

JOHANNESBURG METROPOLITAN BUS SERVICES (PTY) LTD
Registration number: 2000/004704/07

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2005



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JOHANNESBURG METROPOLITAN BUS SERVICES (PTY) LTD

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STATEMENT OF RESPONSIBILITY

for the year ended 30 June 2005

In accordance with the Companies Act and the Municipal Finance Management Act 56 of 2003 (MFMA) requirements, management is responsible for the preparation, integrity and fair presentation of the financial statements of the Johannesburg Metropolitan Bus Services (Pty) Ltd for presentation to the Board of Directors and the Auditor General. The financial statements presented on pages 14 to 55 have been prepared in accordance with Statements of Generally Accepted Accounting Practice in South Africa and in terms of section 9(1)(b) of the MFMA. Management also prepared the other information included in the report and are responsible for both its accuracy and its consistency with the financial statements.

Management are ultimately responsible for the internal controls, which enable directors to fulfil their responsibilities. The standards and systems of internal control are designed and implemented by management to provide reasonable assurance as to the integrity and reliability of the financial statements and to adequately safeguard, verify and maintain the company's assets. Nothing has come to the attention of management to indicate that there has been a substantial breakdown in the functioning of these controls resulting in material loss to the company.

The going concern principle has been adopted in preparing the financial statements. The existence of the company is dependent on the continued support of its sole shareholder, the City of Johannesburg Metropolitan Municipality, which grants the company subsidies each year to enable it to operate. The nature of the business is to provide transport at affordable fares to the public of the Johannesburg City, based upon the mandate provided by the City of Johannesburg. Should the subsidies be withdrawn it is management's opinion that the company would not be in a position to continue as a going concern on its current mandate. Management is unaware of any reason that could cause the City of Johannesburg Metropolitan Municipality to withdraw its support for the company and therefore, have no reason to believe that the company would not be operating in the foreseeable future.

BJ Shongwe

Managing Director/ Accounting Officer

JOHANNESBURG METROPOLITAN BUS SERVICES (PTY) LTD
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REPORT OF MANAGING DIRECTOR / ACCOUNTING OFFICER
for the year ended 30 June 2005

1. INTRODUCTION

Johannesburg Metropolitan Bus Services (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 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 Johannesburg Metropolitan Bus Services (Pty) Ltd.

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

Johannesburg Metropolitan Bus Services (Pty) Ltd complies with the requirements of the Companies Act 1973, MFMA and the recommendations of the King Report on Corporate Governance of SA 2002 (King II).

2. SHAREHOLDING

The City of Johannesburg 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 members of the Board appear on page 15.

The Board of Johannesburg Metropolitan Bus Services (Pty) Ltd, in keeping with the recommendations of the (MFMA), comprises five non-executive directors and the executive director, namely the Managing Director. The directors are appointed by the City of Johannesburg Metropolitan and were drawn from diverse backgrounds and bring a wide range of experience and professional skills to the Board.

At every Annual General Meeting, the reappointment of all non-executive directors are considered and evaluated.

The Managing Director was appointed on 8 February 2005 on a two-year performance contract.

3.1.2 Board administration

The Board held six meetings during the year ended 30 June 2005. 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 Johannesburg Metropolitan Bus Services (Pty) Ltd in terms of the Companies Act and the City of Johannesburg Corporate Governance Protocol for Municipal Entities. 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).

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.

The Board has approved a Code of Corporate Practice and Conduct that provides guidance to the directors in discharging their duties and responsibilities.

3.1.4 Board evaluation and performance

On an annual basis, and on an agreed process of evaluation initiated by the board, the shareholder evaluates the performance of the entire Board and the individual members. The Human Resources, Remuneration and Ethics committee facilitates the evaluation of the performance of the senior management, including the managing director.

3.1.5 Directors' remuneration

The Remuneration Policy adopted by the City of Johannesburg Municipality provides for a market-related base fee, is inflation proof and rewards performance and attendance.

Further details on directors' emoluments appear in the annual financial statements.

4. COMPANY SECRETARIAL FUNCTION

The company secretary Majavu and Associates, represented by Zola Majavu, resigned on 20 July 2005.

The Board members have access to the advice and services of the company secretary. The directors are also entitled to obtain independent professional advice, at Johannesburg Metropolitan Bus Services (Pty) Ltd's expense, should they deem this necessary.

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The Board is assisted by the company secretary in identifying key issues that should form the focus of the directors' attention. The company also ensures that all relevant matters are placed on the agendas for discussion.

The company secretary, together with other assurance functions, monitors Johannesburg Metropolitan Bus Services (Pty) Ltd's compliance with the requirements in terms of the Companies Act and other legislation and regularly reports to the Board in this regard.

The new company secretary is Mrs. C Barker who was appointed on the 1st November 2005.

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 Johannesburg Metropolitan Bus Services (Pty) Ltd, has been approved by the Board.

In accordance with the recommendations of the Code of Governance of City, all the committees, except for EXCO, comprise a majority of non-executive directors and are chaired by an independent non-executive director.

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.

The following timetable reflects the attendance of the Board Members:

Date of Meeting	2 July 2004		9 September 2004		5 October 2004		18 November 2004		21 January 2005		20 April 2005	
	Present	Absent	Present	Absent	Present	Absent	Present	Absent	Present	Absent	Present	Absent
B.J.T Shongwe	Not Appointed		Not Appointed		Not Appointed		Not Appointed		Not Appointed		√	
S. Faku (Non-Executive)	√		√		√		√		√		√	
T.S. Seopa (Non-Executive)	√		√		√		√		√		√	
J.H. Gray (Non-Executive)	√			√	√		√		√		√	
K. Morobe (Non-Executive)	√			√	√		√		√		√	
M. Mutshutshu (Non-Executive)	√		√		√		√		√		√	
L. Brenner (Non-Executive)	Not Appointed		Not Appointed		Not Appointed		Not Appointed		√		√	
A. Naidu	√		√		Resigned		Resigned		Resigned		Resigned	

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6. EXECUTIVE MANAGEMENT COMMITTEE

The Executive Management Committee (EXCO) comprises the managing director, the executive finance officer, executive human resources officer, executive operations officer, executive business development and marketing officer and executive technical officer. The committee is chaired by the managing director. Committee meetings of EXCO are held at least bi-weekly.

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 Audit Committee

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

The Audit Committee Charter and MFMA dictates that three meetings be held during the financial year. The Johannesburg Metropolitan Bus Services (Pty) Ltd held five Audit Committee meetings during the year ended 30 June 2005. These are normally attended by the managing director, external auditors, the executive finance officer, the head of internal audit, the Secretary nominated by the audit committee and the Company Secretary. The internal auditors and the external auditors have unrestricted access to the chairman of the committee and to the chairman of the board.

The committee monitors the quality, integrity and reliability of Johannesburg Metropolitan Bus Services (Pty) Ltd's compliance with relevant legislation and ensures that an appropriate system of internal control is maintained to protect Johannesburg Metropolitan Bus Services (Pty) Ltd's assets. It reviews the activities of the internal audit department and the effectiveness thereof. It is also responsible for the evaluation of the independence, objectivity and effectiveness of the external auditors and for the review of accounting and auditing concerns identified by internal and external audit. The committee promotes the accuracy, reliability and credibility of financial reporting; and ensures that the annual financial statements and the annual report of Johannesburg Metropolitan Bus Services (Pty) Ltd are reviewed by management and the external auditors before approval by the Board.

The following timetable reflects the attendance of the Audit Committee members.

Date of Meeting	19 August 2004		28 October 2004		9 February 2005		17 May 2005		14 June 2005	
	Present	Absent	Present	Absent	Present	Absent	Present	Absent	Present	Absent
B.J.T Shongwe	Not Appointed		Not Appointed		Not Appointed		√		√	
T.S. Seopa (Non-Executive)	√		√		√		√		√	
J.H. Gray – (Non-Executive)	√		√		√		√		√	
L. Brenner (Non-Executive)	Not Appointed		Not Appointed		√		√		√	

7.2 Risk Management

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The audit and risk committee is also responsible for ensuring that an effective and integrated risk management process is implemented. The committee approved a risk management charter. The processes followed to date are the risk plan and risk strategy, a perceived risk assessment, gap analysis and a risk register. The internal auditors are currently assisting with the risk assessment and rating process. The internal audit plan will be amended accordingly.

8. INTERNAL CONTROL

The Board has ultimate responsibility for establishing a framework for internal controls, including an appropriate procurement and provisioning system. The controls throughout Johannesburg Metropolitan Bus Services (Pty) Ltd 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. Both management and internal audit closely monitor the controls, and actions are taken to correct deficiencies as they are identified.

9. AUDIT

In line with the MFMA requirements, internal audit provides the Audit Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of an independent, objective appraisal and evaluation of the risk management processes, internal controls and governance processes, as well as identifying corrective actions and suggested enhancements to the controls and processes. The risk-based audit plan is based on the major risks emanating from Johannesburg Metropolitan Bus Services (Pty) Ltd's Integrated Risk Management process. The audit plan is responsive to changes in Johannesburg Metropolitan Bus Services (Pty) Ltd's risk profile.

The internal audit function has been outsourced from 1 July 2004 to SizweNtsaluba VSP. They are fully supported by the Board and the Audit and Risk Committee and have full, unrestricted access to all organisational activities, records, property and personnel.

The external auditors are responsible for independently auditing and reporting on the financial statements in conformity with MFMA and generally accepted auditing standards.

10. FORENSIC INVESTIGATIONS

In terms of the requirements in the MFMA, the Board is responsible for ensuring that an integrated fraud prevention plan is implemented in order to minimise the risk and opportunity for crime and irregularities, in particular, fraud.

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.

Six meetings were held during the year ended 30 June 2005. These are normally attended by the human resources executive officer by invitation. In consultation with the total board, the committee determines the remuneration of the managing director and the executive officers.

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

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 departments. Over and above this, the committee is responsible for reviewing certain tenders based on the organisations' levels of delegations of authority.

13. REPORTING TO STAKEHOLDERS

In order to present a balanced and understandable assessment of its position, Johannesburg Metropolitan Bus Services (Pty) Ltd 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.

Johannesburg Metropolitan Bus Services (Pty) Ltd's predetermined objectives, representing both financial and non-financial key performance indicators, and its performance against these indicators is evaluated by the City of Johannesburg Metropolitan Municipality.

14. STAKEHOLDER RELATIONS

In addition to the interests of governance by the shareholder, Johannesburg Metropolitan Bus Services (Pty) Ltd 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 depending on the different needs of the various stakeholders.

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15. SOCIAL IMPACT

Johannesburg Metropolitan Bus Services (Pty) Ltd, through its services, provides access to educational, employment, social and health care facilities. It also provides a free service to uniformed South African Police Services and South African National Defence Force members. The Johannesburg Metropolitan Bus Services (Pty) Ltd is contributing to poverty alleviation by subsidising and offering reduced tariffs to pensioners, scholars and person with disability.

16. CODE OF ETHICS

Johannesburg Metropolitan Bus Services (Pty) Ltd 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.

17. TRANSFORMATION

Johannesburg Metropolitan Bus Services (Pty) Ltd 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.

Johannesburg Metropolitan Bus Services (Pty) Ltd 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 Johannesburg Metropolitan Bus Services (Pty) Ltd's policies and procedures. The organisation has actively engaged in open communication with SAMWU and Imatu. The forum is a monthly management meeting and a regular local labour forum meeting.

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 Johannesburg Metropolitan Bus Services (Pty) Ltd'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

Johannesburg Metropolitan Bus Services (Pty) Ltd is committed to adherence to the good corporate governance and is guided by the King II recommendations and all relevant legislation governing the local authorities. The organisation strives to be fully compliant with the MFMA, City of Johannesburg Corporate Governance Protocol for Municipal Entities and the Companies Act

REPORT OF THE AUDITOR-GENERAL TO THE MEMBER ON THE FINANCIAL STATEMENTS OF THE JOHANNESBURG METROPOLITAN BUS SERVICES (PROPRIETARY) LIMITED (METROBUS) FOR THE YEAR ENDED 30 JUNE 2005

1 AUDIT ASSIGNMENT

The financial statements as set out on pages 14 to 56, for the year ended 31 June 2005, 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.

2. 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.

3. QUALIFICATION

Inventory

The physical count of inventories at 30 June 2005 was not attended by this Office, but roll back procedures performed by management and this Office, indicated that deficiencies occurred in the results of the physical count. The completeness and existence of inventory amounting to R7 654 276 at 30 June 2005 could therefore not be confirmed.

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REPORT OF THE AUDITOR GENERAL

for the year ended 30 June 2005

4. QUALIFIED AUDIT OPINION

In my opinion, except for the effect on the financial statements of the matter referred to in paragraph 3, the financial statements fairly present, in all material respects the financial position of the Johannesburg Metropolitan Bus Services (Proprietary) Limited at 30 June 2005 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.

5. EMPHASIS OF MATTER

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

5.1 Going concern

The ability of the Metropolitan Bus Services (Pty) Ltd to continue as a going concern was dependent upon ongoing funding from the City of Johannesburg Metropolitan Municipality (note 1.17 to the financial statements).

5.2 Registration of freehold land and buildings

Freehold land and buildings to the value of R12 290 000 purchased from the City of Johannesburg Metropolitan Municipality in terms of the sale of business agreement dated 15 November 2001 were not yet transferred into the register and name of the company (note 2 to the financial statements).

5.3 Post-retirement benefits

Staff members (both current and ex) were entitled to various post-retirement benefits which were detailed in the notes to the financial statements. Where details existed, the company provided for liabilities. In the case of pension benefits, the actuaries and management of the CJMM were not able to determine the portion of pension obligations and pension assets attributable to the staff of each municipal entity. Accordingly, the CJMM undertook to carry all pension obligations up to 30 June 2005. Provision was not made in the books of the entity for any further obligations which might arise once the surplus or deficit per entity is determined.

5.4 Property, plant and equipment.

Although an asset register was in place during the audit, it was not complete and accurate in that:

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- The asset identification numbers as per the asset register could not be matched to asset numbers on the physical asset, and
- Costs incurred to bring the assets to its working condition were capitalised separately instead of being capitalised as part of the underlying asset.

Furthermore, we recalculated depreciation expense and the results were different from those of the company. This was due to the system error.

However, after conducting alternative audit procedures the completeness, existence and accuracy of fixed assets could be satisfactorily determined.

5.5 Cash management system

Although bank reconciliations were done on a regular basis, and the following shortcomings existed in the cash management system:

- (a) Cheques were outstanding for more than a year.
- (b) Cheques were cancelled but still appeared on the bank reconciliation as outstanding.
- (c) Cheques were paid but still appeared on the bank reconciliation as outstanding.
- (d) Cheques were paid to suppliers, but were not captured on the system at 30 June 2005.
- (e) There was no evidence that the bank reconciliation is reviewed and approved by a senior official.

However, these shortcomings were addressed by management after year-end.

5.6 Expenditure journal entries

There is lack of segregation of duties in that one official could initiate, authorise, and process journal entries.

5.7 Non-compliance with the MFMA

- (a) Section 89(a) of the MFMA provides for the City of Johannesburg to determine the upper limits of remuneration for the chief executive officer and senior managers of the entity. Such upper limits were not determined for the year under review.
- (b) The company incurred fruitless expenditure in the form of traffic fines and interest paid on sweeping account overdraft, amounting to R64 817 and R106 049 respectively. No one was held liable for this expenditure nor was it recovered from anyone as required by section 32(1)(d) and 32(2)(b) of the MFMA.
- (c) Due to a system error, an underpayment of UIF contributions occurred during prior years. Although a provision was raised in the 2003-2004 period, the amount was not paid over at the date of this report. This was a contravention of section 99(2)(f) of the MFMA, which stipulates that the accounting officer must take reasonable steps to ensure that the entity complies with its tax, duty, pension, medical aid, audit fees and other statutory commitments.
- (d) Contrary to section 99(2) of the MFMA, which stipulates that the accounting officer must take reasonable steps to ensure that the entity complies with its tax, duty, pension, medical aid, audit fees and other statutory commitments, the PAYE deductions from employees did not agree with recalculations based on the latest tax tables.

5.8 Weaknesses in the computer information technology (IT) environment:

Although controls were in place, a number of weaknesses still existed in the IT general control environment. The most significant control weaknesses identified, were the following:

- (a) The disaster recovery plan and business continuity plan were not developed and implemented.
- (b) Inadequate physical and environmental controls existed in the server room.
- (c) Operating procedures were not documented.
- (d) Inadequate IT resources to support business needs existed.

6. APPRECIATION

The assistance rendered by the staff of the Johannesburg Metropolitan Bus Services (Proprietary) Limited during the audit is sincerely appreciated.

**I. Vanker for Auditor-General
Johannesburg**

30 November 2005



A U D I T O R - G E N E R A L

JOHANNESBURG METROPOLITAN BUS SERVICES (PTY) LTD
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REPORT OF THE MANAGING DIRECTOR/ACCOUNTING OFFICER
for the year ended 30 June 2005

1. INTRODUCTION

The accounting officer presents the following report, which forms part of the financial statements of the company for the year ended 30 June 2005 in terms of the Municipal Finance Management Act, as mandated.

2. NATURE OF BUSINESS

Johannesburg Metropolitan Bus Services (Pty) Ltd provides a public bus service to the commuters of the greater City of Johannesburg Metropolitan and also hires out its buses to individuals and organisations.

3. FINANCIAL RESULTS

3.1 Overview

The following annual financial statements reflect the results of the company's operations for the year ended 30 June 2005.

The company's turnover from operations was R84.7 million against R76.2 million in 2004 which represents a growth of 11.2% year on year. The company received a subsidy of R202.3 million compared to R191 million in 2004 which represents an increase of 5.8% year on year.

Total administration costs were R256.3 million compared to R237.8 million in 2004 which represents an increase of 7.8%. Finance costs decreased from R41 million in 2004 to R30.9 in 2005, representing a decrease of 24.6%.

Profit for the year improved from R1.3 million in 2004 to R2.4 million in 2005, an improvement of 91.7% year on year. Whilst these results are positive for the company, management believes that there are still challenges, which will be faced in the new year, particularly with regard to maintenance and operating costs due to the average age of the bus fleet.

3.2 Future prospects

A business plan for the financial years ending June 2006 and June 2007 has been prepared with the input of the company's internal stakeholders and sets out the strategic direction and action programmes for the company.

The focus of strategic and action programmes of the company in the short term is directed at regaining control of the business, tight cost management and general efficiency of operations whilst growing operating revenues.

The long term focus of management's activities will be directed at realigning the company with a view to devolving responsibility and accountability to depot level.

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Whilst management remains hopeful that the general business environment will continue to improve, there is still uncertainty with regard to the whole regulatory environment and the timing of the implementation of the Integrated Transport Plan and the whole environment of permit allocations. This could impact the manner in which we operate and perform business.

4. TANGIBLE ASSETS

At the time of corporatisation of the company in July 2000, the company acquired tangible assets valued at R76 million. R12 million of those assets related to land and buildings. Details of the land and buildings acquired are set out in note 2 to the financial statements. The legal transfer of the land and buildings from the City of Johannesburg Metropolitan Municipality to Johannesburg Metropolitan Bus Services (Pty) Ltd remains un-finalised and discussions are continuing to find a cost effective way of giving effect to the transfer.

5. SHAREHOLDING

The company remains a municipal entity whose shareholding is wholly owned by the City of Johannesburg Metropolitan Council.

6. DIRECTORS

The composition of the board of directors at the date of this report is:

Non-executive directors

T. Seopa	(Chairman)	Appointed – 2 July 2004
J. Gray		Resigned - 20 July 2005
K. Morobe		
L. Brenner		Appointed - 27 January 2005
S. Kwapuna		
M. Mutshutshu		

Executive directors

A.P. Naidu	(Managing director)	Resigned - 30 September 2004
B.J. Shongwe	(Managing director)	Appointed - 08 February 2005

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7. MEMBERS OF THE EXECUTIVE COMMITTEE

The composition of the members of the executive committee at the date of this report is:

B Shongwe
V Naidoo
A Vilakazi
D Gregory
D Hodgkinson
T Ngcobo

8. ACCOUNTING OFFICER

The Accounting Officer at the date of this report is B.J Shongwe

9. CHIEF FINANCIAL OFFICER

The Chief Financial Officer at the date of this report is V Naidoo.

10. COMPANY SECRETARY

The company secretariat function was outsourced to Majavu and Associates and Zola Majavu was appointed secretary of the company on the 5th December 2002. The company secretary resigned on 20 July 2005.

The new company secretary is Mrs. C Barker who was appointed on the 1st November 2005.

The business and postal address details are as follows:

Business:	Postal:
Transportation House	P. O. Box 1787
1 Raikes Road	Johannesburg
Braamfontein	2107

11. AUDITORS

The Office of the Auditor General assumed responsibility of the company audit in accordance with Section 270(2) of the Companies Act, and in terms of Municipal Finance Management Act, number 56 of 2003 from the financial year ended 30 June 2005.

12. ATTORNEYS

The company's attorneys are Mashiane, Moodley & Associates and Bowman Gillfillan at the date of this report.

13. COMPANY BANKERS

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The company holds two bank accounts at ABSA Bank.

14. SHARE CAPITAL

There has been no change in the authorised or issued shares for the year under review.

15. INTEREST OF DIRECTORS AND OFFICERS IN SHARE CAPITAL AND 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.

16. GOING CONCERN

The going concern principle has been adopted in preparing the financial statements. The existence of the company is dependent on the continued support of its sole shareholder, the City of Johannesburg Metropolitan Municipality, which grants the company subsidies each year to enable it to operate. The nature of the business is to provide transport at affordable fares to the public of the Johannesburg City, based upon the mandate provided by the City of Johannesburg. Should the subsidies be withdrawn it is management's opinion that the company would not be in a position to continue as a going concern on its current mandate. Management is unaware of any reason that could cause the City of Johannesburg Metropolitan Municipality to withdraw its support for the company and therefore, have no reason to believe that the company would not be operating in the foreseeable future.

17. POST BALANCE SHEET EVENTS

No event has occurred that management considers material between the balance sheet date and the date of submission to the Auditor General for audit purposes.

18. APPROVAL OF THE FINANCIAL STATEMENTS

The annual financial statements set out on pages 14 to 55 were approved for submission to the Auditor General for audit purposes by the managing director/accounting officer of the company.

BJ Shongwe
Managing Director
31 August 2005

JOHANNESBURG METROPOLITAN BUS SERVICES (PTY) LTD

Registration number: 2000/004704/07

BALANCE SHEET

at 30 June 2005

	Notes	2005 R	2004 R
ASSETS			
Non-current assets			
Property, plant and equipment	2	252,269,057	277,090,037
Intangible assets	3	24,513	(106,913)
		<u>252,293,570</u>	<u>276,983,124</u>
Current assets			
Inventories	5	7,654,276	7,681,881
Amounts due from shareholder	6	65,084,724	44,093,552
Receivables and prepayments	7	3,645,474	4,223,324
Insurance Fund	8	658,676	1,461,178
Cash and cash equivalents	9	34,369	34,219
		<u>77,077,519</u>	<u>57,494,154</u>
Total assets		<u>329,371,089</u>	<u>334,477,278</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	10	2	2
Share premium	10	41,047,943	41,047,943
Accumulated deficit		(39,060,136)	(43,774,142)
		<u>1,987,809</u>	<u>(2,726,197)</u>
Non-current liabilities			
Post employment benefit liability	23	32,756,000	32,200,000
Interest bearing borrowings – Finance Leases	11	-	24,703,320
Interest bearing borrowings - Loans	11	201,323,824	217,368,722
		<u>234,079,824</u>	<u>274,272,042</u>
Current liabilities			
Bank overdraft	9	73	172,278
Amounts due to shareholder	12	17,937,319	3,770,964
Trade and other payables	13	12,758,730	15,932,348
Provisions	14	12,268,987	12,729,793
Accruals	15	10,145,799	7,298,762
Current portion of interest bearing borrowings	11	40,192,548	23,027,288
		<u>93,303,456</u>	<u>62,931,433</u>
Total equity and liabilities		<u>329,371,089</u>	<u>334,477,278</u>

JOHANNESBURG METROPOLITAN BUS SERVICES (PTY) LTD

Registration number: 2000/04704/07

INCOME STATEMENT

for the year ended 30 June 2005

	Notes	2005 R	2004 R
Income	1.12		
Turnover	17	84,780,081	76,248,205
Subsidies	16	202,300,000	191,000,000
Other operating income		2,456,515	12,832,870
		<u>289,536,596</u>	<u>280,081,075</u>
Expenditure			
Administrative expenses		(91,903,194)	(92,136,267)
Other operating expenses		(164,395,895)	(145,673,090)
		<u>(256,299,089)</u>	<u>(237,809,357)</u>
Operating profit	18	<u>33,237,498</u>	<u>42,271,718</u>
Finance costs	19	(30,887,827)	(40,990,618)
Profit / (loss) before taxation		<u>2,349,671</u>	<u>1,281,100</u>
Taxation expense	20	-	-
Net profit / (loss) for the year		<u><u>2,349,671</u></u>	<u><u>1,281,100</u></u>

JOHANNESBURG METROPOLITAN BUS SERVICES (PTY) LTD

Registration number: 2000/004704/07

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2005

	Share capital	Share premium	Accumulated deficit	Total
	R	R	R	R
Balance at 1 July 2003	2	41,047,943	(40,568,462)	479,483
Provision for prior year retirement benefits (Note 26)	-	-	(4,486,780)	(4,486,780)
Net profit for the year	-	-	1,281,100	1,281,100
Balance at 1 July 2004	2	41,047,943	(43,774,142)	(2,726,197)
Prior year adjustment (Note 26)	-	-	2,364,335	2,364,335
Net profit for the year	-	-	2,349,671	2,349,671
Balance at 30 June 2005	2	41,047,943	(39,060,136)	1,987,809

JOHANNESBURG METROPOLITAN BUS SERVICE (PTY) LTD

Registration number: 2000/004704/07

CASH FLOW STATEMENT

for the year ended 30 June 2005

	Notes	2005 R	2004 R
Cash flow from operating activities			
Cash receipts from customers and shareholder		288,748,348	278,585,673
Cash paid to suppliers and employees		(223,140,102)	(219,785,322)
Cash inflow from operating activities	21	65,608,246	58,801,351
Interest paid		(30,887,827)	(40,990,618)
Net cash generated from operating activities		34,720,419	17,810,733
Cash flow from investing activities			
Acquisition of property, plant and equipment		(11,762,902)	(211,478)
Acquisition of intangible assets		(29,406)	-
Profit on disposal of property, plant and equipment		21,808	3,344,807
Disposal of assets		2,892	1,315,774
Disposal of investments		802,502	1,338,034
Net cash (utilised) / generated in investing activities		(10,965,106)	5,787,137
Cash flow from financing activities			
Decrease in long term loans (external)		(40,748,218)	(23,179,581)
Increase in short term loans (external)		17,165,260	2,789,198
Net cash utilised in financing activities		(23,582,958)	(20,390,383)
Net increase in cash and cash equivalents		172,355	3,207,487
Cash and cash equivalents at beginning of year	9	(138,059)	(3,345,546)
Cash and cash equivalents at end of year	9	34,296	(138,059)

JOHANNESBURG METROPOLITAN BUS SERVICES (PTY) LTD

Registration number: 2000/004704/07

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

1. Accounting Policies

The accounting policies and basis of preparation are consistent in all material respects with those adopted in the previous year.

1.1 Statement of compliance

The financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice issued by the South African Institute of Chartered Accountants, in the manner required by the South African Companies Act and the MFMA.

1.2 Property, vehicles and equipment

Immovable properties are recorded at historical cost and the building cost is depreciated over the estimated useful life of the building.

Depreciation is charged so as to write off the depreciable value of assets, other than land over their estimated useful lives using the following basis:

- Buildings	20 years
- Buses	12 years
- Computer hardware	3 years
- Computer software	2 years
- Fare collection equipment	6 years
- Furniture and fittings	6 years
- Ancillary fleet equipment and security	6 years
- Vehicles	4 years
- Office equipment	6 years
- Plant and machinery	6 years
- Tools and loose gear	6 years

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Repairs and maintenance are generally charged to expenses during the financial period in which they are incurred.

Gains and losses on disposal of property, plant and equipment are determined by reference to carrying amounts and are taken into account in determining operating profit.

Rates of depreciation used are consistent with those used in prior years.

1.3 Intangible assets

JOHANNESBURG METROPOLITAN BUS SERVICES (PTY) LTD

Registration number: 2000/004704/07

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

Computer software are capitalised where they form an integral part of computer hardware and amortised over their anticipated useful lives.

1.4 Negative goodwill

Negative goodwill is any excess of cost of an acquisition over the company's interest in the fair value of the identifiable assets and liabilities acquired.

1.5 Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on the first-in first-out basis.

1.6 Finance leases

Leases that transfer substantially all the risks and rewards of ownership of the underlying asset to the company are classified as finance leases. Assets acquired in terms of finance leases are capitalised at the lower of fair value and present value of the minimum lease payments at inception of the lease, and are depreciated over the estimated useful life of the asset. The capital element of future obligations under the leases is included as a liability in the balance sheet. Lease payments are allocated using the effective interest rate method to determine the lease finance cost, which is charged against income over the lease period, and the capital repayment, which reduces the liability of the lessor.

1.7 Operating leases

Leases, where the lessor retains substantially all the risks and rewards of ownership of the underlying asset, are classified as operating leases. Payments made under operating leases are charged against income on a straight-line basis over the period of the lease.

1.8 Employee benefits

Short-term employee benefits

The cost of all short-term employee benefits is recognised during the year in which the employee renders the related service. The provisions for employee entitlements to wages, salaries, annual and sick leave represent the amount which the company has a present obligation to pay as a result of employees' services provided to the balance sheet date. The provisions have been calculated based on current wage and salary rates.

JOHANNESBURG METROPOLITAN BUS SERVICES (PTY) LTD

Registration number: 2000/004704/07

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

Retirement benefit costs

Contributions to pension and provident funds for employees are charged against income as incurred. Benefits accrue on a defined contribution basis save for pre-2000 members of the various local Government Retirement Funds for whom minimum guarantees are in place. Payments made to industry managed retirement benefit schemes are dealt with as defined contribution plans where the company's obligations under the scheme are equivalent to those arising in a defined contribution retirement benefit plan.

Post employment benefit cost

Post retirement medical and other benefits

The defined benefit obligation, the related current service cost, and where applicable, past service cost are determined by using the projected unit credit method.

A portion of the actuarial gains and losses is recognized as income and expense if the net cumulative unrecognised actuarial gains and losses at the end of the previous reporting period exceeded the greater of:

- 10% of the present value of the defined benefit obligation at that date before deducting plan assets and
- 10% of the fair value of any plan assets at that date.

Pension benefits

Contributions to the defined contribution plan in respect of services in a particular period are recognized as an expense in that period.

1.9 Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will occur, and where a reliable estimate can be made of the amount of the obligation.

1.10 Impairment

The carrying values of the company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If there is any indication that an asset may be impaired, its recoverable amount is estimated. The recoverable amount is the higher of its net selling price and its value in use. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are immediately recognised as expenses.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount.

This is done so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is immediately recognised as income.

1.11 Financial instruments

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 principal financial assets are bank balances and cash trade receivables.

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

- **Financial liabilities and equity instruments**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

Significant financial liabilities include finance lease obligations, interest-bearing loans and overdrafts, and trade and other payables.

Interest-bearing loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade and other payables are stated at their nominal value.

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

1.12 Revenue recognition

Revenue from the sale of goods is recognised when the significant risks and rewards of the goods are transferred to the buyer. Revenue from services is recognised when a ticket is sold to the passenger. This treatment applies to both cash and coupon revenue.

JOHANNESBURG METROPOLITAN BUS SERVICES (PTY) LTD

Registration number: 2000/004704/07

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

1.13 Taxation

Current taxation comprises taxation payable calculated on the basis of the expected taxable income for the year, using the taxation rates enacted at the balance sheet date, and any adjustment of taxation payable for previous years.

Deferred taxation is provided using the balance sheet liability method, based on temporary differences. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their taxation base. The amount of deferred taxation provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using taxation rates enacted or substantively enacted at the balance sheet date.

A deferred taxation asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised. Deferred taxation assets are reduced to the extent that it is no longer probable that the related taxation benefit will be realised.

1.14 Borrowing costs

All borrowing costs are expensed in the period in which they are incurred.

1.15 Insurance Fund

The Insurance Fund is shown at net of cost, and any liability thereto, and adjustments are made only where there are valid claims to the Fund.

1.16 Financial Risk Factors

Interest Rate Risk

The company has significant interest bearing long-term liabilities but the interest rates are fixed thereby limiting the exposure.

Credit Risk

Credit risk in respect of trade receivables are limited due to the small amount of credit transactions.

Cash Flow Risk / Liquidity Risk

Sufficient surplus in the Cash balances exists and Subsidies are drawn on a monthly basis to greatly reduce this risk.

JOHANNESBURG METROPOLITAN BUS SERVICES (PTY) LTD

Registration number: 2000/004704/07

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

1.17 Going concern

The going concern principle has been adopted in preparing the financial statements. The existence of the company is dependent on the continued support of its sole shareholder, the City of Johannesburg Metropolitan Municipality, which grants the company subsidies each year to enable it to operate. The nature of the business is to provide transport at affordable fares to the public of the Johannesburg City, based upon the mandate provided by the City of Johannesburg. Should the subsidies be withdrawn it is management's opinion that the company would not be in a position to continue as a going concern on its current mandate. Management is unaware of any reason that could cause the City of Johannesburg Metropolitan Municipality to withdraw its support for the company and therefore, have no reason to believe that the company would not be operating in the foreseeable future.

JOHANNESBURG METROPOLITAN BUS SERVICES (PTY) LTD
Registration number: 2000/004704/07
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2005

2. Property, plant and equipment as at 30 June 2005

	Land and buildings	Office equipment	Furniture and fittings	Plant and machinery	Tools and loose gear	Computer hardware	Ancillary fleet equipment and security	Fare collection equipment	Buses and vehicles	Capitalised leases – buses	Total
	R	R	R	R	R	R	R	R	R	R	R
Balance at 1 July 2004	14,088,488	240,735	186,285	46,764	18,056	432,353	5,984,151	5,312,270	224,203,582	26,577,353	277,090,037
Gross carrying amount	15,684,330	606,055	1,372,612	12,516,336	411,756	3,675,261	11,218,945	12,881,917	312,790,611	100,978,544	472,136,367
Accumulated depreciation	(1,595,842)	(365,320)	(1,186,327)	(12,469,569)	(393,700)	(3,242,909)	(5,234,794)	(7,569,647)	(88,587,030)	(74,401,191)	(195,046,330)
Additions	5,716,020	399,804	174,902	1,817,053	492,770	250,266	2,850,056	-	62,031	-	11,762,902
Depreciation charge	(480,222)	(107,355)	(61,881)	(11,478)	(14,410)	(372,854)	(1,690,604)	(2,146,538)	(23,280,770)	(8,414,879)	(36,580,991)
Disposals	-	-	(2,888)	-	-	-	-	-	(4)	-	(2,892)
Balance at 30 June 2005	19,324,286	533,184	296,418	1,852,342	496,416	309,764	7,143,603	3,165,732	200,984,838	18,162,474	252,269,057
Gross carrying amount	21,400,350	1,005,859	1,544,554	14,333,389	904,526	3,925,527	14,069,001	12,881,917	312,825,790	100,978,544	483,869,457
Accumulated depreciation	(2,076,064)	(472,675)	(1,248,136)	(12,481,047)	(408,110)	(3,615,763)	(6,925,398)	(9,716,185)	(111,840,952)	(82,816,070)	(231,600,400)

JOHANNESBURG METROPOLITAN BUS SERVICES (PTY) LTD

Registration number: 2000/004704/07

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

Property, plant and equipment as at 30 June 2004

	Land and buildings	Office equipment	Furniture and fittings	Plant and machinery	Tools and loose gear	Computer hardware	Ancillary fleet equipment and security	Fare collection equipment	Buses and vehicles	Capitalised leases – buses	Total
	R	R	R	R	R	R	R	R	R	R	R
Balance at 1 July 2003	14,529,427	247,591	403,936	58,244	24,157	998,973	7,664,579	8,462,648	247,608,526	35,008,882	315,006,963
Gross carrying amount	15,646,257	551,287	1,357,511	12,516,336	410,949	3,580,877	11,212,069	14,196,030	350,768,684	100,978,544	511,218,544
Accumulated depreciation	(1,116,830)	(303,696)	(953,575)	(12,458,092)	(386,792)	(2,581,904)	(3,547,490)	(5,733,382)	(103,160,158)	(65,969,662)	(196,211,581)
Additions	38,073	54,768	15,101	-	2,276	94,384	6,876	-	-	-	211,478
Depreciation charge	(479,012)	(61,624)	(232,752)	(11,478)	(6,908)	(661,005)	(1,687,304)	(1,836,265)	(23,404,752)	(8,431,529)	(36,812,629)
Disposals	-	-	-	-	-	-	-	-	37,977,880	-	37,977,880
Balance at 30 June 2004	14,088,488	240,735	186,285	46,764	18,056	432,353	5,984,151	5,312,270	224,203,582	26,577,353	277,090,037
Gross carrying amount	15,684,330	606,055	1,372,612	12,516,336	411,756	3,675,261	11,218,945	12,881,917	312,790,611	100,978,544	472,136,367
Accumulated depreciation	(1,595,842)	(365,320)	(1,186,327)	(12,469,569)	(393,700)	(3,242,909)	(5,234,794)	(7,569,647)	(88,587,030)	(74,401,191)	(195,046,330)

JOHANNESBURG METROPOLITAN BUS SERVICES (PTY) LTD**Registration number: 2000/004704/07****NOTES TO THE FINANCIAL STATEMENTS****for the year ended 30 June 2005**

Freehold land and buildings, listed below, to the value of R12,290,000 purchased from the City of Johannesburg Metropolitan Municipality in terms of the sale of business agreement dated 15 November 2001 have not as yet been transferred into the name of the Johannesburg Metropolitan Bus Services (Pty) Ltd.

Land and buildings comprise of the following properties:

Transportation house (head office) situated on portion 211 farm, Braamfontein 53IR.

Milpark depot, situated on portion 55 farm, Braamfontein 53IR.

Fordsburg depot, situated on 400 – 411 Fordsburg.

Roodepoort depot, situated on 20 and 21 Witpoortjie.

Village main depot situated on portion 188, 386 and 204f farm, Braamfontein 96IR.

Buses with a book value of R200,984,838 (2004: R240,968,950) have been pledged as security to INCA Infrastructure Finance Corporation Limited. The insurance rights over the above have also been ceded to INCA Infrastructure Finance Corporation Limited (refer note 11).

Capitalised leases – buses with a book value of R18,162,474 (2004: R26,577,353) are used as security for finance lease liabilities (refer note 11).

3. Intangible assets

	Negative goodwill	Software	Total
	R	R	R
Year ended 30 June 2005			
Opening carrying amount	(1,261,023)	1,154,110	(106,913)
Additions	-	29,406	29,406
Amortisation charge and impairment	1,261,023	(1,159,003)	102,020
Closing carrying amount	-	24,513	24,513

Negative Goodwill was written back to the Income Statement in the current year.

Year ended 30 June 2004			
Opening carrying amount	(1,891,534)	2,652,854	761,320
Additions	-	-	-
Amortisation charge	630,511	(1,498,744)	(868,233)
Closing carrying amount	(1,261,023)	1,154,110	(106,913)

JOHANNESBURG METROPOLITAN BUS SERVICES (PTY) LTD
Registration number: 2000/004704/07
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2005

	2005 R	2004 R
4. Deferred tax assets		
No deferred tax asset was provided for due to the improbability of future taxable profits to offset these amounts.		
5. Inventories		
Spares	6,499,132	
Tyres	480,116	
Diesel	675,028	
	<u>7,654,276</u>	<u>7,681,881</u>
6. Amounts due from shareholder		
City of Johannesburg Metropolitan Municipality – current account	20,869,791	16,095,085
City of Johannesburg Metropolitan Municipality – bus hire/(Eldo Sub)	58,129	135,667
City of Johannesburg Metropolitan Municipality – underpayment of subsidy	-	165,796
City of Johannesburg Metropolitan Municipality – Post-Retirement Notional account	31,080,179	27,000,000
City of Johannesburg Metropolitan Municipality – Capex	11,726,385	-
City of Johannesburg Metropolitan Municipality – interest rate swap	1,350,240	697,004
	<u>65,084,724</u>	<u>44,093,552</u>
7. Receivables and prepayments		
Trade debtors – contract	701,658	1,104,912
Prepaid Vehicle Licence expenses	2,429,342	2,452,128
Other receivables	628,140	779,950
Bad Debt Provision	(113,666)	(113,666)
	<u>3,645,474</u>	<u>4,223,324</u>

JOHANNESBURG METROPOLITAN BUS SERVICES (PTY) LTD
Registration number: 2000/004704/07
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2005

	2005	2004
	R	R
8. Insurance fund		
Comprising		
Opening amount	1,461,178	2,799,212
Nett Contribution made	2,683,603	1,719,149
Less: Outstanding claims	(3,486,105)	(3,057,183)
	<u>658,676</u>	<u>1,461,178</u>
Closing amount		
	<u>658,676</u>	<u>1,461,178</u>
- Guard Risk in respect of an insurance contingency fund.		
9. Cash and cash equivalents		
The year-end cash and cash equivalents comprise the following:		
Bank overdraft	(73)	(172,278)
Cash on hand	34,369	34,219
	<u>34,296</u>	<u>(138,059)</u>
10. Share capital		
Authorised		
Ordinary shares		
1,000 shares of R1 each	<u>1,000</u>	<u>1,000</u>
Issued		
Ordinary shares		
2 shares of R1 each	2	2
Share premium	41,047,943	41,047,943
	<u>41,047,945</u>	<u>41,047,945</u>

JOHANNESBURG METROPOLITAN BUS SERVICES (PTY) LTD

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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

11. Interest bearing borrowings**Finance leases**

2005	TFM	Commute	Investec	Total
	R	Link	R	R
Total amount outstanding	166,650	31,062,884	4,587,135	35,816,669
Less: Repayments	166,650	6,915,233	4,587,135	11,669,018
	-	24,147,651	-	24,147,651
Less: Current portion transferred to current liabilities	-	24,147,651	-	24,147,651
	-	-	-	-
2004				
Total amount outstanding	1,588,879	38,040,241	8,237,290	47,866,410
Less: Repayments	1,422,229	6,977,357	3,650,155	12,049,741
	166,650	31,062,884	4,587,135	35,816,669
Less: Current portion transferred to current liabilities	166,650	8,368,429	2,578,270	11,113,349
	-	22,694,455	2,008,865	24,703,320

TFM FINANCE & DEVELOPMENT CO (PTY) LTD:

The lease is repayable in 120 monthly instalments of which the first 96 months' instalments are fixed at R 99,917. From month 97 onwards the instalments shall be calculated at the prime rate of 16.25% (2004: 16.25%) per annum prevailing at the time of the agreement. For every 1% that the prime rate increases or decreases the instalment will be adjusted accordingly by R 250 per month.

Secured by capitalised leases - buses with a book value of Rnil as at 30 June 2005 (2004: R1,323,721) (refer note 2).

COMMUTE LINK (PTY) LTD:

The lease is repayable in four quarterly instalments of R3,535,348.25 and bears interest at 15.68% (2004: 15.68%) per annum.

Secured by capitalised leases - buses with a book value of R18,162,474 as at 30 June 2005 (2004: R21,646,748) (refer note 2).

INVESTEC BANK LIMITED:

The lease is repayable in 22 half yearly fixed instalments of R 2,294,995, and bears interest at 16.65% (2004: 16.65%) per annum.

JOHANNESBURG METROPOLITAN BUS SERVICES (PTY) LTD**Registration number: 2000/004704/07****NOTES TO THE FINANCIAL STATEMENTS****for the year ended 30 June 2005**

Secured by capitalised leases - buses with a book value of Rnil as at 30 June 2005 (2004: R3,606,884) (refer note 2).

Finance lease liabilities

The company's future lease commitments on buses and their present values can be analysed as follows:

2005	Minimum lease payments	Finance costs	Present value
	R	R	R
Due within one year	26,127,739	1,980,088	24,147,651
Due between one and five years	-	-	-
	26,127,739	1,980,088	24,147,651

2004

Due within one year	15,227,500	4,114,151	11,113,349
Due between one and five years	33,173,474	8,470,154	24,703,320
	48,400,974	12,584,305	35,816,669

Loans**INCA****2005**

Total amount outstanding	229,282,661
Less: Repayments	11,913,940
	217,368,721
Less: Current portion transferred to current liabilities	16,044,897
	201,323,824

2004

Total amount outstanding	237,623,304
Less: Repayments	8,340,643
	229,282,661
Less: Current portion transferred to current liabilities	11,913,939
	217,368,722

JOHANNESBURG METROPOLITAN BUS SERVICES (PTY) LTD**Registration number: 2000/004704/07****NOTES TO THE FINANCIAL STATEMENTS****for the year ended 30 June 2005**

Current portion of long term borrowings comprises	2005	2004
	R	R
Finance Lease Liabilities	24,147,651	11,113,349
Loans (INCA)	16,044,897	11,913,939
	40,192,548	23,027,288

INCA INFRASTRUCTURE FINANCE CORPORATION LIMITED:

The borrowing is repayable in 20 half yearly instalments of R19,909,630 and bears interest at 14.59% (2004: 14.59%). Secured by buses with a book value of R200,984,838 as at 30 June 2005 (2004: R240,968,950) (refer note 2) and the cession of subsidies from the City of Johannesburg Metropolitan Municipality (refer note 16).

Loans (INCA)

The company's future borrowing commitments on buses and their present values can be analysed as follows:

2005	Minimum lease payments	Finance costs	Present value
	R	R	R
Due within one year	47,248,164	31,203,266	16,044,898
Due between one and five years	213,827,768	91,724,605	122,103,163
Due over five years	91,188,331	11,967,670	79,220,661
	352,264,263	134,895,541	217,368,722

2004			
Due within one year	44,998,252	33,084,313	11,913,939
Due between one and five years	248,643,745	139,822,702	108,821,043
Due over five years	136,704,831	28,157,152	108,547,679
	430,346,828	201,064,167	229,282,661

JOHANNESBURG METROPOLITAN BUS SERVICES (PTY) LTD
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NOTES TO THE FINANCIAL STATEMENTS
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	2005 R	2004 R
12. Amounts due to shareholder (interest free)		
City of Johannesburg Metropolitan Municipality – Capex Loan	13,726,385	2,000,000
City of Johannesburg Metropolitan Municipality – Inter company charges	101,347	830,771
City of Johannesburg Metropolitan Municipality – Lease payments	4,109,587	940,193
	<u>17,937,319</u>	<u>3,770,964</u>

13. Trade and other payables

Trade creditors	12,642,127	11,619,067
Other payables	116,603	4,313,281
	<u>12,758,730</u>	<u>15,932,348</u>

14. Provisions

	Bonus R	Leave R	UIF R	Sundry R	Total R
At 30 June 2004	3,299,699	7,783,270	307,109	1,339,715	12,729,793
Additional provisions	-	-	-	-	-
Charged to Income Statement	-	-	-	596,514	596,514
Unused amounts reversed	(822,485)	(234,835)	-	-	(1,057,320)
At 30 June 2005	<u>2,477,214</u>	<u>7,548,435</u>	<u>307,109</u>	<u>1,936,229</u>	<u>12,268,987</u>

15. Accruals

	2005 R	2004 R
Capex	5,610,967	4,517,731
Trade suppliers – goods received but not yet processed	4,534,832	2,781,031
	<u>10,145,799</u>	<u>7,298,762</u>

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	2005 R	2004 R
16. Subsidies		
Subsidies received in current year:		
Operating subsidy: City of Johannesburg Metropolitan Municipality.	<u>202,300,000</u>	<u>191,000,000</u>
17. Turnover		
Major categories of turnover		
- Fares - cash & coupon	72,958,663	65,311,034
- Bus Hire – contracts & daily	10,837,278	10,937,171
- Advertising	984,140	-
	<u>84,780,081</u>	<u>76,248,205</u>
In 2004, advertising was classified as part of other operating income, this amounted to R633,643		
18. Operating profit		
The following items have been charged/(credited) in arriving at operating profit:		
Depreciation on property, plant and equipment (note 2)	36,580,990	36,812,629
Amortisation of negative goodwill (note 3)	(1,261,023)	(630,511)
Amortisation of software (note 3)	1,159,003	1,498,744
Fees for consulting services	976,875	1,617,153
Profit on disposal of property, plant and equipment	21,808	3,344,807
Bad debt written off	60,369	-
Audit fees –		
Internal audit fees	279,300	-
External audit fees	348,209	275,562
Operating lease rentals	1,064,635	750,394
Executive directors and senior management remuneration (note 18.1)	3,916,878	1,494,063
Staff costs (note 18.2)	107,925,986	107,955,156

JOHANNESBURG METROPOLITAN BUS SERVICES (PTY) LTD

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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

	2005	2004
	R	R
18.1 Executive & non-Executive Directors and senior management remuneration		
For services as managing director	1,088,430	1,244,600
A.P. Naidu – Resigned on 30 September 2004	486,930	1,244,600
B.J.T. Shongwe – Appointed on 8 February 2005	601,500	-
For services as senior managers/ executive officers:	2,498,241	2,315,221
- Financial executive officer – V. Naidoo	555,605	416,176
- Technical executive officer – S. Ramgath	352,388	473,099
- Marketing executive officer – A. Vilakazi	498,763	464,609
- Human Resources executive officer – D. Hodgkinson	648,646	504,544
- Operations executive officer – P. Mabunda	442,839	456,793
For services as non-executive directors	330,207	269,463
- Ms Jennifer Helen Gray	73,568	47,921
- Mr L. Brenner	26,568	-
- Mr T. Seopa	73,686	57,320
- Ms S Faku	48,962	49,932
- Ms K Morobe	47,541	41,950
- Ms S Mutshutshu	59,882	39,727
- Mr J.E. Newbury	-	2,500
- Mr P Streng	-	30,113
	3,916,878	1,494,063

18.2 Staff costs

Salaries and wages	81,883,419	74,043,014
Leave provision	(234,835)	(9,029)
Pension costs	8,980,494	7,952,834
Medical costs	6,311,241	6,330,351
Educational and training costs	971,272	909,810
Housing subsidy	1,229,568	1,304,986
Hostel charges	519,453	791,642
Gratuities	1,844,111	1,068,143
Safety and long service awards	23,057	68,709
Locomotion	2,587,047	2,531,418
Uniforms	1,408,082	491,418
Other benefits	2,367,077	12,471,860
	107,925,986	107,955,156
	2005	2004
	R	R

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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2005

Average number of persons employed during the year:

- Full time

927

931

19. Finance costs

Interest paid – Leased assets

34,788,397

40,917,718

Interest paid – sweeping account

106,049

72,900

Interest received

(4,006,619)

-

30,887,827

40,990,618

20. Taxation expense

No taxation has been provided for in the current and prior year due to an accumulated tax loss of R137,503,159 to date.

Assessed loss brought forward

(113,266,870)

Add: Profit for the year

2,349,671

Less: Timing and permanent differences

(26,585,960)

Accumulated Tax Loss

(137,503,159)

JOHANNESBURG METROPOLITAN BUS SERVICES (PTY) LTD
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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2005

	2005 R	2004 R
21. Cash inflow from operating activities		
Operating profit	33,237,498	42,271,718
Adjusted for		
Profit on disposal of property, plant and equipment	(21,808)	(3,344,807)
Non cash items:		
Depreciation	36,580,990	36,812,629
Prior year adjustment	2,364,335	-
Increase/(Decrease) in provisions and post employment benefits	95,194	(4,486,780)
Impairment of negative goodwill	(1,261,023)	(630,511)
Amortisation of software	1,159,003	1,498,744
	<u>72,154,189</u>	<u>72,120,993</u>
Increase in working capital:	(6,545,943)	(13,319,642)
Decrease in inventories	27,605	578,854
Increase in amounts due from shareholder	(20,991,172)	(15,968,506)
Decrease/(Increase) in receivables and prepayments	577,850	(1,495,402)
Increase/(Decrease) in amounts due to shareholder	14,166,355	(8,715,073)
(Decrease)/Increase in trade and other payables	(3,173,618)	11,550,342
Increase in accruals	2,847,037	730,143
	<u>65,608,246</u>	<u>58,801,351</u>
Cash inflow from operating activities	<u>65,608,246</u>	<u>58,801,351</u>

22. Contingent liabilities

Employee related liabilities and Benefits

The City of Johannesburg Metropolitan Municipality has agreed that it will bear all employee related liabilities or potential employee related liabilities and benefits up to the effective date of sale. In terms of the agreement reached with the City of Johannesburg Metropolitan Municipality employees will claim any past service benefits owing by the City from the company and the company will in turn claim such payments from the City of Johannesburg Metropolitan Municipality.

JOHANNESBURG METROPOLITAN BUS SERVICES (PTY) LTD

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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2005

Litigation

At 30 June 2005 the company had a contingent liability in the amount of approximately R2,562,185 in respect of the following items: maintenance fees payable to International Resource Technology, Disputed invoice from Modern Glass and route disputes with Putco. In the opinion of the company's legal counsel no additional payments are anticipated.

Licenses

An amount of R388 000 is in dispute with the Department of licensing relating to outstanding licenses on old buses sold. The dispute has subsequently been resolved with the Department of licensing.

23. Employee related liabilities and benefits

In terms of the transfer of business agreement between the company and the City of Johannesburg Metropolitan Municipality, the company purchased its business as a going concern as contemplated in section 197(1)(a) read with section 197(2)(1) of the Labour Relations Act 1995. The effect of this is that section 197 of this Act will operate to transfer the contract of employment of each affected employee from the City to the company.

The city has undertaken in terms of this agreement that it will bear all employee related liabilities or potential employee related liabilities and benefits up to the effective date of sale.

In terms of the agreement reached with the City of Johannesburg Metropolitan Municipality employees will claim any past service benefits owing by the City from the company and the company will in turn claim such payments from the City of Johannesburg Metropolitan Municipality.

The City has set-up a "Notional Account" which represents the City's liability in respect of leave encashment, gratuities, and post retirement medical benefits. These accounts increase with interest on an annual basis, at an interest rate determined from time to time by the Actuaries (the current interest rate applied is 9.5%). The table below reflects the total liability (encompassing both the City and company portion combined), notional account balances and the company's portion of the liability as at 30 June 2005.

JOHANNESBURG METROPOLITAN BUS SERVICES (PTY) LTD**Registration number: 2000/004704/07****NOTES TO THE FINANCIAL STATEMENTS****for the year ended 30 June 2005**

Benefit	Total liability	Notional account (CoJ)	Company liability
	R	R	R
Post retirement medical	15,613,000	13,970,000	1,643,000
Sick leave	887,000	3,638,175	(2,751,175)
Gratuities	15,558,000	12,900,000	2,658,000
Post retirement housing subsidies	698,000	572,000	126,000

Pensions benefits

All employees transferred from the City of Johannesburg Metropolitan Municipality belong to various defined benefit plans established by the City, as listed in the table below. New employees and employees not previously members of any other fund prior to 2002 belong to the eJoburg retirement fund established subsequent to the date of acquisition. This fund is a defined contribution plan.

The City has undertaken an actuarial valuation this year of the City of Johannesburg Metropolitan Municipality Pension Fund and the Johannesburg Municipal Pension Fund (both defined benefit plans). The total deficit on the funds was estimated to be R 110 million. Insufficient information is currently available to enable the actuaries to establish an adequate division of the liability between the various UAC's, including Johannesburg Metropolitan Bus Services. No actuarial valuations have been undertaken by the City, in respect of the various other funds to which employees belong, and similarly, no division of the liability can be made between the various UAC's.

For financial statement purposes, the company has treated the above-mentioned pension benefits as defined benefit plans, along with the eJoburg fund, as a defined contribution plan as required by AC116.

Due to the uncertainty surrounding the valuation of these funds, and insufficient information available to apportion the funds that have been valued, a potentially material contingent liability may exist at year-end for the company. The impact of this on the future contributions to the fund cannot be determined. In addition, no actuarial assumptions were provided with the valuation.

The table below details the employers' contributions made to the various funds. No current liability exists at year-end as all amounts were paid when due.

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Contributions paid by the employer

	Year ended 30 June 2005	Year ended 30 June 2004
E-Joburg	4,394,000	4,373,000
Johannesburg Municipal Pension Fund	936,000	1,795,000
Johannesburg City Pension Fund	3,586,000	1,714,000
Joint Municipal Pension Fund	48,000	55,000
Municipal Employees' Pension Fund	16,000	16,000
Total	8,980,000	7,953,000

Post retirement medical and other benefits

The company has made provision for post retirement medical benefits covering 71 employees. There are 2 medical schemes. The liability for these benefits to date of acquisition has been assumed by the City.

Actuarial valuation are done at an interval of not more than three years using the projected unit credit method. The first valuation of these schemes were performed in 2003. An actuarial valuation of this benefit has not been undertaken previously due to the lack of information provided to the company by the City.

Amounts recognised in the Balance sheet

	2005	2004
Post-retirement medical benefits	15,613,000	14,000,000
Gratuity	15,558,000	15,600,000
Housing Subsidy	698,000	600,000
Sick Leave	887,000	2,000,000
	<u>32,756,000</u>	<u>32,200,000</u>

The principal actuarial assumptions used were:

	Medical benefits	Gratuity	Housing subsidy	Sick leave
Discount rate	8.5%	8.5%		8.5%
Future salary increases	5.5%	5.5%		5.5%
Expected return on asset	8.5%	8.5%	10%	8.5%
Increase in payments	6%	5.5%		5.5%

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The amounts recognised in the balance sheet were determined as follows:

	Post-employment medical benefits	Retirement Gratuity	Post-retirement Housing Subsidy	Retirement Sick Leave
Present value of funded obligations	-	-	-	-
Fair value of Planned asset	-	-	-	-
Present Value of unfunded obligations	15,613,000	15,558,000	698,000	887,000
Unrecognised actuarial (losses)/gains	-	-	-	-
Liability in the balance sheet	15,613,000	15,558,000	698,000	887,000

Post retirement medical benefits

Income Statement:	R'000	CoJ R'000	Johannesburg Metropolitan Bus Services (Pty) Ltd R'000
Total Periodic Medical (Cost) / Credit	(1,691)	(1,270)	(421)
Less: Employer Contributions	-	-	-
Net Periodic Medical (Cost) /Credit	(1,691)	(1,270)	(421)

Balance Sheet:	R'000	CoJ R'000	Johannesburg Metropolitan Bus Services (Pty) Ltd R'000
Prepayment/(Provision) at Start of year	(14,000)	(12,700)	(1,300)
Change in accounting policy	-	-	-
Total Periodic Pension (Cost)/Credit	(1,691)	(1,270)	(421)
Less: Employer Contributions	78	-	78
Prepayment/(Provision) at End of year	(15,613)	(13,970)	(1,643)

JOHANNESBURG METROPOLITAN BUS SERVICES (PTY) LTD
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Change in Benefit Obligation

	Healthcare Contribution Liability (R'000)	CoJ R'000	Johannesburg Metropolitan Bus Services (Pty) Ltd R'000
Benefit Obligation at 30 June 2004	14,000	12,700	1300
Plus Interest Cost	1,458	1,270	188
Plus Service Cost	562	-	562
Actuarial (Gain)/Loss	(329)	-	(329)
Less Benefits Paid	(78)	-	(78)
Benefit Obligation at 30 June 2005	15,613	13,970	1,643

Valuation Results

	Healthcare Contribution Liability (R'000)	CoJ R'000	Johannesburg Metropolitan Bus Services (Pty) Ltd R'000
Fair Value of assets at 30 June 2004	-		
Defined Benefit Obligation as at 30 June 2004	(14,000)	(12,700)	(1,300)
Funded status at 30 June 2004	(14,000)	(12,700)	(1,300)
Fair Value of assets at 30 June 2005	-	-	-
Defined Benefit Obligation as at 30 June 2005	(15,613)	(13,970)	(1,643)
Funded status at 30 June 2005	(15,613)	(13,970)	(1,643)

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Components of Net Periodic Cost

	Healthcare Contribution Liability (R'000)	CoJ R'000	Johannesburg Metropolitan Bus Services (Pty) Ltd R'000
Service Cost	562	-	562
Interest Cost	1,458	1,270	188
Recognised Actuarial (Gain)/Loss	(329)	-	(329)
Total Periodic Pension Cost / (Credit)	1,691	1,270	421
Benefits Paid	(78)	-	(78)
Net Periodic Pension Cost/ (Credit)	1,613	1,270	343

Gratuities

Income Statement:	R'000	CoJ R'000	Johannesbur g Metropolitan Bus Services (Pty) Ltd R'000
Total Periodic Medical (Cost) / Credit	(1,749)	-	(1,749)
Less: Employer Contributions	-	-	-
Net Periodic Medical (Cost) /Credit	(1,749)	-	(1,749)

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Balance Sheet:	R'000	CoJ R'000	Johannesbur g Metropolitan Bus Services (Pty) Ltd R'000
Prepayment/(Provision) at Start of year	(15,600)	(12,900)	(2,700)
Change in accounting policy	-	-	-
Total Periodic Pension (Cost)/Credit	(1,749)	-	(1,749)
Less: Employer Contributions	1,791	-	1,791
Prepayment/(Provision) at End of year	<u>(15,558)</u>	<u>(12,900)</u>	<u>(2,658)</u>

Change in Benefit Obligation

	Healthcare Contribution Liability (R'000)	CoJ R'000	Johannesburg Metropolitan Bus Services (Pty) Ltd R'000
Benefit Obligation at 30 June 2004	15,600	12,900	2,700
Plus Interest Cost	1,529	-	1,529
Plus Service Cost	-	-	-
Actuarial (Gain)/Loss	220	-	220
Less Benefits Paid	(1,791)	-	(1,791)
Benefit Obligation at 30 June 2005	<u>15,558</u>	<u>12,900</u>	<u>2,658</u>

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Valuation Results

	Healthcare Contribution Liability (R'000)	CoJ R'000	Johannesburg Metropolitan Bus Services (Pty) Ltd R'000
Fair Value of assets at 30 June 2004	-		
Defined Benefit Obligation as at 30 June 2004	(15,600)	(12,900)	(2,700)
Funded status at 30 June 2004	(15,600)	(12,900)	(2,700)
Fair Value of assets at 30 June 2005	-	-	-
Defined Benefit Obligation as at 30 June 2005	(15,558)	(12,900)	(2,658)
Funded status at 30 June 2005	(15,558)	(12,900)	(2,658)

Components of Net Periodic Cost

	Healthcare Contribution Liability (R'000)	CoJ R'000	Johannesburg Metropolitan Bus Services (Pty) Ltd R'000
Service Cost	-	-	-
Interest Cost	1,529	-	1,529
Recognised Actuarial (Gain)/Loss	220	-	220
Total Periodic Pension Cost / (Credit)	1,749	-	1,749
Benefits Paid	(1,791)	-	(1,791)
Net Periodic Pension Cost/ (Credit)	(42)	-	(42)

Housing Subsidies

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Income Statement:	R'000	CoJ R'000	Johannesburg Metropolitan Bus Services (Pty) Ltd R'000
Total Periodic Medical (Cost) / Credit	(98)	(72)	(26)
Less: Employer Contributions	-	-	-
Net Periodic Medical (Cost) /Credit	<u>(98)</u>	<u>(72)</u>	<u>(26)</u>

Balance Sheet:	R'000	CoJ R'000	Johannesbur g Metropolita n Bus Services (Pty) Ltd R'000
Prepayment/(Provision) at Start of year	(600)	(500)	(100)
Change in accounting policy	-	-	-
Total Periodic Pension (Cost)/Credit	(98)	(72)	(26)
Less: Employer Contributions	-	-	-
Prepayment/(Provision) at End of year	<u>(698)</u>	<u>(572)</u>	<u>(126)</u>

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Change in Benefit Obligation

	Healthcare Contribution Liability (R'000)	CoJ R'000	Johannesburg Metropolitan Bus Services (Pty) Ltd R'000
Benefit Obligation at 30 June 2004	600	500	100
Plus Interest Cost	77	72	5
Plus Service Cost	11	-	11
Actuarial (Gain)/Loss	10	-	10
Less Benefits Paid	-	-	-
Benefit Obligation at 30 June 2005	698	572	126

Valuation Results

	Healthcare Contribution Liability (R'000)	CoJ R'000	Johannesburg Metropolitan Bus Services (Pty) Ltd R'000
Fair Value of assets at 30 June 2004	-		
Defined Benefit Obligation as at 30 June 2004	(600)	(500)	(100)
Funded status at 30 June 2004	(600)	(500)	(100)
Fair Value of assets at 30 June 2005	-	-	-
Defined Benefit Obligation as at 30 June 2005	(698)	(572)	(126)
Funded status at 30 June 2005	(698)	(572)	(126)

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Components of Net Periodic Cost

	Healthcare Contribution Liability (R'000)	CoJ R'000	Johannesburg Metropolitan Bus Services (Pty) Ltd R'000
Service Cost	11	-	11
Interest Cost	77	72	5
Recognised Actuarial (Gain)/Loss	10	-	10
Total Periodic Pension Cost / (Credit)	98	72	26
Benefits Paid	-	-	-
Net Periodic Pension Cost/ (Credit)	98	72	26

Sick Leave

Income Statement:	R'000	CoJ R'000	Johannesburg Metropolitan Bus Services (Pty) Ltd R'000
Total Periodic Medical (Cost) / Credit	1,113	(238)	1,351
Less: Employer Contributions	-	-	-
Net Periodic Medical (Cost) /Credit	1,113	(238)	1,351

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Balance Sheet:	R'000	CoJ R'000	Johannesbur g Metropolita n Bus Services (Pty) Ltd R'000
Prepayment/(Provision) at Start of year	(2,000)	(900)	(1,100)
Prior year adjustment		(2,500)	2,500
Change in accounting policy	-	-	-
Total Periodic Pension (Cost)/Credit	1,113	(238)	1,351
Less: Employer Contributions	-	-	-
Prepayment/(Provision) at End of year	(887)	(3,638)	2,751

Change in Benefit Obligation

	Healthcare Contribution Liability (R'000)	CoJ R'000	Johannesburg Metropolitan Bus Services (Pty) Ltd R'000
Benefit Obligation at 30 June 2004	2,000	3,400	(1,400)
Plus Interest Cost	238	238	-
Plus Service Cost	-	-	-
Actuarial (Gain)/Loss	(1,351)	-	(1,351)
Less Benefits Paid	-	-	-
Benefit Obligation at 30 June 2005	887	3,638	(2,751)

JOHANNESBURG METROPOLITAN BUS SERVICES (PTY) LTD
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NOTES TO THE FINANCIAL STATEMENTS
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Valuation Results

	Healthcare Contribution Liability (R'000)	CoJ R'000	Johannesburg Metropolitan Bus Services (Pty) Ltd R'000
Fair Value of assets at 30 June 2004	-		
Defined Benefit Obligation as at 30 June 2004	(2,000)	(3,400)	1,400
Funded status at 30 June 2004	(2,000)	(3,400)	1,400
Fair Value of assets at 30 June 2005	-	-	-
Defined Benefit Obligation as at 30 June 2005	(887)	(3,638)	2,751
Funded status at 30 June 2005	(887)	(3,638)	2,751

Components of Net Periodic Cost

	Healthcare Contribution Liability (R'000)	CoJ R'000	Johannesburg Metropolitan Bus Services (Pty) Ltd R'000
Service Cost	-	-	-
Interest Cost	238	238	-
Recognised Actuarial (Gain)/Loss	(1,351)	-	(1,351)
Total Periodic Pension Cost / (Credit)	(1,113)	238	(1,351)
Benefits Paid	-	-	-
Net Periodic Pension Cost/ (Credit)	(1,113)	238	(1,351)

24. Prior year adjustment / Change in accounting policy

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Prior year adjustment

During the financial year the company identified two errors which are adjusted in terms of IAS 8 (AC103)(Accounting Policies, Changes in Accounting Estimates and Errors).

1. Understatement of amount owed by City of Joburg relating to the Notional account – Leave pay. This amounted to R2.5 million and resulted in the company overstating expenses by this amount.
2. Overstatement of amount owed by City of Joburg (COJ) relating to income received by COJ on behalf of the company. The amount was received by the company in 2002 but was shown as owing by both Metrobus and City of Joburg in 2004. COJ is also treating as a prior year adjustment. The amount is R135,665.

Change in accounting Policy

During the 2004 financial year the company adopted the principles of AC116 (“Employee Benefits”). The effect of the adoption of this accounting policy is as follows:

	Gross	Taxation	Net
Income statement adjustment	313,220	-	313,220

This change in policy has been accounted for through prior year adjustments in accordance with the requirements of AC 103 ("Net profit or loss for the period, fundamental errors and changes in accounting policies").

The effect of this change in accounting policy is summarised as follows:

	2005	2004
Reduction in net profit/(loss) due to change in accounting policy	-	1,594,320
Provision for prior year retirement benefits	-	(313,220)
	<hr/>	<hr/>
	-	1,281,100
Opening retained earnings – as previous reported	(43,774,142)	(40,568,462)
Provision for notional account for prior year (leave)	2,500,000	
City of Joburg debtor – monies received	(135,665)	
Provision for prior year retirement benefits	-	(4,486,780)
Opening retained earnings – currently reported	<hr/> (41,409,807) <hr/>	<hr/> (43,774,142) <hr/>

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	2005 R	2004 R
25. Commitments		
Operating lease commitments – where company is the lessee		
Future minimum lease commitments under operational leases are as follows:		
Due within one year	752,478	862,000
Due between one and five years	915,580	3,448,000
	<u>1,668,058</u>	<u>4,310,000</u>

26. Related party transactions

The company is wholly owned by the City of Johannesburg Metropolitan Municipality.

Revenue received

Shareholder - City of Johannesburg Metropolitan Municipality

Subsidies received	<u>202,300,000</u>	<u>191,000,000</u>
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Rendering of services

Shareholder - City of Johannesburg Metropolitan Municipality

Licenses motor vehicles	3,697,214	4,880,180
Municipal charges	522,333	663,883
RSC levies	493,352	139,615
	<u>4,712,899</u>	<u>5,683,678</u>

The above transactions were carried out on an arms length basis

Other than those listed above there have been no other related party transactions.

Payables to related parties:

Amounts due to shareholder

City of Johannesburg Metropolitan Municipality – amounts payable

<u>17,937,319</u>	<u>3,770,964</u>
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	2005	2004
	R	R
Receivables from related parties:		
Amounts due from shareholder		
City of Johannesburg Metropolitan Municipality – amounts receivable	65,045,545	44,093,552

27. Fruitless/wasteful expenditure

Metrobus has incurred fines amounting to R64,817 due to traffic fines on un-roadworthy buses. No council pardon has been obtained.