



HPL&R
Hosken Passenger Logistics & Rail

**REVIEWED PROVISIONAL
CONDENSED CONSOLIDATED RESULTS
For the year ended 31 March 2019**

CORPORATE INFORMATION

HOSKEN PASSENGER LOGISTICS AND RAIL LIMITED

Incorporated in the Republic of South Africa

Registration number: 2015/250356/06

JSE share code: HPR

ISIN: ZAE000255907

("HPLR" or "the Company")

Registered Address

103 Bofors Circle

Epping Industria

Cape Town, 7460

(PO Box 115, Cape Town, 8000)

Company Secretary

HCI Managerial Services Proprietary Limited

Suite 801

76 Regent Road

Sea Point

Cape Town, 8005

(PO Box 5251, Cape Town, 8000)

Auditors

BDO Cape Incorporated

6th Floor

123 Hertzog Boulevard

Foreshore

Cape Town, 8001

(PO Box 3883, Cape Town, 8000)

Transfer Secretaries

Computershare Investor Services Proprietary Limited

Rosebank Towers

15 Biermann Avenue

Rosebank, 2196

(PO Box 61051, Marshalltown, 2107)

Sponsor

Investec Bank Limited

100 Grayston Drive

Sandown

Sandton, 2196

(PO Box 785700, Sandton, 2146)

Website Address

www.hplr.co.za

Directors

Y Shaik* (Chairman)

TG Govender* (Deputy Chairman)

FE Meyer (Chief Executive Officer)

ML Wilkin (Chief Financial Officer)

L Govender** (Lead Independent Director)

NB Jappie**

RD Watson** (appointed 17 April 2019)

KF Mahloma** (resigned 17 April 2019)

* *Non-executive*

Independent

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2019

	Reviewed 2019 R'000	Audited 2018 R'000
ASSETS		
<i>Non-current assets</i>	1 610 505	1 709 120
Property, plant and equipment	1 579 256	1 462 937
Goodwill	8 451	8 451
Intangible assets	57	78
Investments in associates	22 342	18 343
Other financial asset	—	218 897
Deferred taxation	399	414
<i>Current assets</i>	609 825	630 598
Other financial asset	—	237 503
Inventories	17 559	15 714
Trade and other receivables	68 933	67 816
Taxation	2 376	1 435
Cash and cash equivalents	520 957	308 130
Total assets	2 220 330	2 339 718
EQUITY AND LIABILITIES		
<i>Equity</i>	1 158 702	1 406 308
Equity attributable to equity holders of the parent	1 115 079	1 373 693
Non-controlling interest	43 623	32 615
<i>Non-current liabilities</i>	633 272	557 397
Borrowings	341 182	300 887
Post-employment medical benefit liability	64 675	58 928
Deferred taxation	227 415	197 582
<i>Current liabilities</i>	428 356	376 013
Trade and other payables	159 866	124 720
Current portion of borrowings	166 901	149 323
Taxation	5 653	4 340
Provisions	95 936	97 630
Total equity and liabilities	2 220 330	2 339 718

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 MARCH 2019

	Reviewed 2019 R'000	Audited 2018 R'000
Revenue	1 779 849	1 808 406
Other income	14 541	4 501
Operating expenses	(1 382 392)	(1 358 793)
Operating profit	411 998	454 114
Depreciation and amortisation	(81 471)	(112 076)
Investment income	48 810	22 310
Income from equity accounted investments	10 999	7 283
Finance costs	(45 014)	(39 618)
Profit before taxation	345 322	332 013
Taxation	(100 406)	(86 619)
Profit for the year	244 916	245 394
Profit attributable to:		
Equity holders of the parent	233 908	235 947
Non-controlling interest	11 008	9 447
	244 916	245 394

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2019

	Reviewed 2019 R'000	Audited 2018 R'000
Profit for the year	244 916	245 394
Other comprehensive income:		
<i>Items that will be reclassified subsequently to profit or loss</i>		
Cash flow hedging – current year losses	–	(343)
Cash flow hedging – amount capitalised to property, plant and equipment	–	6 633
Taxation relating to cash flow hedging	–	(1 761)
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Actuarial (losses)/gains on defined benefit plans	(2 730)	16 863
Taxation relating to actuarial (losses)/gains on defined benefit plans	764	(4 722)
Total comprehensive income for the year	242 950	262 064
Total comprehensive income attributable to:		
Equity holders of the parent	231 942	252 617
Non-controlling interest	11 008	9 447
	242 950	262 064

RECONCILIATION OF HEADLINE EARNINGS

FOR THE YEAR ENDED 31 MARCH 2019

	Reviewed 2019 R'000		Audited 2018 R'000	
	Gross	Net	Gross	Net
Earnings attributable to equity holders of the parent		233 908		235 947
Profit on disposal of plant and equipment	(913)	(657)	(860)	(619)
Impairment of property, plant and equipment	10 903	7 850	—	—
Insurance claim for capital assets	(9 492)	(6 834)	—	—
Headline earnings		234 267		235 328
Earnings per share (cents)				
Basic		80.66		81.36
Diluted		80.66		81.36
Headline earnings per share (cents)				
Basic		80.78		81.15
Diluted		80.78		81.15
Weighted average number of shares in issue ('000)				
Basic		290 000		290 000
Diluted		290 000		290 000
Actual number of shares in issue ('000)		290 000		290 000

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2019

	Reviewed 2019 R'000	Audited 2018 R'000
Balance at the beginning of the year	1 406 308	829 570
Prior period restatements – adoption of IFRS 15	(4 272)	–
Shares issued	–	2 900 000
Share issue costs	–	(3 538)
Total comprehensive income	242 950	262 064
Equity settled share-based payments	3 816	–
Effects of changes in shareholding	–	(1 800 000)
Dividends	(490 100)	(131 986)
Distribution to shareholders	–	(649 802)
Balance at the end of the year	1 158 702	1 406 308

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2019

	Reviewed 2019 R'000	Audited 2018 R'000
Cash flows from operating activities	356 795	249 763
Cash generated by operations	456 819	467 333
Investment income	55 012	15 132
Finance cost	(45 013)	(36 940)
Taxation paid	(69 423)	(63 776)
Dividends paid	(40 600)	(131 986)
Cash flows from investing activities	404 038	(97 117)
Dividends received	7 000	5 000
Acquisition of property, plant and equipment ¹	(56 348)	(104 079)
Proceeds from settlement of financial asset	448 417	–
Proceeds from sale of property, plant and equipment	4 969	1 962
Cash flows from financing activities	(548 006)	(132 913)
Ordinary shares issued	–	649 802
Other liabilities raised	–	(3 538)
Funding raised ¹	60 000	30 000
Funding repaid	(158 506)	(159 375)
Special dividends paid	(449 500)	–
Distribution to shareholders	–	(649 802)
Increase in cash and cash equivalents	212 827	19 733
Cash and cash equivalents		
At the beginning of the year	308 130	288 397
At the end of the year	520 957	308 130

¹ R156.4 million (2018: R155.9 million) of debt raised in the period relates to instalment sale agreements used to finance bus acquisitions, and has therefore not been included in the cash flow statement as a cash flow amount.

NOTES TO THE REVIEWED PROVISIONAL CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

BASIS OF PREPARATION AND ACCOUNTING POLICIES

The reviewed provisional condensed consolidated results for the year ended 31 March 2019 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the disclosure requirements of IAS 34 – Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the South African Companies Act, No. 71 of 2008 (as amended) and the Listings Requirements of the JSE Limited.

The accounting policies applied by the Group in preparation of these reviewed condensed consolidated financial statements, other than the adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers, are consistent with those applied by the Group in its consolidated financial statements for the year ended 31 March 2018. The adoption of IFRS 9 had no material impact on prior year figures presented and consequently no adjustments were made to opening retained earnings. IFRS 15 was adopted using the modified retrospective approach whereby no comparative figures were restated, but instead a cumulative catch-up adjustment was recognised in opening retained earnings. The adjustment was to recognise Deferred revenue on the sale of multi-journey tickets that expire subsequent to year-end. In prior years, revenue was recognised on the date of sale of these tickets. Details of the standards adopted will be provided in the annual financial statements. As required by the Listings Requirements of the JSE Limited, the Group reports headline earnings in accordance with Circular 4/2018 – Headline Earnings, as issued by the South African Institute of Chartered Accountants.

These provisional condensed consolidated financial statements were prepared under the supervision of the Chief Financial Officer, Mr Mark Wilkin CA(SA).

OPERATING SEGMENTS

The Directors have considered the implications of IFRS 8: Operating Segments and are of the opinion that the operations of the Group constitute one operating segment, being the provision of passenger transport services within South Africa. Resource allocation and operational management are performed on an aggregate basis. Performance is measured based on profit or loss before tax as shown in internal management reports that are reviewed by the Chief Operating Decision Maker, who is the Group's Chief Executive Officer.

REVIEW OF THE INDEPENDENT AUDITOR

The provisional condensed consolidated financial statements for the year ended 31 March 2019 have been reviewed by BDO Cape Incorporated, who expressed an unmodified review conclusion. The auditor's report does not necessarily report on all the information contained in the financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's report together with the accompanying financial information from the issuer's registered office.

OTHER FINANCIAL ASSET

On 1 October 2018, R237.5 million was received as part settlement of the promissory notes ceded to HPLR on the restructure of the Group. On 21 December 2018, the remaining instalment of the promissory note was sold for R240.2 million, which reflected a discount of R1.8 million on the carrying value of the financial asset at the date of sale. Shareholders are referred to the SENS announcement released on 21 December 2018 (also available on the Company's website) for details relating to the sale.

The instalments were secured by way of Investec Bank payment obligations and carried interest at 8.5% compounded annually. Included in Investment income in the statement of profit and loss is interest earned on the financial asset for the year ended 31 March 2019 of R23.1 million (2018: R6.2 million).

The statement of cash flows reflects the total proceeds realised from this financial asset as cash flows from investing activities. The equivalent interest received on this financial asset is included as Investment income in the statement of cash flows.

COMMENTARY AND RESULTS

During the 2019 financial year, the Group had to contend with a myriad of operational challenges, including, a five-week protected strike and an additional illegal strike that affected the MyCiti operations; unparalleled fuel price increases of 48% compared to the prior year; and the destruction of buses with the run-up to the national elections.

Overall demand for reliable road-based passenger public transport services continued to increase as a result of problems on the rail system in the Cape metropole.

Regrettably, in the run-up to national and provincial elections, widespread service delivery protests negatively affected the provision of scheduled bus services, particularly in areas adjacent to mushrooming informal settlements across the city. In addition, rivalry in the taxi industry sparked sporadic violence and disruption to road based public transport.

Group revenue reflected a decrease of 1.6% from the prior year partly as a result of the strikes mentioned above. Two fares increases totalling 14.5% were implemented over the financial year.

Despite the increase in the fuel price and 8.5% increase in wages from the prior year, which make up the Group's two largest cost drivers, management's focus on finding efficiencies across its operations showed positive results containing the increase in operating expenses to 1.7% from the prior year. These cost-saving initiatives covered areas affecting fuel, labour, electricity and water costs.

The net effect is a decrease in operating profit of 9.3% from the prior year. Whereas profit for the year is reflected 0.2% lower than the previous year, largely due to interest received on the financial asset and the effect of the reassessment of residual values of buses as explained below.

CHANGE IN ACCOUNTING ESTIMATE OF RESIDUAL VALUES

In line with the Group's accounting policies, management reassessed the residual values of buses during the year, the impact of which is considered significant. The net effect of the changes in the current financial year was a decrease in depreciation of R42.2 million.

RECONCILIATION OF HEADLINE EARNINGS

The destruction of Golden Arrow buses is reflected in the Headline earnings reconciliation as impairment of property, plant and equipment totalling R10.9 million (gross); of which R9.4 million (gross) is recoverable from insurance proceeds and reflected as insurance claims for capital assets.

BUSINESS COMBINATION SUBSEQUENT TO YEAR END

At year-end Golden Arrow Bus Service Proprietary Limited ("GABS") held 33.33% of the issued share capital of Sibanye Bus Services Proprietary Limited ("Sibanye") and 50.06% of the issued share capital of Table Bay Area Rapid Transport Proprietary Limited ("TBRT").

On 1 April 2019, GABS acquired an additional 33.33% of the issued share capital of Sibanye for a purchase consideration of R26.6 million and an additional 24.97% of the issued share capital of TBRT for a purchase consideration of R39.2 million, increasing its holding in these companies to 66.66% and 75.03% respectively.

Had the acquisitions occurred on 1 April 2018, Sibanye would have increased Group revenue by an additional R87.2 million and Group profit after tax would have increased by an additional R16.7 million. As TBRT is already consolidated into the results of the Group it would not have had an effect on Group revenue nor Group profit after tax reflected.

The fair value of net assets acquired in Sibanye, for which the purchase price allocation is provisional, is as follows:

	Rm
Property, plant and equipment	59.1
Current assets	48.1
Non-current liabilities	(34.6)
Current liabilities	(20.5)
Net assets	52.1
Less Non-controlling interest	(17.4)
Net assets acquired	34.7
Less:	
Purchase consideration	(26.6)
Fair value of interest previously held	(17.4)
Goodwill	9.3

CHANGES IN DIRECTORATE

Ms Faith Mahloma resigned as an independent non-executive director on 17 April 2019 and Ms Rachel Watson was appointed to succeed Ms Mahloma as an independent non-executive director with effect from the same date.

There were no other changes in directorate during the period under review.

ORDINARY DIVIDEND TO SHAREHOLDERS

The directors have approved and declared a final ordinary dividend of 28 cents (gross) per HPLR share for the year ended 31 March 2019 from income reserves.

The salient dates for the payment of these dividends are as follows:

Announcement date	Thursday, 23 May 2019
Last day to trade cum dividend	Tuesday, 11 June 2019
Commence trading ex-dividend	Wednesday, 12 June 2019
Record date	Friday, 14 June 2019
Payment date	Tuesday, 18 June 2019

No share certificates may be dematerialised or rematerialised between Wednesday, 12 June 2019 and Friday, 14 June 2019, both dates inclusive.

In terms of legislation applicable to Dividends Tax ("DT") the following additional information is disclosed:

- The final ordinary dividend shall constitute a "dividend" as defined in the Income Tax Act, No. 58 of 1962.
- The local DT rate is 20%.
- The number of ordinary shares in issue at the date of the declaration is 290 000 000.
- The DT amounts to 5.6 cents per share for the final ordinary dividend.
- The net local dividend amount is 22.4 cents per share for the final ordinary dividend for all shareholders who are not exempt from DT.
- HPLR's income tax reference number is 9754/276/16/1.

In terms of DT legislation, any DT amount due will be withheld and paid over to the South African Revenue Service by a nominee company, stockbroker or Central Securities Depository Participant (collectively "regulated intermediary") on behalf of shareholders. All shareholders should declare their status to their regulated intermediary as they may qualify for a reduced DT rate or exemption.

For and on behalf of the Board of Directors



FE Meyer
Chief Executive Officer

23 May 2019



ML Wilkin
Chief Financial Officer

