,000</u>
Doubtful debt allowance	(19,500)
Provision for audit fees	<u>159,600</u>
Taxable income for 2006	<u><u>345,414</u></u>
Taxation thereon @ 29c in the Rand	<u><u>100,170</u></u>
<b>Tax liability</b>	
Amount owing/(prepaid) at the beginning of year	-
Tax owing/(prepaid) for the current year	
Normal tax	(9,830)
Per calculation	<u>100,170</u>
1st provisional payment	(50,000)
2nd provisional payment	<u>(60,000)</u>
Amount owing/(prepaid) at the end of year	<u><u>(9,830)</u></u>





**Ekurhuleni**  
METROPOLITAN MUNICIPALITY

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