

Metrobus – Summary of changes
Integrated Annual Report
Draft 2 vs Recent draft

Page	Current – Draft 2	Changed to - FINAL
7	<p>The report considers economic, environmental, social and technical performance and is also available online on the entity's website (www.mbus.co.za).</p> <p>In formulating our business plan and determining our strategic priorities, we consider all that substantively affect the entity's ability to create value over the short, medium and long term, thereby affecting sustainability of the entity and relate to our financial and non-financial performance progress and prospects.</p> <p>The purpose of this report is to address material matters relating to Metrobus performance, progress and prospects. An issue becomes material when it impacts Metrobus ability to remain viable and socially relevant to the communities in which we operate. In particular, material issues are those that have strong bearing on our stakeholders 'assessments and decisions about Metrobus long-term sustainability and financial stability.</p> <p>The main areas covered in this report in terms of both current and future issues are based on what our stakeholders have raised as our business focus areas, priorities and the actively managed risks the entity faces.</p> <p>The entity has applied the principle of materiality in pertinent content and disclosure. A matter is material if it is of such relevance and importance that it could substantially influence an assessment of the report and the entity's ability to create value in the short, medium and long term.</p>	<p>Rewording:</p> <p>The report considers economic, environmental, social and technical performance and is also available online on the Metrobus and City of Johannesburg's websites (www.mbus.co.za and www.joburg.org.za).</p> <p>Materiality</p> <p>In formulating our Business Plan and determining our strategic priorities, we consider all that substantively affect the entity's ability to create value over the short, medium and long term, thereby affecting sustainability of the entity and relate to our financial and non-financial performance progress and prospects.</p> <p>An issue becomes material when it impacts Metrobus ability to remain viable and socially relevant to the communities in which we operate. In particular, material issues are those that have strong bearing on our stakeholders 'assessments and decisions about Metrobus long-term sustainability and financial stability.</p> <p>The main areas covered in this report in terms of both current and future issues are based on what our stakeholders have raised as our business focus areas, priorities and the actively managed risks the entity faces.</p> <p>During the preparation of the business strategy and business plan, Metrobus conducts an exercise to assess material issues. The following internal and external criteria were used by Metrobus in determining the materiality and significance levels of the risks and challenges facing Metrobus</p>

Page	Current – Draft 2		Changed to - FINAL					
	<p>Factors affecting materiality include:</p> <ol style="list-style-type: none"> 1. Nature of Metrobus business 2. Statutory requirements 3. Risks 4. Quantitative and qualitative factors 5. Nature of the transaction <p>During the preparation of the business strategy and business plan, Metrobus conducts an exercise to assess material issues. The following internal and external criteria were used by Metrobus in determining the materiality and significance levels of the risks and challenges facing Metrobus.</p>		Nature	Effect	Magnitude	Likelihood	Mitigating measures	Time Frame
<p>Internal Criteria</p> <p>City of Johannesburg Growth and Development strategy (Joburg 2040 criteria and objectives)</p>	<p>External Criteria</p> <p>Critical opportunities and challenges the Entity is geared to respond to.</p>	Strategic	Diminished ability to provide a reliable and safe bus service	<p>1) > 10% non-adherence to scheduled services</p> <p>2) Overloading leading to safety issues</p> <p>(3) Customer Complaints</p>	Almost Certain	Re-fleeting strategy	Short Medium	
<p>National and Provincial outcomes of Government</p>	<p>Changes in the socio-economic developmental agenda and priorities of National and Provincial Government</p>	Reputational	Loss of confidence among commuters and employees	Huge risk to public image	Possible	Commuter Engagement	Short Medium Long	
		Operational	<p>1) Service disruptions arising from non-availability of buses and labour relations</p> <p>2) High Accident rates and traffic offences</p>	<p>1) Huge risk to public</p> <p>2) High number of third party claims</p>	Almost Certain	<p>1) Monthly Union Management meetings</p> <p>2) Implement re-fleeting and refurbishment Strategy</p> <p>3) On-going Driver training</p> <p>(4) Fleet Accident</p>	Short Medium	

Page	Current – Draft 2		Changed to - FINAL					
	<p>Enterprise Risk Management Process; including key risks impacting Entity's strategic and operational objectives and the associated mitigating activities.</p>	<p>Factors which may impact the Entity's reputation, thereby influencing its ability to promote sustainable growth</p>					<p>claims stats reports (6) Regular reports being produced by Inspection/Route auditing. (7) Fines are monitored and deferred to the drivers. (8) Accident reports monitored (9) Insurance cover</p>	
	<p>Stakeholder expectations and feedback – e.g. from residents, rate-payers, business community, Non-Governmental Organisations (NGOs), National and Provincial Government, neighbouring municipalities, designated targeted groups.</p>	<p>The provisions of various frameworks including: Municipal Finance Management Act (MFMA); Public Finance Management Act (PFMA), Section 46(1) of the Municipal Systems Act (MSA); King III Code on Corporate Governance (King III), International Financial Reporting Standards (IFRS); Millennium Development Goals; BBBEE Code.</p>	Financial	<p>1) Loss of revenue from downtime (work stoppages) and cancelled trips 2) Ill-discipl</p>			<p>Monthly Union Management meetings</p> <p>(1) Tip off anonymous. (2) Internal Blitz. (3) Notices encouraging passengers to demand ticket</p>	<p>Short Medium</p>
	<p>The Entity's mission, vision and values.</p>							
	<p>The Entity's governance framework and policy environment.</p>							

Page	Current – Draft 2	Changed to - FINAL					
	<p>5.2.4 Material Issues relating Metrobus Strategy and Resource Allocation</p> <p>Eight material issues that are interrelated were produced:</p> <p>a) Inadequate fleet capacity: The entity is currently unable to meet its service delivery mandate with regards to the operation of scheduled trips and punctuality resulting from breakdowns and operating delays.</p> <p>b) Service reliability and performance: The challenge is to ensure consistent service quality and reliability. Currently reliability of the service is very poor resulting in large volumes of bona fide customer complaints.</p> <p>c) Service Quality and Maintenance: In order to improve the image of bus travel and achieve modal shift, there is a need to ensure that customer service standards are maintained.</p> <p>d) Service Information: Communication of unplanned service disruptions is still a challenge at Metrobus and this has led to the increased number of complaints and increasing levels of dissatisfaction from the customers.</p> <p>e) Cost Structure: A number of issues impact negatively on the cost structure, among which is the ever increasing cost of repairs and maintenance as well as diesel as well as bus repositioning mileage.</p> <p>f) Declining overall passenger revenues: The entity is heavily reliant on subsidy from the City and not</p>		<p>ine resulti ng in shrink age of Fare reven ue</p>			<p>printed. (4) Encouraging passengers to move from cash to tags. (5) Inspectors monitoring system. (6) Unions involved in advising members about the seriousness of theft. (7) Publish Customer Services Charter (8) Depots meetings with bus operators including unions</p>	
		Regulatory	<p>Challenge renewing permits and licenses</p> <p>The introduction of the Administration</p>	<p>Suspension of services by Transport Authorities</p> <p>Suspension of traffic</p>	Possible	<p>(1) Training of management and bus operators on AARTO Act. (2) Metrobus Management database has been</p>	<p>Short Mediu m Long</p>

Page	Current – Draft 2	Changed to - FINAL				
	<p>reaching its fare collection revenue targets consistently from year to year. Critical to improving financial position of the Metrobus is the existence of a reliable Revenue Management System which includes cash management and revenue collection. When we considered the worsening revenue position of Metrobus in the last four years, a combination of factors that contributed to this situation were identified:</p> <ul style="list-style-type: none"> • Anomalous distortion of Metrobus revenue generation capacity disregarding fleet capacity • Obsolete cash collection and ticketing system • Declining Patronage <p>g) Metrobus indebtedness</p> <p>.1 Metrobus financial position that position has weakened significantly mainly due to the increasing debt the entity owes to the Shareholder for Capital Expenditure and well as increasing finance costs.</p> <p>h) Fleet management & monitoring solutions Investment in fleet management solution is critical to improving travelling times, driver behaviour, asset management and reliability. The fleet management and monitoring solution Metrobus is advocating is a solution that will provide amongst other things added visibility, <u>in real time tracking and monitoring</u></p> <ul style="list-style-type: none"> • the exact location, • operating health status of the vehicle, • driver behavior, 		<p>and Adjudication of Traffic Offences is going to result in</p>	<p>offenders licenses thereby rendering them incapacitate d as bus drivers.</p>		<p>introduced and is monitored by the AARTO Officer for internal fines; Four employees have been trained; AARTO Officer has attended training course (3) An AARTO awareness campaign was conducted to all the staff (4) Weekly meetings are held to address traffic fines and offences</p>

Page	Current – Draft 2	Changed to - FINAL
20	<ul style="list-style-type: none"> • en-route fleet performance incl. economic fuel consumption, • Deviation from the route. <p>5.2.5 Key Risks and Opportunities Arising from the Metrobus Strategy and Resource Allocation</p> <p>While ongoing business activities of Metrobus gives rise risks and opportunities described later in this integrated report, the new business model give rise to risks to Metrobus, namely non-existence of long-term re-fleeting and refurbishment strategy and that the lack of capacity to operate the revised routes within specified frequencies will reduce its benefits and long-term sustainability.</p> <p>Critical to the implementation and success of the new business model is the existence of an Automated Fare Collection System (AFC), Advanced Public Transport Management System (APTMS) as well as an agreed Fee per Kilometre. Procurement process of these two systems is in the hands of the Shareholder</p> <p>This arrangement has created a form a dependency for Metrobus having to rely on the pace and the successful execution of procurement processes by the Shareholder. Further delays in the execution of these processes could erode any benefits that the Shareholder and Metrobus were hoping to receive from this turnaround plan.</p> <p>Metrobus has internalised the risks by actively participating in the final determination of the number of kilometres to be operated, the number of buses required, and the cost recovery fee for the operation. These elements are at a</p>	<p>Rewording:</p> <p>5.2.6 Key Risks and Opportunities Arising from the Metrobus Strategy and Resource Allocation</p> <p>While ongoing business activities of Metrobus gives rise risks and opportunities described later in this integrated report, the new business model give rise to risks to Metrobus, namely non-existence of long-term re-fleeting and refurbishment strategy and that the lack of capacity to operate the revised routes within specified frequencies will reduce its benefits and long-term sustainability.</p> <p>Critical to the implementation and success of the new business model is the existence of an Automated Fare Collection System (AFC), Advanced Public Transport Management System (APTMS) as well as an agreed Fee per Kilometre. Procurement process of these two systems is in the hands of the Shareholder</p> <p>This arrangement has created a form a dependency for Metrobus having to rely on the pace and the successful execution of procurement processes by the Shareholder. Further delays in the execution of these processes could erode any benefits that the Shareholder and Metrobus were hoping to receive from this turnaround plan.</p> <p>Metrobus has internalised the risks by actively participating in the final determination of the number of kilometres to be operated, the number of buses required, and the cost recovery fee for the operation. These elements are at a stress testing by both Metrobus and the Shareholder Teams.</p>

Page	Current – Draft 2	Changed to - FINAL												
	<p>stress testing by both Metrobus and the Shareholder Teams.</p> <p>Table 2: Risks related to the new business model</p> <table border="1" data-bbox="295 438 1008 1407"> <thead> <tr> <th data-bbox="295 438 548 510">Short term risks</th> <th data-bbox="548 438 795 510">Medium Term Risk</th> <th data-bbox="795 438 1008 510">Long Term Risk</th> </tr> </thead> <tbody> <tr> <td data-bbox="295 510 548 1407"> <ul style="list-style-type: none"> • Resistance by commuters to adapt to new business model (routes, transport integration and revenue collection model). • Delays in implementing the new model worsening Metrobus position • Resistance by employees (bus operators to operate new shifts • Delays in resolving Metrobus current </td> <td data-bbox="548 510 795 1407"> <ul style="list-style-type: none"> • Inability to achieve specified targets (Revenue, patronage) • Inadequate fleet capacity if re-fleeting strategy is not approved and funded. • Non adherence to scheduled plan leading to commuter dissatisfaction and penalties to Metrobus • Delays in migrating to the new business model </td> <td data-bbox="795 510 1008 1407"> <ul style="list-style-type: none"> • Future of Metrobus as going concern after the twelve (12) year concession period is not defined </td> </tr> </tbody> </table>	Short term risks	Medium Term Risk	Long Term Risk	<ul style="list-style-type: none"> • Resistance by commuters to adapt to new business model (routes, transport integration and revenue collection model). • Delays in implementing the new model worsening Metrobus position • Resistance by employees (bus operators to operate new shifts • Delays in resolving Metrobus current 	<ul style="list-style-type: none"> • Inability to achieve specified targets (Revenue, patronage) • Inadequate fleet capacity if re-fleeting strategy is not approved and funded. • Non adherence to scheduled plan leading to commuter dissatisfaction and penalties to Metrobus • Delays in migrating to the new business model 	<ul style="list-style-type: none"> • Future of Metrobus as going concern after the twelve (12) year concession period is not defined 	<p>Table 2: Risks related to the new business model</p> <table border="1" data-bbox="1034 363 2016 1375"> <thead> <tr> <th data-bbox="1034 363 1366 399">Short term risks</th> <th data-bbox="1366 363 1691 399">Medium Term Risk</th> <th data-bbox="1691 363 2016 399">Long Term Risk</th> </tr> </thead> <tbody> <tr> <td data-bbox="1034 399 1366 1375"> <ul style="list-style-type: none"> • Resistance by commuters to adapt to new business model (routes, transport integration and revenue collection model). • Delays in implementing the new model worsening Metrobus position • Resistance by employees (bus operators to operate new shifts • Delays in resolving Metrobus current financial situation and funding sources • Inability to attract and retain the right calibre of employees to deliver on the "VISION 2020" Strategy • Lack of funding for </td> <td data-bbox="1366 399 1691 1375"> <ul style="list-style-type: none"> • Inability to achieve specified targets (Revenue, patronage) • Inadequate fleet capacity if re-fleeting strategy is not approved and funded. • Non adherence to scheduled plan leading to commuter dissatisfaction and unaffordable penalties to Metrobus • Delays in migrating to the new business model worsening Metrobus operating and financial position • Lack of accountability from Metrobus for patronage and revenue growth. • Metrobus inability to </td> <td data-bbox="1691 399 2016 1375"> <ul style="list-style-type: none"> • Future of Metrobus as going concern after the twelve (12) year concession period is not defined. • Inadequate funding required for re-fleeting leading to regression in service reliability, high maintenance costs and reputational damage. </td> </tr> </tbody> </table>	Short term risks	Medium Term Risk	Long Term Risk	<ul style="list-style-type: none"> • Resistance by commuters to adapt to new business model (routes, transport integration and revenue collection model). • Delays in implementing the new model worsening Metrobus position • Resistance by employees (bus operators to operate new shifts • Delays in resolving Metrobus current financial situation and funding sources • Inability to attract and retain the right calibre of employees to deliver on the "VISION 2020" Strategy • Lack of funding for 	<ul style="list-style-type: none"> • Inability to achieve specified targets (Revenue, patronage) • Inadequate fleet capacity if re-fleeting strategy is not approved and funded. • Non adherence to scheduled plan leading to commuter dissatisfaction and unaffordable penalties to Metrobus • Delays in migrating to the new business model worsening Metrobus operating and financial position • Lack of accountability from Metrobus for patronage and revenue growth. • Metrobus inability to 	<ul style="list-style-type: none"> • Future of Metrobus as going concern after the twelve (12) year concession period is not defined. • Inadequate funding required for re-fleeting leading to regression in service reliability, high maintenance costs and reputational damage.
Short term risks	Medium Term Risk	Long Term Risk												
<ul style="list-style-type: none"> • Resistance by commuters to adapt to new business model (routes, transport integration and revenue collection model). • Delays in implementing the new model worsening Metrobus position • Resistance by employees (bus operators to operate new shifts • Delays in resolving Metrobus current 	<ul style="list-style-type: none"> • Inability to achieve specified targets (Revenue, patronage) • Inadequate fleet capacity if re-fleeting strategy is not approved and funded. • Non adherence to scheduled plan leading to commuter dissatisfaction and penalties to Metrobus • Delays in migrating to the new business model 	<ul style="list-style-type: none"> • Future of Metrobus as going concern after the twelve (12) year concession period is not defined 												
Short term risks	Medium Term Risk	Long Term Risk												
<ul style="list-style-type: none"> • Resistance by commuters to adapt to new business model (routes, transport integration and revenue collection model). • Delays in implementing the new model worsening Metrobus position • Resistance by employees (bus operators to operate new shifts • Delays in resolving Metrobus current financial situation and funding sources • Inability to attract and retain the right calibre of employees to deliver on the "VISION 2020" Strategy • Lack of funding for 	<ul style="list-style-type: none"> • Inability to achieve specified targets (Revenue, patronage) • Inadequate fleet capacity if re-fleeting strategy is not approved and funded. • Non adherence to scheduled plan leading to commuter dissatisfaction and unaffordable penalties to Metrobus • Delays in migrating to the new business model worsening Metrobus operating and financial position • Lack of accountability from Metrobus for patronage and revenue growth. • Metrobus inability to 	<ul style="list-style-type: none"> • Future of Metrobus as going concern after the twelve (12) year concession period is not defined. • Inadequate funding required for re-fleeting leading to regression in service reliability, high maintenance costs and reputational damage. 												

Page	Current – Draft 2			Changed to - FINAL								
	financial situation and funding sources <ul style="list-style-type: none"> Inability to attract and retain the right calibre of employees to deliver on the "VISION 2020" Strategy Lack of funding for ICT governance processes 	worsening Metrobus operating and financial position <ul style="list-style-type: none"> Lack of accountability from Metrobus for patronage and revenue growth. Metrobus inability to actively monitor on-route bus performance. 		ICT governance processes	actively monitor on-route bus performance. <ul style="list-style-type: none"> Possibility of non-alignment between the new business model and the entity re-absorption principles. Employee resistance to re-absorption due to lack of information 							
	<p>1.2.7. Opportunities:</p> <p>This new business model presents a huge opportunity for Metrobus to focus on the core business which is operating and maintenance of buses given that the Shareholder will be responsible for patronage growth, revenue collection and on-route bus monitoring.</p> <p>Another opportunity presented by this is the new model is possibility of resolving Metrobus current financial situation to give the entity a clean start.</p>			<p>1.2.7. Opportunities</p> <table border="1" data-bbox="1039 798 2016 1372"> <thead> <tr> <th data-bbox="1039 798 1361 836">Short term</th> <th data-bbox="1361 798 1697 836">Medium Term</th> <th data-bbox="1697 798 2016 836">Long Term</th> </tr> </thead> <tbody> <tr> <td data-bbox="1039 836 1361 1372"> Opportunity for Metrobus to start on a clean start (Resolving Metrobus current financial situation) </td> <td data-bbox="1361 836 1697 1372"> <ul style="list-style-type: none"> Metrobus to focus on the core business which is operating and maintenance of buses given that the Shareholder will be responsible for patronage growth, revenue collection and on-route bus monitoring. Leverage on the new business model in order to improve efficiencies. These </td> <td data-bbox="1697 836 2016 1372"> <ul style="list-style-type: none"> Centre of Excellence for repairs and maintenance of vehicles Centre of Excellence for green economy </td> </tr> </tbody> </table>			Short term	Medium Term	Long Term	Opportunity for Metrobus to start on a clean start (Resolving Metrobus current financial situation)	<ul style="list-style-type: none"> Metrobus to focus on the core business which is operating and maintenance of buses given that the Shareholder will be responsible for patronage growth, revenue collection and on-route bus monitoring. Leverage on the new business model in order to improve efficiencies. These 	<ul style="list-style-type: none"> Centre of Excellence for repairs and maintenance of vehicles Centre of Excellence for green economy
Short term	Medium Term	Long Term										
Opportunity for Metrobus to start on a clean start (Resolving Metrobus current financial situation)	<ul style="list-style-type: none"> Metrobus to focus on the core business which is operating and maintenance of buses given that the Shareholder will be responsible for patronage growth, revenue collection and on-route bus monitoring. Leverage on the new business model in order to improve efficiencies. These 	<ul style="list-style-type: none"> Centre of Excellence for repairs and maintenance of vehicles Centre of Excellence for green economy 										

Page	Current – Draft 2	Changed to - FINAL	
	<p>period had expired.</p> <p>There are opportunities to leverage on the new business model in order to improve efficiencies. These include options on fleet management which will provide added visibility in real time tracking and monitoring:</p> <ol style="list-style-type: none"> 1) the exact location, 2) health status of the vehicle, 3) driver behavior, 4) economic fuel consumption, 5) deviation from the route, <p>Other available options are on fuel monitoring devices which:</p> <ul style="list-style-type: none"> • Sends alerts in case of fuel drop and location. • Monitor idle time, driver behaviour, harsh braking, harsh acceleration, stop times`. • Manage the engine and route adherence. • Ensures green driving (over-revving, excessive idling and fuel usage). <p>To take advantage of these technological options and to manage the entity's valuable assets efficiently, capital investment is required.</p> <p>Although Fleet management will according to the new Bus Operating Company Agreement be controlled by the SSMA , during the transitional period must monitor its buses</p>		<p>include options on fleet management which will provide added visibility in real time tracking and monitoring:</p>

Page	Current - Draft 2	Changed to – FINAL					
29	<p>As we close the financial year 2015/16, we have to reflect on the difficulties and the successes we had to grapple with during the year. Metrobus advanced further in achieving the vision set out in its five year strategy "Vision 2020". Metrobus programmes in the 2015/16 financial year were focused improving fleet availability, finding interim measures for revenue management as well as improving stakeholder engagement.</p>	<p><u>Rewording:</u> As we close the financial year 2015/16, we have to reflect on the difficulties and the successes we had to grapple with during the year. Metrobus advanced further in achieving the vision set out in its five year strategy "Vision 2020". Metrobus programmes in the 2015/16 financial year were focused improving fleet availability, finding interim measures for revenue management as well as improving stakeholder engagement. These programmes aimed at ensuring that Metrobus delivers on the mandate as outlined in the Service Delivery Agreement. Metrobus is mandated to provide affordable, safe and reliable bus transport services to the residents of the City of Joburg.</p>					
30 MD's report	<p>For the period January to March, Metrobus spent R101.2 million of operating budget against a target of R101.2million resulting in 134k under spending.</p>	<p><u>Taken from Chairperson's report to MD's report</u> Taken from Chairperson's report Below is a brief summary of the outputs achieved in the Turnaround process:</p> <table border="1" data-bbox="795 911 2040 1380"> <thead> <tr> <th data-bbox="795 911 1167 951">Work Stream</th> <th data-bbox="1167 911 2040 951">Output</th> </tr> </thead> <tbody> <tr> <td data-bbox="795 951 1167 1380">Bus procurement</td> <td data-bbox="1167 951 2040 1380"> <ul style="list-style-type: none"> • 25 Euro 3 standard fleet buses were received • 15 new buses were hired from the bus manufacturer as an service measure • 102 new dual buses have been delivered to be retrofitted with a CNG system • 48 are in the process of being assembled and should be delivered by September 2016. • 30 buses have been refurbished and a further 60 buses which were initially scheduled for refurbishment and conversion between 2016 and 2017 has now been rescheduled for 201/19. Ways to bring the process forward needs to be exhausted in line with what the Turnaround plan is trying to achieve. Procured CNG virtual station </td> </tr> </tbody> </table>		Work Stream	Output	Bus procurement	<ul style="list-style-type: none"> • 25 Euro 3 standard fleet buses were received • 15 new buses were hired from the bus manufacturer as an service measure • 102 new dual buses have been delivered to be retrofitted with a CNG system • 48 are in the process of being assembled and should be delivered by September 2016. • 30 buses have been refurbished and a further 60 buses which were initially scheduled for refurbishment and conversion between 2016 and 2017 has now been rescheduled for 201/19. Ways to bring the process forward needs to be exhausted in line with what the Turnaround plan is trying to achieve. Procured CNG virtual station
Work Stream	Output						
Bus procurement	<ul style="list-style-type: none"> • 25 Euro 3 standard fleet buses were received • 15 new buses were hired from the bus manufacturer as an service measure • 102 new dual buses have been delivered to be retrofitted with a CNG system • 48 are in the process of being assembled and should be delivered by September 2016. • 30 buses have been refurbished and a further 60 buses which were initially scheduled for refurbishment and conversion between 2016 and 2017 has now been rescheduled for 201/19. Ways to bring the process forward needs to be exhausted in line with what the Turnaround plan is trying to achieve. Procured CNG virtual station 						

Page	Current - Draft 2	Changed to – FINAL	
			installed at Milpark depot. This has to be expanded to accommodate all the DDF buses procured by the entity.
		Bus Operating Contract Agreement or SLA Revised SDA	New SLAs and SDAs were developed to regulate the relationship between the City and Metrobus. These need to be finally negotiated between City and Metrobus.
		Financial model/fee per km	Metrobus prepared a draft financial model for the negotiation process.
		Operational plan	The Transport Department developed an operational plan for Metrobus. This has determined that Metrobus will require an approximate fleet of 318 buses to operate the 18.02 million kilometres per annum.
		Institutional design / re-organisation	New organograms were prepared for both Metrobus and SSMA in line with the reallocation of functions. A migration strategy was also prepared for the staff that needs to shift from Metrobus to SSMA.
		Automatic Fare Collection (AFC) and Advanced Public Transport Management System (APTMS)	The turnaround strategy requires that the Transport Department is responsible for AFC and APTMS. The Transport Department went out for tender in 2014 for an AFC and APTMS. However for a number of reasons, no award was made and the Transport Department will again go out for tender together with the tender for Rea Vaya Phase 1C.
32 MD's		<p><u>Additional detail:</u></p> <p>The Auditor-General South Africa completed its annual audit for 2015/16 financial year and Metrobus obtained an unqualified audit opinion from the Auditor-General South Africa (AGSA) for the tenth consecutive year. Metrobus progressed to an unqualified audit opinion with findings from an unqualified audit with emphasis of matter for the first time in three years. We are particularly happy that irregular expenditure decreased significantly in the 2015/16 financial year.</p> <p>Of concern is the continuous recording of internal control weaknesses in Supply Chain. The Auditor-General has highlighted instability in Supply Chain Leadership and inadequate consequence management as the main root causes for these</p>	

Page	Current – Draft 2	Changed to - FINAL
		<p>results.</p> <p>As we move forward, all members of the Executive Team will provide leadership to ensure adherence to best financial management practices on a daily basis. In addition, Metrobus Executive Team will work closely with the AGSA's office on an on-going basis to detect early signs of administrative or financial distress. In addition, Metrobus will aggressively promote the culture of effective risk management in all Metrobus Departments to manage closely areas vulnerable to corruption and fraud such as Supply Chain</p>
44 Board Committ ees		<p>Additional detail:</p> <p>2.3.1 Audit and Risk Committee</p> <p>The Audit and Risk Committee (ARC) met a minimum of four times for the financial year under review and also had special meetings when necessary.</p> <p>The ARC has discharged the functions in terms of its charter and ascribed to it in terms of the Companies Act and the Local Government: Municipal Finance Management Act ("MFMA") as follows:</p> <p>2.3.1.1. Statutory duties</p> <ul style="list-style-type: none"> • Accepted the appointment of the Auditor General of South Africa ("AGSA") as auditor, who, in our opinion is independent of the Company; • Took appropriate steps to ensure the financial statements were prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) and in the manner required by the Act; • Reviewed and discussed the audited financial statements with management; • Considered and, when appropriate, made recommendations on internal financial controls • Dealt with concerns or complaints on the content of annual financial

Page	Current – Draft 2	Changed to - FINAL
		<p>statements, and internal financial controls; and</p> <ul style="list-style-type: none"> • Reviewed legal matters that could have a significant impact on the organisation’s financial statements; and • Recommended the internal audit charter for approval to the Board. <p>2.3.1.2. The Effectiveness of Internal Controls</p> <p>Throughout the period under review, the ARC assisted the Board in discharging its duties by:</p> <ul style="list-style-type: none"> • Monitoring the systems to safeguard the Company's assets; • Monitoring the establishment of and compliance with the enterprise risk management policies and procedures; • Monitoring compliance with applicable laws, regulations and standards; • Monitoring the adequacy of corrective action taken in terms of the recommendations and observations of internal and external auditors; • Reviewing financial information and the preparation of accurate financial reporting and statements in compliance with all applicable legal requirements and accounting standards; and • Overseeing the performance of the internal audit function and the external auditors. <p>2.3.1.3. Finance Function</p> <p>The ARC has considered and satisfied itself of the appropriateness of the expertise, resources and experience of the senior members of management responsible for Metrobus’ financial function.</p> <p>2.3.2 The Remuneration Committee (REMCO)</p> <p>The Committee is appointed by the Board of Directors (“the Board”), in</p>

Page	Current – Draft 2	Changed to - FINAL
		<p>accordance with King III on Corporate Governance, to assist the Board in fulfilling its obligations relating to human resources, including performance, compensation, organisational design and succession matters.</p> <p>REMCO has discharged the functions in terms of its charter as follows:</p> <ul style="list-style-type: none"> • Recommended REMCO charter for approval to the Board Organizational Structure • Assessed and Recommended the following policies for approval by the Board <ol style="list-style-type: none"> 1. Learning and Development Policy 2. Reward and Recognition Policy 3. Performance Management Policy 4. Roll Out Plan on Performance Management 5. REMCO Quarterly Reports 6. Delegations of Authority 7. Employee Salary Increase Report 8. Payroll Migration to SAP <p>2.3.3 Service Delivery Committee</p> <p>The Service Delivery Committee (“SDC”) is a sub-committee of the Board of Directors established with the roles of guiding and assisting the Board of Directors to exercise its oversight role of ensuring strategy and policy formulation; guiding the company on alignment of resources in relation to implementation of strategic objectives.</p> <p>SDC has discharged the functions in terms of its charter as follows:</p> <ul style="list-style-type: none"> • Recommended SDC charter for approval by the Board • Assessed Operations and Technical Quarterly Reports <ol style="list-style-type: none"> 1. Assessed Metrobus Quarterly Performance Assessment Reports and

Page	Current – Draft 2	Changed to - FINAL
		<p>recommended them to the Board</p> <ol style="list-style-type: none"> 2. Recommended ICT Strategy for Board Approval 3. Assessed Customer Satisfaction survey Report 4. Recommended Customer Service Charter for Board Approval <p>2.3.4 Social and Ethics Committee</p> <p>The Social and Ethics Committee is mandated by the Board to fulfil the monitoring and evaluation role providing leadership on social responsibility issues, taking account of relevant legislation, other legal requirements or prevailing codes of best practice on behalf the Board and to draw matters within its mandate to the attention of the Board as the occasion requires. To monitor the Company's activities, having regard to any relevant legislation, other legal requirements or prevailing codes of best practice</p> <p>SEC has discharged the functions in terms of its charter as follows:</p> <ul style="list-style-type: none"> • Recommended SEC Terms of Reference for Board Approval • Recommended Social and Ethics Strategy for Board Approval • Assessed SEC Quarterly Reports which with focus on: <ol style="list-style-type: none"> 1) Value creation 2) maintaining good relations with customers; 3) community development 4) maintaining good relations with employees and achieving employment equity; 5) promoting and protecting the environment, health and safety; 6) preventing and combating bribery and corruption; 7) being a good corporate citizen, particularly our efforts at protecting and advancing human rights, promoting equality

Page	Current – Draft 2	Changed to - FINAL																														
		<p style="text-align: center;">and preventing unfair discrimination</p> <ul style="list-style-type: none"> • Recommended Customer Service Charter for Board Approval • Recommended Customer Service Charter for Board Approval • Recommended Metrobus Code of Ethics for Board Approval <p>During the quarter under review, a new Delegation of Authority policy was approved by the board, which is aligned to the reviewed supply chain management policy.</p>																														
15		<p>Additional Details :</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr style="background-color: #d9ead3;"> <th colspan="6" style="text-align: center;">METROBUS NON-EXECUTIVE DIRECTORS (NED)</th> </tr> <tr style="background-color: #d9d9d9;"> <th style="width: 5%;">NO</th> <th style="width: 20%;">NAME</th> <th style="width: 15%;">APPOINTMENT TYPE</th> <th style="width: 10%;">YEARS AT ENTITY</th> <th style="width: 30%;">QUALIFICATION(S)</th> <th style="width: 10%;">GENDER</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">1.</td> <td>Nompumelelo Mpofo</td> <td>NED & Chairperson</td> <td style="text-align: center;">15 March 2016</td> <td>Postgraduate Degree in Town Planning, BA (HONS) Urban and Regional Planning, GCE O' Level</td> <td style="text-align: center;">F</td> </tr> <tr> <td style="text-align: center;">2.</td> <td>Zakhele Mkhonta</td> <td>NED</td> <td style="text-align: center;">15 March 2016</td> <td>Diploma in Port Planning & Management , M.A Transport Economics, B.A Economics and Statistics</td> <td style="text-align: center;">M</td> </tr> <tr> <td style="text-align: center;">3.</td> <td>Moses Scott</td> <td>NED</td> <td style="text-align: center;">15 March 2016</td> <td>Diploma (HTD)</td> <td style="text-align: center;">M</td> </tr> </tbody> </table>	METROBUS NON-EXECUTIVE DIRECTORS (NED)						NO	NAME	APPOINTMENT TYPE	YEARS AT ENTITY	QUALIFICATION(S)	GENDER	1.	Nompumelelo Mpofo	NED & Chairperson	15 March 2016	Postgraduate Degree in Town Planning, BA (HONS) Urban and Regional Planning, GCE O' Level	F	2.	Zakhele Mkhonta	NED	15 March 2016	Diploma in Port Planning & Management , M.A Transport Economics, B.A Economics and Statistics	M	3.	Moses Scott	NED	15 March 2016	Diploma (HTD)	M
METROBUS NON-EXECUTIVE DIRECTORS (NED)																																
NO	NAME	APPOINTMENT TYPE	YEARS AT ENTITY	QUALIFICATION(S)	GENDER																											
1.	Nompumelelo Mpofo	NED & Chairperson	15 March 2016	Postgraduate Degree in Town Planning, BA (HONS) Urban and Regional Planning, GCE O' Level	F																											
2.	Zakhele Mkhonta	NED	15 March 2016	Diploma in Port Planning & Management , M.A Transport Economics, B.A Economics and Statistics	M																											
3.	Moses Scott	NED	15 March 2016	Diploma (HTD)	M																											

Page	Current – Draft 2	Changed to - FINAL					
		4.	Mpho Moerane	NED	25 April 2012	Project Management	M
		5.	Dennis Baloyi	NED	15 March 2016	MSc Town & Transport Planning	M
		6.	Zwelakhe Mayaba	NED	15 March 2016	PG Master's Diploma in HRM, Bachelor of ARTS, Primary Teacher's Diploma, Gen Man Prog	M
		7.	Grace Rapholo	NED	15 March 2016	Bachelor, of Journalism, Bachelor of Science honours, Master of Philosophy, M.Soc Science and Clinical Psychology	F
		8.	Patrick Mmope	NED	15 March 2016	B Com Accounting, MBA	M
		9.	Susan Yanguya	NED	03 February 2015 (IAC) 16 April 2015 (NED)	BA, PGDE, FCCA, CA(SA), HDip Tax Law	
		10.	Khusela Sangoni	NED	03 February 2015	BComm (Marketing Management), HDip Integrated	F

Page	Current – Draft 2	Changed to - FINAL				
						marketing, Dip Project Management, Certificate in Corporate Communication, Higher Certificate in CRM
		11.	Mavela Dlamini	Executive Director and MD	03 November 2014	BSc Hons, MSc Civil Engineering M
		12.	Zane Mheyamwa	Executive Director and CFO	1 October 2015	MBA, Post Diploma in Business Studies, Bcom Accounting Honours Bcom Accounting, Certificate in Advanced Marketing Management, Certificate in Strategic Planning Formulation M
		METROBUS INDEPENDENT AUDIT COMMITTEE MEMBERS (IAC)				
		13.	Karen Parirenyatwa	IAC	25 February 2014	BTech Degree in Banking, Diploma in advanced Banking Law, Certificate in Internal Audit, F

Page	Current – Draft 2	Changed to - FINAL																								
						Certified Associate Institute of Bankers																				
		14.	Morwesi Ramonyai	IAC	15 March 2016	Executive MBA, Bachelor of Commerce and International Executive Development programme F																				
		15.	Sizo Mzizi	IAC	25 February 2014	Higher Diploma in Education, BTech: Cost and Management Accounting, Certificate in Accountancy, BCom Hons, Certificate in Corporate Governance, CIMA Part A and B F																				
95		<p>Additional Information :</p> <p>Staff establishment and key vacancies</p> <table border="1" data-bbox="1059 1155 2024 1378"> <thead> <tr> <th>#</th> <th>Division</th> <th>Compliment</th> <th>Strength</th> <th>Vacancies</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Office of the Managing Director</td> <td>5</td> <td>3</td> <td>2</td> </tr> <tr> <td>2</td> <td>Corporate Services</td> <td>99</td> <td>85</td> <td>14</td> </tr> <tr> <td>3</td> <td>Legal Counsel and Company Secretary</td> <td>5</td> <td>3</td> <td>2</td> </tr> </tbody> </table>					#	Division	Compliment	Strength	Vacancies	1	Office of the Managing Director	5	3	2	2	Corporate Services	99	85	14	3	Legal Counsel and Company Secretary	5	3	2
#	Division	Compliment	Strength	Vacancies																						
1	Office of the Managing Director	5	3	2																						
2	Corporate Services	99	85	14																						
3	Legal Counsel and Company Secretary	5	3	2																						

Page	Current – Draft 2	Changed to - FINAL																																												
		4	Information Technology and Communication	16	7	9																																								
		5	Internal Audit and Risk Management	3	2	1																																								
		6	Finance	43	26	17																																								
		7	Operations	585	523	62																																								
		8	Technical	231	204	27																																								
		TOTAL		987	853	134																																								
		Critical vacancies to be filled during 2016/2017 financial year																																												
		<table border="1"> <thead> <tr> <th data-bbox="1048 612 1397 671">Department</th> <th data-bbox="1397 612 1756 671">Job</th> <th data-bbox="1756 612 1868 671">Job level</th> <th data-bbox="1868 612 2024 671">Number of vacancies</th> </tr> </thead> <tbody> <tr> <td data-bbox="1048 671 1397 991" rowspan="5">Finance</td> <td data-bbox="1397 671 1756 735">Manager: Management Accountant</td> <td data-bbox="1756 671 1868 735">DU</td> <td data-bbox="1868 671 2024 735">1</td> </tr> <tr> <td data-bbox="1397 735 1756 799">Financial Accountant: Assets</td> <td data-bbox="1756 735 1868 799">DL</td> <td data-bbox="1868 735 2024 799">1</td> </tr> <tr> <td data-bbox="1397 799 1756 863">Assistant Financial Accountant: Internal Control</td> <td data-bbox="1756 799 1868 863">CU</td> <td data-bbox="1868 799 2024 863">1</td> </tr> <tr> <td data-bbox="1397 863 1756 927">Assistant Financial Accountant: Compliance</td> <td data-bbox="1756 863 1868 927">CU</td> <td data-bbox="1868 863 2024 927">1</td> </tr> <tr> <td data-bbox="1397 927 1756 991">Specialist: Demand and Acquisition</td> <td data-bbox="1756 927 1868 991">DL</td> <td data-bbox="1868 927 2024 991">1</td> </tr> <tr> <td data-bbox="1048 991 1397 1086">Information & Communication Technology</td> <td data-bbox="1397 991 1756 1086">Specialist: Business Analysis</td> <td data-bbox="1756 991 1868 1086">DL</td> <td data-bbox="1868 991 2024 1086">2</td> </tr> <tr> <td data-bbox="1048 1086 1397 1334" rowspan="4">Technical Services</td> <td data-bbox="1397 1086 1756 1150">Manager: Business Processes Management</td> <td data-bbox="1756 1086 1868 1150">DU</td> <td data-bbox="1868 1086 2024 1150">1</td> </tr> <tr> <td data-bbox="1397 1150 1756 1214">Manager: Centres of Excellence</td> <td data-bbox="1756 1150 1868 1214">DU</td> <td data-bbox="1868 1150 2024 1214">1</td> </tr> <tr> <td data-bbox="1397 1214 1756 1278">Manager: Green Economy and Energy Management</td> <td data-bbox="1756 1214 1868 1278">DU</td> <td data-bbox="1868 1214 2024 1278">1</td> </tr> <tr> <td data-bbox="1397 1278 1756 1334">Specialist: Green Economy and Energy management</td> <td data-bbox="1756 1278 1868 1334">DL</td> <td data-bbox="1868 1278 2024 1334">1</td> </tr> <tr> <td data-bbox="1048 1334 1397 1396">Office of the Managing Director</td> <td data-bbox="1397 1334 1756 1396">Specialist: Customer Relations Management</td> <td data-bbox="1756 1334 1868 1396">DL</td> <td data-bbox="1868 1334 2024 1396">1</td> </tr> </tbody> </table>				Department	Job	Job level	Number of vacancies	Finance	Manager: Management Accountant	DU	1	Financial Accountant: Assets	DL	1	Assistant Financial Accountant: Internal Control	CU	1	Assistant Financial Accountant: Compliance	CU	1	Specialist: Demand and Acquisition	DL	1	Information & Communication Technology	Specialist: Business Analysis	DL	2	Technical Services	Manager: Business Processes Management	DU	1	Manager: Centres of Excellence	DU	1	Manager: Green Economy and Energy Management	DU	1	Specialist: Green Economy and Energy management	DL	1	Office of the Managing Director	Specialist: Customer Relations Management	DL	1
Department	Job	Job level	Number of vacancies																																											
Finance	Manager: Management Accountant	DU	1																																											
	Financial Accountant: Assets	DL	1																																											
	Assistant Financial Accountant: Internal Control	CU	1																																											
	Assistant Financial Accountant: Compliance	CU	1																																											
	Specialist: Demand and Acquisition	DL	1																																											
Information & Communication Technology	Specialist: Business Analysis	DL	2																																											
Technical Services	Manager: Business Processes Management	DU	1																																											
	Manager: Centres of Excellence	DU	1																																											
	Manager: Green Economy and Energy Management	DU	1																																											
	Specialist: Green Economy and Energy management	DL	1																																											
Office of the Managing Director	Specialist: Customer Relations Management	DL	1																																											

Page	Current – Draft 2	Changed to - FINAL				
97			Specialist: Communications and Stakeholder Engagement.	DL	1	
		Legal Counsel & Company Secretary	Officer: Board Committees	CU	1	
		Corporate Services	Manager: Human Resources Management and ODD	DU	1	
			Specialist: Learning and Development	DL	1	
			Manager: Facilities and Auxiliary Services	DU	1	
			Officer: Human Resources Business Partners	CU	4	
		Operations	Manager: Customer Services, Incident Management and Fleet Management	DU	1	
			Specialist: Fleet Management	DL	1	
		Administrative Officers (Executives Support)	Office Administrator	BU	6	
		Number of critical vacancies to be filled in 2016/2017 Financial Year				29
		<p>1. Employee remuneration (total costs including Executives)</p> <p>The total employee costs (including Executives) for the year stood at R224 519 523 against a budget of R230 012 774. The over-expenditure on allowances is in the main due to misalignment in the budget which will be addressed in the new financial year as part of the budget review process with the Finance department. The over-expenditure on training is due to the comprehensive driver training program embarked as discussed hereunder in</p>				

Page	Current – Draft 2	Changed to - FINAL															
		<p>this report under Employee Skills Development. The total employee costs as a percentage of operational costs is currently at circa 49%. Metrobus whilst being mindful that the ratio of employee costs to operational expenditure is a result of the funding model, the team is currently considering a number of measures to curtail the employee costs and reduce the same to 45% by June 2017. This measures will amongst others include natural attrition, review of support roles in the whole business as well as restructuring of the funding model.</p> <div data-bbox="1041 571 2049 1268" style="border: 1px solid black; padding: 10px;"> <h3 style="text-align: center;">Employee related costs for the year under re</h3> <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr> <th></th> <th>Salaries</th> <th>Allowances</th> <th>Training</th> <th>Staff welfare</th> </tr> </thead> <tbody> <tr> <td>Actual Costs</td> <td>R 224 519 523</td> <td>R 55 596 697.</td> <td>R 3 874 492.0</td> <td>R 71 007.00</td> </tr> <tr> <td>Budget</td> <td>R 230 012 774</td> <td>R 51 877 231.</td> <td>R 3 725 741.0</td> <td>R 558 000.00</td> </tr> </tbody> </table> </div>		Salaries	Allowances	Training	Staff welfare	Actual Costs	R 224 519 523	R 55 596 697.	R 3 874 492.0	R 71 007.00	Budget	R 230 012 774	R 51 877 231.	R 3 725 741.0	R 558 000.00
	Salaries	Allowances	Training	Staff welfare													
Actual Costs	R 224 519 523	R 55 596 697.	R 3 874 492.0	R 71 007.00													
Budget	R 230 012 774	R 51 877 231.	R 3 725 741.0	R 558 000.00													
19		Additional information															

Page	Current – Draft 2	Changed to - FINAL																																																																																																																																		
		<p data-bbox="1043 264 1951 292">4.1. Employment Equity status: Occupational Levels – 30 JUNE 2016</p> <table border="1" data-bbox="1043 355 2018 1313"> <thead> <tr> <th data-bbox="1043 355 1368 528" rowspan="2">Occupational Levels</th> <th colspan="4" data-bbox="1368 355 1581 456">Male</th> <th colspan="4" data-bbox="1581 355 1771 456">Female</th> <th colspan="2" data-bbox="1771 355 1939 456">Foreign Nationals</th> <th data-bbox="1939 355 2018 456" rowspan="2">Total</th> </tr> <tr> <th data-bbox="1368 456 1424 528">A</th> <th data-bbox="1424 456 1480 528">C</th> <th data-bbox="1480 456 1536 528">I</th> <th data-bbox="1536 456 1592 528">W</th> <th data-bbox="1581 456 1637 528">A</th> <th data-bbox="1637 456 1693 528">C</th> <th data-bbox="1693 456 1749 528">I</th> <th data-bbox="1749 456 1805 528">W</th> <th data-bbox="1771 456 1827 528">Male</th> <th data-bbox="1827 456 1939 528">Female</th> </tr> </thead> <tbody> <tr> <td data-bbox="1043 528 1368 608">Top management</td> <td data-bbox="1368 528 1424 608">6</td> <td data-bbox="1424 528 1480 608">0</td> <td data-bbox="1480 528 1536 608">0</td> <td data-bbox="1536 528 1592 608">0</td> <td data-bbox="1581 528 1637 608">1</td> <td data-bbox="1637 528 1693 608">0</td> <td data-bbox="1693 528 1749 608">0</td> <td data-bbox="1749 528 1805 608">1</td> <td data-bbox="1771 528 1827 608">0</td> <td data-bbox="1827 528 1939 608">0</td> <td data-bbox="1939 528 2018 608">8</td> </tr> <tr> <td data-bbox="1043 608 1368 663">Senior management</td> <td data-bbox="1368 608 1424 663">8</td> <td data-bbox="1424 608 1480 663">1</td> <td data-bbox="1480 608 1536 663">0</td> <td data-bbox="1536 608 1592 663">3</td> <td data-bbox="1581 608 1637 663">3</td> <td data-bbox="1637 608 1693 663">0</td> <td data-bbox="1693 608 1749 663">0</td> <td data-bbox="1749 608 1805 663">0</td> <td data-bbox="1771 608 1827 663">0</td> <td data-bbox="1827 608 1939 663">0</td> <td data-bbox="1939 608 2018 663">15</td> </tr> <tr> <td data-bbox="1043 663 1368 791">Professionally qualified and experienced specialists and mid-management</td> <td data-bbox="1368 663 1424 791">2</td> <td data-bbox="1424 663 1480 791">1</td> <td data-bbox="1480 663 1536 791">0</td> <td data-bbox="1536 663 1592 791">0</td> <td data-bbox="1581 663 1637 791">3</td> <td data-bbox="1637 663 1693 791">0</td> <td data-bbox="1693 663 1749 791">0</td> <td data-bbox="1749 663 1805 791">1</td> <td data-bbox="1771 663 1827 791">0</td> <td data-bbox="1827 663 1939 791">0</td> <td data-bbox="1939 663 2018 791">7</td> </tr> <tr> <td data-bbox="1043 791 1368 975">Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents</td> <td data-bbox="1368 791 1424 975">81</td> <td data-bbox="1424 791 1480 975">12</td> <td data-bbox="1480 791 1536 975">3</td> <td data-bbox="1536 791 1592 975">12</td> <td data-bbox="1581 791 1637 975">5</td> <td data-bbox="1637 791 1693 975">0</td> <td data-bbox="1693 791 1749 975">0</td> <td data-bbox="1749 791 1805 975">3</td> <td data-bbox="1771 791 1827 975">1</td> <td data-bbox="1827 791 1939 975">0</td> <td data-bbox="1939 791 2018 975">117</td> </tr> <tr> <td data-bbox="1043 975 1368 1070">Semi-skilled and discretionary decision making</td> <td data-bbox="1368 975 1424 1070">421</td> <td data-bbox="1424 975 1480 1070">36</td> <td data-bbox="1480 975 1536 1070">0</td> <td data-bbox="1536 975 1592 1070">8</td> <td data-bbox="1581 975 1637 1070">98</td> <td data-bbox="1637 975 1693 1070">6</td> <td data-bbox="1693 975 1749 1070">1</td> <td data-bbox="1749 975 1805 1070">2</td> <td data-bbox="1771 975 1827 1070">0</td> <td data-bbox="1827 975 1939 1070">0</td> <td data-bbox="1939 975 2018 1070">572</td> </tr> <tr> <td data-bbox="1043 1070 1368 1150">Unskilled and defined decision making</td> <td data-bbox="1368 1070 1424 1150">82</td> <td data-bbox="1424 1070 1480 1150">6</td> <td data-bbox="1480 1070 1536 1150">0</td> <td data-bbox="1536 1070 1592 1150">0</td> <td data-bbox="1581 1070 1637 1150">44</td> <td data-bbox="1637 1070 1693 1150">2</td> <td data-bbox="1693 1070 1749 1150">0</td> <td data-bbox="1749 1070 1805 1150">0</td> <td data-bbox="1771 1070 1827 1150">0</td> <td data-bbox="1827 1070 1939 1150">0</td> <td data-bbox="1939 1070 2018 1150">134</td> </tr> <tr> <td data-bbox="1043 1150 1368 1198">TOTAL PERMANENT</td> <td data-bbox="1368 1150 1424 1198">600</td> <td data-bbox="1424 1150 1480 1198">56</td> <td data-bbox="1480 1150 1536 1198">3</td> <td data-bbox="1536 1150 1592 1198">23</td> <td data-bbox="1581 1150 1637 1198">154</td> <td data-bbox="1637 1150 1693 1198">8</td> <td data-bbox="1693 1150 1749 1198">1</td> <td data-bbox="1749 1150 1805 1198">7</td> <td data-bbox="1771 1150 1827 1198">1</td> <td data-bbox="1827 1150 1939 1198">0</td> <td data-bbox="1939 1150 2018 1198">853</td> </tr> <tr> <td data-bbox="1043 1198 1368 1254">Temporary employees</td> <td data-bbox="1368 1198 1424 1254">0</td> <td data-bbox="1424 1198 1480 1254">0</td> <td data-bbox="1480 1198 1536 1254">0</td> <td data-bbox="1536 1198 1592 1254">0</td> <td data-bbox="1581 1198 1637 1254">0</td> <td data-bbox="1637 1198 1693 1254">0</td> <td data-bbox="1693 1198 1749 1254">0</td> <td data-bbox="1749 1198 1805 1254">0</td> <td data-bbox="1771 1198 1827 1254">0</td> <td data-bbox="1827 1198 1939 1254">0</td> <td data-bbox="1939 1198 2018 1254">0</td> </tr> <tr> <td data-bbox="1043 1254 1368 1313">GRAND TOTAL</td> <td data-bbox="1368 1254 1424 1313">600</td> <td data-bbox="1424 1254 1480 1313">56</td> <td data-bbox="1480 1254 1536 1313">3</td> <td data-bbox="1536 1254 1592 1313">23</td> <td data-bbox="1581 1254 1637 1313">154</td> <td data-bbox="1637 1254 1693 1313">8</td> <td data-bbox="1693 1254 1749 1313">1</td> <td data-bbox="1749 1254 1805 1313">7</td> <td data-bbox="1771 1254 1827 1313">1</td> <td data-bbox="1827 1254 1939 1313">0</td> <td data-bbox="1939 1254 2018 1313">853</td> </tr> </tbody> </table>	Occupational Levels	Male				Female				Foreign Nationals		Total	A	C	I	W	A	C	I	W	Male	Female	Top management	6	0	0	0	1	0	0	1	0	0	8	Senior management	8	1	0	3	3	0	0	0	0	0	15	Professionally qualified and experienced specialists and mid-management	2	1	0	0	3	0	0	1	0	0	7	Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	81	12	3	12	5	0	0	3	1	0	117	Semi-skilled and discretionary decision making	421	36	0	8	98	6	1	2	0	0	572	Unskilled and defined decision making	82	6	0	0	44	2	0	0	0	0	134	TOTAL PERMANENT	600	56	3	23	154	8	1	7	1	0	853	Temporary employees	0	0	0	0	0	0	0	0	0	0	0	GRAND TOTAL	600	56	3	23	154	8	1	7	1	0	853
Occupational Levels	Male				Female				Foreign Nationals		Total																																																																																																																									
	A	C	I	W	A	C	I	W	Male	Female																																																																																																																										
Top management	6	0	0	0	1	0	0	1	0	0	8																																																																																																																									
Senior management	8	1	0	3	3	0	0	0	0	0	15																																																																																																																									
Professionally qualified and experienced specialists and mid-management	2	1	0	0	3	0	0	1	0	0	7																																																																																																																									
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	81	12	3	12	5	0	0	3	1	0	117																																																																																																																									
Semi-skilled and discretionary decision making	421	36	0	8	98	6	1	2	0	0	572																																																																																																																									
Unskilled and defined decision making	82	6	0	0	44	2	0	0	0	0	134																																																																																																																									
TOTAL PERMANENT	600	56	3	23	154	8	1	7	1	0	853																																																																																																																									
Temporary employees	0	0	0	0	0	0	0	0	0	0	0																																																																																																																									
GRAND TOTAL	600	56	3	23	154	8	1	7	1	0	853																																																																																																																									

Page	Current – Draft 2	Changed to - FINAL																																								
		<p data-bbox="1039 261 1715 293">4.2. Employment Equity / Staff Demographic Profile</p> <table border="1" data-bbox="1055 363 2024 595"> <thead> <tr> <th data-bbox="1061 368 1234 480" rowspan="2">Present and Expected</th> <th data-bbox="1234 368 1384 480" rowspan="2"></th> <th colspan="4" data-bbox="1384 368 1637 400">Male</th> <th colspan="4" data-bbox="1637 368 1928 400">Female</th> <th data-bbox="1928 368 2018 400" rowspan="2">Total</th> </tr> <tr> <th data-bbox="1384 400 1458 480">A</th> <th data-bbox="1458 400 1525 480">C</th> <th data-bbox="1525 400 1581 480">I</th> <th data-bbox="1581 400 1637 480">W</th> <th data-bbox="1637 400 1738 480">A</th> <th data-bbox="1738 400 1805 480">C</th> <th data-bbox="1805 400 1861 480">I</th> <th data-bbox="1861 400 1928 480">W</th> </tr> </thead> <tbody> <tr> <td data-bbox="1061 480 1234 536" rowspan="2">All Employees</td> <td data-bbox="1234 480 1384 536">Current</td> <td data-bbox="1384 480 1458 536">601</td> <td data-bbox="1458 480 1525 536">56</td> <td data-bbox="1525 480 1581 536">3</td> <td data-bbox="1581 480 1637 536">23</td> <td data-bbox="1637 480 1738 536">154</td> <td data-bbox="1738 480 1805 536">8</td> <td data-bbox="1805 480 1861 536">1</td> <td data-bbox="1861 480 1928 536">7</td> <td data-bbox="1928 480 2018 536">853</td> </tr> <tr> <td data-bbox="1234 536 1384 592">Proposed</td> <td data-bbox="1384 536 1458 592">533</td> <td data-bbox="1458 536 1525 592">60</td> <td data-bbox="1525 536 1581 592">15</td> <td data-bbox="1581 536 1637 592">20</td> <td data-bbox="1637 536 1738 592">217</td> <td data-bbox="1738 536 1805 592">17</td> <td data-bbox="1805 536 1861 592">13</td> <td data-bbox="1861 536 1928 592">10</td> <td data-bbox="1928 536 2018 592">987</td> </tr> </tbody> </table>	Present and Expected		Male				Female				Total	A	C	I	W	A	C	I	W	All Employees	Current	601	56	3	23	154	8	1	7	853	Proposed	533	60	15	20	217	17	13	10	987
Present and Expected		Male				Female				Total																																
		A	C	I	W	A	C	I	W																																	
All Employees	Current	601	56	3	23	154	8	1	7	853																																
	Proposed	533	60	15	20	217	17	13	10	987																																
30	•	<p data-bbox="1039 604 1196 636">Relocation :</p> <p data-bbox="1039 671 1581 703">Financial Performance moved to Chapter 5</p> <p data-bbox="1039 751 1346 783">3.4.1 Financial overview</p> <p data-bbox="1039 823 2024 927">The year under review was challenging given the depressed economic growth both globally and in the domestic environment. However, the key challenges to economic growth in South Africa are domestic.</p> <p data-bbox="1039 967 2024 1174">In 2015 South Africa's growth continued to slow down, recording only 1.5%, the weakest performance since the global financial crisis. In 2015 the International Monetary Fund (IMF) further revised downwards SA's economic growth forecasts for this and next year, citing electricity shortages as the main reason. The IMF cut the economic growth forecast for this year to 2% from 2.3% in October and reduced the forecast for next year to 2.1% from 2.5% in January 2017</p> <p data-bbox="1039 1214 1525 1246">3.4.2 Financial Performance Highlights</p> <table border="1" data-bbox="1039 1254 2024 1380"> <thead> <tr> <th colspan="3" data-bbox="1046 1262 2018 1294">Financial Performance: METROBUS</th> </tr> <tr> <th colspan="3" data-bbox="1046 1302 2018 1334">R'000</th> </tr> <tr> <th data-bbox="1046 1342 1301 1374">Details</th> <th data-bbox="1301 1342 1429 1374">2014/15</th> <th data-bbox="1429 1342 2018 1374">2015/16</th> </tr> </thead> <tbody> <tr> <td data-bbox="1046 1374 1301 1380"></td> <td data-bbox="1301 1374 1429 1380"></td> <td data-bbox="1429 1374 2018 1380"></td> </tr> </tbody> </table>	Financial Performance: METROBUS			R'000			Details	2014/15	2015/16																															
Financial Performance: METROBUS																																										
R'000																																										
Details	2014/15	2015/16																																								

Page	Current – Draft 2	Changed to - FINAL					
			Actual	Original Budget	Adjustment Budget	Actual	Variance to Budget
		Total Operational revenue	519 402 054	612 023 000	589 242 000	546 045 358	-43 196 642
		Employees	272 201 062	285 374 000	286 593 000	286 823 660	-230 660
		Repairs and Maintenance	70 932 038	53 793 000	53 793 000	53 751 054	41 946
		Other	257 180 152	272 856 000	248 856 000	238 447 128	10 408 872
		Total Operational Expenditure	600 313 252	612 023 000	589 242 000	579 021 842	10 220 158
		Net Operational Expenditure	-80 911 198	-	-	-32 976 484	-32 976 484
		<p>Metrobus saw deficit decreasing from R81 million reported in 2014/15 to R33 million for the 2015/16 financial year. This reflects a significant improvement of R48 million (59%). This improvement can be mainly attributable to expenditure management and controls implemented during the year which resulted in R10.2million under spending against an adjusted budget of RR589.2 million. The Operating budget was adjusted downwards at mid-year from R612 million to R589.2 million due to fluctuating global economic conditions. This R10.2 million under spending reduced the effect of R43.2 million revenue shortfall on the bottom line from a potential deficit of R43.1 million to a reported deficit of R33 million. . Main cost drivers are employee costs at 50%, Repairs and maintenance at 9%, Fuel for buses at 10% and Finance charges at 6%. At R576 million (FY15: R595 million), Metrobus expenditure was reduced by 3.2%. The current year's reduction can be attributable to the cost reduction measures implemented during the year to manage the impact of fare revenue shortfall in the bottom line. The unexpected increase in overdraft as a result of capital funding, increased interest cost by R17 million.</p> <p>Fuel costs remain volatile on world markets and form a very significant element of the company's operating expenditure. Fuel costs amounted to R60 million for 2016</p>					

Page	Current – Draft 2	Changed to - FINAL														
		<p>(2015: R75.7 million). The average price per litre increased in 2016 compared to 2015 levels but the welcome introduction of the diesel rebate scheme in July 2013 helped to offset the effect of this increase in costs.</p> <div data-bbox="1048 400 2002 991" style="border: 1px solid black; padding: 10px; text-align: center;"> <h3>Expenditure % composition</h3> <table border="1" style="margin-left: auto; margin-right: auto;"> <caption>Expenditure % composition data</caption> <thead> <tr> <th>Category</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Employee costs</td> <td>50%</td> </tr> <tr> <td>Other</td> <td>25%</td> </tr> <tr> <td>Diesel for buses</td> <td>10%</td> </tr> <tr> <td>Repairs and Maintenance</td> <td>9%</td> </tr> <tr> <td>Finance charges</td> <td>6%</td> </tr> <tr> <td>Unlabeled</td> <td>0%</td> </tr> </tbody> </table> </div> <p>3.4.3 Revenue</p> <p>For the year under review, Metrobus recorded a total revenue of R546 million against an adjusted budget of R589 million; an increase of 5% over the previous year has therefore been realized. The variance of R43.2 million is a result of under collection of fare revenue.</p> <p>Revenue composition</p>	Category	Percentage	Employee costs	50%	Other	25%	Diesel for buses	10%	Repairs and Maintenance	9%	Finance charges	6%	Unlabeled	0%
Category	Percentage															
Employee costs	50%															
Other	25%															
Diesel for buses	10%															
Repairs and Maintenance	9%															
Finance charges	6%															
Unlabeled	0%															

Page	Current – Draft 2	Changed to - FINAL										
		<p>Fare revenue and subsidy remain core funding for Metrobus collectively contributing to a total revenue of R546 million. Subsidy amounting to R433 from the Shareholder makes up 79% of total revenue received, this being an increase of 8% over the previous year (R400.7 million). Net fare revenue of R105.9 million collected in 2015/16 (fare revenue less cost of collection) reflects an increase of 3.4% when compared to previous year's net fare revenue collection of R102.4 million. This revenue increase despite 11% decline in patronage from 13.4 million to 11.9 million can be attributable to enhanced revenue collection measures the entity is implementing. Revenue collection is expected to improve significantly in the next financial as Metrobus will be enhancing its revenue collections systems including infra-structure and on route inspectorate.</p> <div data-bbox="1043 724 1995 1305" data-label="Figure"> <p style="text-align: center;">Revenue % composition</p> <table border="1"> <caption>Revenue % composition</caption> <thead> <tr> <th>Category</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Subsidy</td> <td>79%</td> </tr> <tr> <td>Coupon revenue</td> <td>13%</td> </tr> <tr> <td>Other</td> <td>5%</td> </tr> <tr> <td>Cash revenue</td> <td>3%</td> </tr> </tbody> </table> </div>	Category	Percentage	Subsidy	79%	Coupon revenue	13%	Other	5%	Cash revenue	3%
Category	Percentage											
Subsidy	79%											
Coupon revenue	13%											
Other	5%											
Cash revenue	3%											

Page	Current – Draft 2	Changed to - FINAL
		<p data-bbox="1043 300 1245 323">3.4.4 Cash Flow</p> <p data-bbox="1043 371 2024 611">A Council grant (subsidy) to the value of R432 million was received during this period which contributed 79% of operational costs. Cash generated from operations increased by R12.1 million from R526.3million in 204/15 to R540.3 million in the current year. The overdraft position worsened by R145.8 million from R278.4 million to R424.2 million mainly due to capital funding for new buses. The Company's cash flow position continues to worsen and this is due to declining margins caused by declining passenger numbers and increased financing costs.</p> <p data-bbox="1043 655 1503 679">3.4.6 Statement of Financial Position</p> <p data-bbox="1043 727 2024 1002">Referring to the balance sheet position of the entity as at 30 June 2016, the ability of the entity to meet its financial obligations is still uncertain with a solvency ratio of 0.82 : 1 (2015 = 0.71 : 1). The entity is overdrawn to a tune of R424.2 million. This position can be largely attributed to procurement of buses funded through loan, as well as shortfall in fare revenue collection. The net liability position declined from R134.2 million in June 2014 to R171.6 million as at June 2016, meaning that Metrobus total liabilities of R980.7 million exceeds the entity's assets of R809 million by R170.7 million, which is the net liability position.</p> <p data-bbox="1043 1046 2024 1249">Liquidity ratio referring to the ability of the entity to meet short-term obligations has improved significantly from of 0.06:1 recorded in 2014/15 to 0.34:1 as a result of the intercompany debtors which increased exponentially from R280k to R186 million. The R186 million is as a result of the claims for Capital funding (procurement of buses) to the City of Johannesburg (Shareholder) which was only transferred after year end.</p> <p data-bbox="1043 1329 1339 1353">3.4.7 Economic viability</p> <p data-bbox="1043 1366 2024 1390">Despite increasing fiscal gaps across Cities around the World including the City of</p>

Page	Current – Draft 2	Changed to - FINAL																													
		<p>Johannesburg, the Shareholder demonstrated confidence in Metrobus with significant investment approved during Business Plan approval period which saw Metrobus successfully securing R640.4-million for 2016/17 towards operating costs and a three-year capital budget of R542.9-million</p> <p>The approval of a turnaround plan in June 2013 followed by the robust implementation activities performed in the 2015/16 to resolve the insolvency issue will ensure that the entity continues to operate as a going concern.</p> <p>Section 3.5: Capital Projects (CAPEX)</p> <p>For the year under review the entity managed to spend R357 million on service delivery improvement projects mainly due to buses procurement allocation for 2015/16 which amounted to @41.7 million.</p> <p>Capital projects' budget increased by 286% from R92.5 million in 2015 to R357 million in 2016. Below is the trend analysis of Capital expenditure budget for the past three years.</p> <table border="1" data-bbox="1048 911 2024 1378"> <thead> <tr> <th colspan="5" data-bbox="1055 916 2018 995">Capital Expenditure: Metrobus Services</th> </tr> <tr> <th data-bbox="1055 1000 1451 1187" rowspan="2">Capital Projects</th> <th colspan="4" data-bbox="1458 1000 2018 1038">2015/16</th> </tr> <tr> <th data-bbox="1458 1043 1563 1187">Budget</th> <th data-bbox="1563 1043 1727 1187">Adjustment Budget</th> <th data-bbox="1727 1043 1899 1187">Actual Expenditure</th> <th data-bbox="1899 1043 2018 1187">Variance from original budget</th> </tr> <tr> <td data-bbox="1055 1192 1451 1230"></td> <td data-bbox="1458 1192 1563 1230">R</td> <td data-bbox="1563 1192 1727 1230">R</td> <td data-bbox="1727 1192 1899 1230">R</td> <td data-bbox="1899 1192 2018 1230">R</td> </tr> <tr> <td data-bbox="1055 1235 1451 1342">Total All</td> <td data-bbox="1458 1235 1563 1342">281 370 000</td> <td data-bbox="1563 1235 1727 1342">257 370 000</td> <td data-bbox="1727 1235 1899 1342">357 128 000</td> <td data-bbox="1899 1235 2018 1342">-</td> </tr> <tr> <td data-bbox="1055 1347 1451 1378">Building - various upgrades</td> <td data-bbox="1458 1347 1563 1378">15</td> <td data-bbox="1563 1347 1727 1378">5 000 000</td> <td data-bbox="1727 1347 1899 1378"></td> <td data-bbox="1899 1347 2018 1378">5 000</td> </tr> </thead> </table>	Capital Expenditure: Metrobus Services					Capital Projects	2015/16				Budget	Adjustment Budget	Actual Expenditure	Variance from original budget		R	R	R	R	Total All	281 370 000	257 370 000	357 128 000	-	Building - various upgrades	15	5 000 000		5 000
Capital Expenditure: Metrobus Services																															
Capital Projects	2015/16																														
	Budget	Adjustment Budget	Actual Expenditure	Variance from original budget																											
	R	R	R	R																											
Total All	281 370 000	257 370 000	357 128 000	-																											
Building - various upgrades	15	5 000 000		5 000																											

Page	Current – Draft 2					Changed to - FINAL				
							000			000
							000			
						Gear box replacements & Engines	8 620 000	8 620 000	6 812 000	1 808 000
						Furniture replacements	400 000	650 000	136 000	514 000
						IT Equipment	3 300 000	3 300 000	2 727 000	573 000
						Plant and Machinery replacement	300 000	300 000	-	300 000
						Replace vehicle fleet	250 000	-	-	-
						Purchase of new Buses	226 500 000	226 500 000	241 731 000	- 15 231 000
						Bus Conversion	27 000 000	3 000 000	2 716 000	284 000
						Bus management system	-	5 000 000	3 248 000	1 752 000
						Tow truck	-	5 000 000	-	5 000 000
Chapter 5						Additional Information: Attached signed annual financial statement Signed Audi Letter				
Chapter		2011/1	2012/1	2013/1	2014/1	2015/1	KEY ACHIEVEMENTS			

Page	Current – Draft 2						Changed to - FINAL					
		2	3	4	5	6		2011/12	2012/13	2013/14	2014/15	2015/16
6	Audit Opinion	Unqualified - With emphasis of matter	Unqualified	Unqualified - With emphasis of matter	Unqualified with emphasis of matter	Unqualified with emphasis of matter	Audit Opinion	Unqualified - With emphasis of matter	Unqualified	Unqualified - With emphasis of matter	Unqualified with emphasis of matter	Unqualified
65							<p><u>Additional information:</u></p> <ul style="list-style-type: none"> • IDP Consultation: Metrobus participates in all IDP consultation sessions conducted by the City 					
104							<p><u>Additional Information</u></p> <p>7. Strategic Initiatives – 2016/2017 financial year</p> <ol style="list-style-type: none"> I. Efficient Technical Services function - Review of the working hours and working arrangements within the Technical Services for alignment with the operations of the business. This process will include negotiations with organised labour with a view of ensuring that the department operates from 04H00 – 22H00: Consultations with labour are afoot in this regard. It is anticipated that a new shift system will be in operation by the second quarter of the new financial year. II. Design and Development of Leadership and Management Development Framework – The Entity is in engaging in exploratory discussion with the University of Johannesburg and the CoJ Group Human 					

Page	Current – Draft 2	Changed to - FINAL
		<p>Capital Management with a view of developing a Leadership and Management Development framework. This framework will ensure that adequate capacity is developed in the business with a view of ensuring sustainable performance and realisation of Vision 2020: Discussions are in progress in this regard. It is anticipated that the first cohort of managers to partake in this program will commence same in at the beginning of the 2017 Calendar year.</p> <p>III. Implementation of a Fit for Purpose Organisational Structure - Embedding the institutional review process including the implementation of the new organisational structure as well as the job profiling and grading of all jobs: The new organisational structure has been implemented in the entity. The profiling of positions in underway.</p> <p>IV. Skills Transfer Programme– With the acquisition of the new fleet on maintenance lease, the entity is engaging with the service provider to establish a skills transfer programme aimed at creating internal capacity for the maintenance of the Diesel Dual Fuel fleet.</p> <p>V. Employee Cost Structure – The Entity is developing measures to reduce the employee cost which currently stands at a ratio of 49% of Operational expenditure. The plan will focus on all employee related costs (salaries, overtime and related allowances), the plan will further explore opportunities for reviewing support roles in the business and consider collapsing certain where possible. The entity is also developing a new remuneration philosophy which will review how the entity’s remuneration system is structured in relation to like entities: Engagement and work in this regard is on-going, however in support of this objective the executive management team has determined that the structure will only be implemented on an incremental basis thereby harvesting on possible synergies while the scope of new positions finds expression in the organisation.</p> <p>VI. Establishing a Culture of Performance – The Executive Management Team is implementing measures aimed at strengthening the implementation of the performance management policy. This will be a phased-in approach which will ultimately ensure that all employees in the</p>

Page	Current – Draft 2	Changed to - FINAL
		<p>entity are contracted on performance management system.</p> <p>VII. Governance – The entity will be reviewing a number of human resources management policies with a view of addressing issues governance gaps as identified by the Auditor-General South Africa as well for alignment with business strategy. This will include, but not limited to the following:</p> <ul style="list-style-type: none"> ➤ Safety, Health and Environment policy. ➤ Metrobus Public Road Safety Management Policy ➤ Talent Attraction and Retention policy. ➤ Succession planning framework ➤ Remuneration philosophy ➤ Overtime management policy <p>VIII. Improved communication within the Entity – The Executive Management Team is rolling-out the Evolve programme that focuses on effective engagement with all employees by Senior Management</p>