CONSOLIDATED AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

HPL&R

Hosken Passenger Logistics & Rail

CONSOLIDATED AUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

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CORPORATE INFORMATION

Directors

Executive directors
FE Meyer# (Chief Executive Officer)
ML Wilkin# (Chief Financial Officer)

Non-executive directors
Y Shaik* (Chairman)
TG Govender* (Deputy Chairman)

Independent non-executive directors
L Govender# (Lead Independent Director)
NB Jappie#
KF Mahloma#

* appointed 1 February 2018
# appointed 6 March 2018

Company name and registration
HOSKEN PASSENGER LOGISTICS AND RAIL LIMITED
(Previously Niveus Invest 17 Proprietary Limited)
("the Company" or "the Group" or "HPL&R")
Incorporated in the Republic of South Africa
Registration number: 2015/250356/06

JSE share code: HPR
ISIN: ZAE000255907

Registered office
103 Bofors Circle, Epping Industria, 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
PSG Capital Proprietary Limited
1st Floor, Ou Kollege, 35 Kerk Street, Stellenbosch, 7600
(PO Box 7403, Stellenbosch, 7599)
and at
2nd Floor, Building 3, 11 Alice Lane, Sandhurst, Sandton, 2196
(PO Box 650957, Benmore, 2010)

Website Address
www.hplr.co.za

SHAREHOLDER SNAPSHOT

As detailed in the Directors' Report, the Company listed on the main board of the JSE on 24th April 2018, at 31 March 2018 the entire share capital of the Company was directly held as follows:

Shareholder	Number of Shares	% of issued capital
Hosken Consolidated Investments Limited ("HCI")*	180 000 000	62.07%
La Concorde Holdings Limited (a subsidiary of Niveus Investments Limited)	110 000 000	37.93%
	290 000 000	100.00%

* *HCI through its investment in Niveus Investments Limited held an effective 73.06% of the Group. These were the only beneficial shareholders of HPL&R at 31 March 2018 holding more than 5% of the issued shares of HPL&R.*

Listed below are analyses of shareholdings extracted from the register of ordinary shareholders, subsequent to the Niveus unbundling, on 30 April 2018 (Refer to the Directors' Report for further details on the Group restructure).

DISTRIBUTION OF SHAREHOLDERS

	Number of shareholders	% of shareholders	Number of shares	% of issued capital
1 – 1 000 shares	1 819	49.58%	737 218	0.25%
1 001 – 10 000 shares	1 331	36.28%	4 763 374	1.64%
10 001 – 50 000 shares	405	11.04%	8 148 521	2.81%
50 001 – 100 000 shares	52	1.42%	3 519 004	1.21%
100 001 – 500 000 shares	40	1.09%	8 674 888	2.99%
500 001 – 1 000 000 shares	6	0.16%	4 562 077	1.57%
1 000 001 shares and over	16	0.44%	259 594 918	89.52%
	3 669	100.00%	290 000 000	100.00%

TYPE OF SHAREHOLDER

	Number of shareholders	% of shareholders	Number of shares	% of issued capital
Banks	7	0.19%	1 349 889	0.47%
Broker	2	0.05%	7 646	0.00%
Close Corporation	36	0.98%	223 657	0.08%
Endowment Fund	1	0.03%	15 797	0.01%
Individual	3 154	85.96%	37 928 400	13.08%
Investment Company	44	1.20%	230 258 923	79.40%
Pension Fund	3	0.08%	80 626	0.03%
Private Company	121	3.30%	13 042 872	4.50%
Public Company	11	0.30%	1 492 253	0.51%
Trust	290	7.90%	5 599 937	1.93%
	3 669	100.00%	290 000 000	100.00%

SHAREHOLDING GREATER THAN 5%

Following the Niveus unbundling, on 30 April 2018, according to the information available to the Company, the following beneficial shareholder held, directly or indirectly, 5% or more of the issued shares of the Company:

SHAREHOLDER	Number of shares	% of issued capital
HCI	211 881 562	73.06%

SHAREHOLDER SPREAD

To the best knowledge of the Directors and after reasonable enquiry, the spread of shareholders as at 30 April 2018, following the Niveus unbundling, was as follows:

	Number of shareholders	% of shareholders	Number of shares	% of issued capital
Public Shareholding	**3 666**	**99.94%**	**77 173 016**	**26.61%**
Non-Public Shareholding	**3**	**0.06%**	**212 826 984**	**73.39%**
HCI	1	0.02%	211 881 562	73.06%
TG Govender (direct)*#	1	0.02%	111 407	0.04%
TG Govender (indirect)*#	1	0.02%	834 015	0.29%
Total	**3 669**	**100.00%**	**290 000 000**	**100.00%**

* *Director*

\# *These shares were acquired as part of the Niveus unbundling.*

No Director or their associates held any Shares in the Company at 31 March 2018.

STATEMENT OF RESPONSIBILITY OF THE BOARD OF DIRECTORS

The directors of Hosken Passenger Logistics and Rail Limited are responsible for the maintenance of adequate accounting records and the preparation, integrity and fair presentation of the annual financial statements of the Company and the Group and for other information contained therein.

The annual financial statements for the year ended 31 March 2018 have been prepared, in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the South African Companies Act, 71 of 2008, as amended, on the going concern basis and incorporate full and responsible disclosure. The annual financial statements are based upon appropriate accounting policies and supported by reasonable and prudent judgements and estimates. The annual financial statements were prepared under the supervision of the Chief Financial Officer, Mark Wilkin CA(SA).

The directors are satisfied that the information contained in the annual financial statements fairly represents the results of operations for the year and the financial position of the Group at year-end. The accuracy of the other information included in this report was considered by the directors and they are satisfied that it accords with the annual financial statements.

The directors are also responsible for the Group's system of internal financial controls. The system was developed to provide reasonable, but not absolute, assurance regarding the reliability of the financial statements, the safeguarding of assets, and to prevent and detect misrepresentation and losses.

The directors are of the opinion that the Group will continue as a going concern in the foreseeable future.

The annual financial statements were audited by the independent auditor, BDO Cape Incorporated, to whom unrestricted access was given to all financial records and related information. The report of the independent auditor is presented on page 7.

The consolidated annual financial statements for the year ended 31 March 2018 were approved by the Board of directors on 24 July 2018 and are signed on its behalf by:

FE Meyer

Chief Executive Officer

ML Wilkin

Chief Financial Officer

Cape Town
24 July 2018

DECLARATION BY THE COMPANY SECRETARY

We certify that Hosken Passenger Logistics and Rail Limited has lodged with the Companies and Intellectual Property Commission, for the financial year ended 31 March 2018, all such returns as required by a public company in terms of the Companies Act of South Africa and that such returns are true, correct and up to date.

HCI Managerial Services
Proprietary Limited

HCI Managerial Services Proprietary Limited
Company Secretary

Cape Town
24 July 2018

REPORT OF THE AUDIT AND RISK COMMITTEE

This report is provided by the Audit and Risk Committee ("the Committee") appointed in respect of Hosken Passenger Logistics and Rail Limited and its subsidiaries ("the Group") for the year ended 31 March 2018.

The Committee consists solely of independent non-executive directors being:

- L Govender (Chairperson)
- KF Mahloma
- NB Jappie

(All members were appointed on 6 March 2018)

The Committee is a formal committee of the Board appointed by the shareholders and functions within its documented terms of reference. All members of the Committee are independent non-executive directors who act independently and are suitably skilled and experienced. The Committee members are permitted to consult with specialists or consultants subject to Board approval.

The Chief Executive Officer and the Chief Financial Officer are invited to attend the meetings as permanent invitees, along with the external and internal auditors. Other directors and members of management are also invited to attend as required.

The Committee perform its duties by holding meetings with key management on a regular basis and by unrestricted access granted to the external and internal auditors.

The Committee held one scheduled meeting during the financial year ended 31 March 2018, which all Committee members attended. The Committee is expected to hold at least four meetings per financial year.

It is noted that this Committee was constituted in March 2018 and for the period under review it has primarily been tasked with appointment of the external auditors and oversight of the Group's integrated annual report and financial statements. The functions it has fulfilled in this regard are outlined below.

FUNCTIONS OF THE AUDIT AND RISK COMMITTEE

In terms of the Companies Act, the Committee has adopted formal terms of reference, delegated to it by the Board of directors, as its charter.

The Committee fulfils an independent oversight role regarding the Group's integrated annual report, financial statements in addition to the reporting process, which includes the system of internal financial control. The Committee is ultimately accountable to both the Board and shareholders. The Committee's responsibilities include the statutory duties prescribed by the Companies Act, recommendations by King IV and additional responsibilities assigned by the Board.

The Committee is satisfied that, in respect of the financial period under review, it has performed all the functions required of it by law, including those set out in section 94 of the Act and in terms of the Committee's terms of reference. In connection with the above, the Committee has:

- satisfied itself that the external auditor is independent of HPL&R, as set out in section 94(8) of the Companies Act, and suitable for reappointment by considering, inter alia, the information stated in paragraph 22.15(h) of the JSE Listings Requirements;
- ensured the appointment of the external auditor complied with the Companies Act;
- in consultation with management, agreed to the engagement letter, terms, audit plan and budgeted audit fees for the 2018 financial year;
- considered the nature and extent of non-audit services provided by the external auditor for the financial year ended 31 March 2018 and the fees thereof to ensure the independence of the external auditor is maintained.
- nominated for re-election at the next annual general meeting, BDO Cape Incorporated, as the external audit firm, and the appointment of Stephan Cillié as the designated auditor for the following financial year;
- reviewed the external audit report on the annual financial statements;
- confirmed that no reportable irregularities were identified or reported by the external auditor;
- reviewed the accounting policies and consolidated annual financial statements for the year ended 31 March 2018 and based on the information provided to the Committee, considers that the Group complies, in all material aspects, with the requirements of International Financial Reporting Standards, 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 manner required by the Companies Act; and the JSE Listing Requirements; and
- satisfied itself in terms of paragraph 3.84(g)(i) of the JSE Listing Requirements that the Chief Financial Officer, as well as the finance function, has the appropriate expertise and experience.

INTERNAL AUDIT

The Committee has oversight of the Group's financial statements and reporting process, which includes the system of internal financial control. For the next financial year, it will be responsible for ensuring that the Group's internal audit function is independent and has the necessary resources, standing and authority in the organisation to discharge its duties. For the year under review, this was the responsibility of the boards of the subsidiary companies within the Group. In assessing the system of internal control, the Committee reviewed the internal audit reports of the subsidiary companies for the period under review.

The Committee will oversee cooperation between internal and external auditors, and serves as a link between the Board of directors and these functions.

REPORT OF THE AUDIT AND RISK COMMITTEE
(continued)

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is accountable for the process of risk management and the system of internal control of the Group. The Committee will be accountable to the Board for monitoring the risk management processes. However, the Committee does not assume the functions of management, which remain the responsibility of the executive directors, officers and other members of senior management. The Committee's responsibilities in terms of risk is to ensure that:

- management designs, implements and monitors risk management policies (as approved by the Board);
- risk assessments are performed on an ongoing basis;
- frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks;
- risk responses by management are considered and implemented;
- risk monitoring is continuous; and
- the Board receives assurance regarding the effectiveness of Group risk management.

Risk registers are presented to the Board, which identify the most significant risks based on likelihood and impact of occurrence, with mitigating controls documented per risk. This is achieved by requiring that subsidiaries report their key risks and responses to the Committee and update the Board when significant changes have taken place.

The Chairperson of the Committee will report the most significant risks derived from the above process to the Board.

PREPARATION AND RECOMMENDATION OF THE ANNUAL FINANCIAL STATEMENTS

The Committee, taking into account the risk of fraud relating to financial reporting, has further considered, and has satisfied itself of the appropriateness of the expertise and adequacy of resources of the HPL&R finance function, the effectiveness of the internal financial controls and the experience of the senior members of management responsible for the finance function.

In assessing the integrity of the financial statements, the Committee has reviewed the appropriateness of accounting policies, estimates and areas of judgement. The following key areas have been identified and were disclosed accordingly in the notes to the annual financial statements:

- Useful lives, residual values and depreciation method of buses - Due to the specialised nature of these assets, the residual values attached to these assets are reviewed annually.
- Repurchase of service provision – is based on costs which will be payable to employees on completion of the restructuring of the bus industry by the Department of Transport, and is based on management's estimates of the expected economic outflow.
- Post-retirement health care provision – The Group's post-employment medical benefit liability is valued annually by an external independent valuator.

The Committee was satisfied that the processes and pertinent assumptions used in areas of judgement were reasonable and applied appropriately. The Committee was further satisfied that areas of judgement had been reviewed and discussed with the external auditors who agreed with the accounting treatment adopted.

The Committee has reviewed the consolidated annual financial statements of the Group and is satisfied that they comply with International Financial Reporting Standards and the Companies Act, and that the accounting policies used are appropriate.

The Committee has also reviewed a documented assessment by management of the going concern premise of the Group before recommending to the Board that the Group will be a going concern in the foreseeable future.

Based on the information provided, the consolidated annual financial statements have been recommended for approval by the Board.

L Govender
Chairman: Audit and Risk Committee

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF

Hosken Passenger Logistics and Rail Limited

Opinion

We have audited the consolidated financial statements of Hosken Passenger Logistics and Rail Limited set out on pages 12 to 42, which comprise the consolidated statement of financial position as at 31 March 2018, and the consolidated statements of profit or loss and other comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Hosken Passenger Logistics and Rail Limited as at 31 March 2018 and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The following key audit matters relate to the consolidated financial statements.

Key Audit Matter	Audit Response
Useful lives, residual values and depreciation method of buses. Refer also Note 1 (Accounting Policies) and Note 3	
The useful lives, residual values and depreciation method are reviewed annually by management. In determining the useful lives, residual values and depreciation method, management applies judgement as follows: a) In determining the useful lives, management applied judgement in determining the period over which the asset is expected to be available for use. b) In determining the residual value, management applied judgement in determining the estimated amount that the entity would currently obtain from the disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. c) In determining the depreciation method, management applies judgement in determining the systematic allocation of the depreciable amount over the useful life of the asset. Accordingly, the useful lives, residual values and depreciation method of buses were considered to be a key audit matter, due to the significance of the estimates and the level of judgement applied by management.	Our audit procedures included an assessment of the reasonability of the useful lives, residual values and depreciation method, as follows: • We have inspected a management resolution in order to confirm that management have reviewed the useful lives, residual values and depreciation method; • We have recalculated the depreciation charge of buses by: (a) Confirming that the inputs applied in the depreciation calculations are accurate. (b) Recalculated the depreciation charge of all buses for the period. (c) Comparing the recalculated amount to the amount recorded in the accounting records. • We have assessed managements' judgements and estimates for reasonability by: (a) Comparing the period for which buses are available for use, to that of the useful life as determined by management. (b) Comparing the estimated amount that the entity can currently obtain from the disposal of buses, after deducting selling costs, to that of the residual value, as determined by management. (c) Comparing the component depreciation method, to that of the current depreciation method. • We have obtained a management representation, confirming the reasonableness of the useful lives, residual values and depreciation method. • We have inspected the disclosure in order to confirm that the required disclosure has been made in accordance with IFRS.

INDEPENDENT AUDITOR'S REPORT
(continued)

<table>
<tr><th>Key Audit Matter</th><th>Audit Response</th></tr>
<tr><td colspan="2">Repurchase of service provision. Refer also to Note 1 (Accounting Policies) and Note 23</td></tr>
<tr><td>The repurchase of service provision relates to costs that will be payable to employees on completion of the restructuring of the bus industry by the Department of Transport.

In accordance with IAS 37 – Provisions, contingent liabilities and contingent assets, the repurchase of service provision has been recognised due to:

a) A present obligation, arising from a past event, being the payment of employee costs as a result of a change in the subsidy framework, resulting in the operators services being re-advertised as part of a tender process; and

b) Resulting in a probable outflow of economic resources, namely the costs that will be payable to employees.

In estimating the expected outflow of economic resources, management applies judgement in determining reliable estimates.

Accordingly, the repurchase of service provision was considered to be a key audit matter, due to the significance of the estimates and the level of judgement applied by management.</td><td>Our audit procedures included the following:

• We have assessed management's judgements and estimates for reasonability by:
a) Discussing the provision with management and those charged with governance.

b) Compared managements' estimation of the amount payable to each of the various potential outcomes, based on the best information available.

• We have confirmed that the repurchase of service provision meets the definition of a provision, in accordance with International Financial Reporting Standards.
• We have obtained a representation from management confirming that the amount has been estimated reliably.
• We have recalculated the provision and ensured the amount has been accurately recorded.
• We have inspected the disclosure in order to confirm that the required disclosure has been made in accordance with International Financial Reporting Standards.</td></tr>
<tr><td colspan="2">Common control transaction. Refer also to Note 1 (Accounting policies) and Note 13</td></tr>
<tr><td>During the current financial year, the following significant events occurred, namely:

• Effective 30 January 2018, HPL and R Investments Proprietary Limited acquired 100% of the shares in Golden Arrow Bus Services Proprietary Limited from Hosken Consolidated Investments Limited (HCI) in exchange for the issue of new shares in HPL and R Investments Proprietary Limited.
• Further, effective 1 February 2018, Hosken Passenger Logistics and Rail Limited (HPL&R), acquired all the issued share capital in HPL and R Investments Proprietary Limited from HCI for a consideration equal to R1 800 000 000, which was settled by the allotment and issue of shares, constituting approximately 62% of the issues share capital of HPL&R.
• Following the completion of these transactions, HPL&R owns 100% of the issued share capital in HPL and R Investments Proprietary Limited, and HCI via its various shareholdings owns an effective 73.06% of the Group.</td><td>In obtaining an understanding of the respective transactions we:

• Discussed the transactions with management and those charged with governance.
• Inspected the Hosken Passenger Logistics and Rail Pre-listing statement.

In assessing the appropriate accounting treatment, we

• Utilised the services of an IFRS technical expert.
• Recalculated the common control reserve, being the excess of:
a) The fair value of the consideration transferred, over

b) The identifiable assets acquired and liabilities assumed.

• Considered the appropriateness of accounting policies in accordance with International Financial Reporting Standards.
• We have also assessed the appropriateness of the disclosures in accordance with International Financial Reporting Standards.</td></tr>
</table>

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. The other information does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group and/or company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in the Government Gazette Number 39475 dated 4 December 2015, we report that BDO Cape Incorporated has been the auditor of Hosken Passenger Logistics and Rail Limited for 1 year.

BDO Cape Inc.

BDO CAPE INCORPORATED

Chartered Accountants (SA)
Registered Auditors

Per S.F Cillié

Director
Chartered Accountant (SA)
Registered Auditor

24 July 2018
Cape Town

DIRECTORS' REPORT

The Directors have pleasure in submitting their maiden report on the consolidated annual financial statements of Hosken Passenger Logistics and Rail Limited and its subsidiaries ("HPL&R" or "the Group") for the year ended 31 March 2018.

NATURE OF BUSINESS AND OPERATIONS

The Company has been dormant since incorporation until the acquisition of HPL and R Investments Proprietary Limited, which holds 100% of Golden Arrow Bus Services Proprietary Limited (which in turn, has various subsidiaries) and 76% of Eljosa Travel and Tours Proprietary Limited, from Hosken Consolidated Investments Limited ("HCI") on 1 February 2018. From this date the Company is an investment holding company. Its interests consist mainly of investments in the transport sector.

RESULTS

The Group made attributable net profit for the year of R236 million.

The Group's operating profit is largely in-line with the prior year, reflecting a 1.8% increase. Although Group revenue has increased by 7.5% the marginal increase in operating profit is largely attributable to the increase in fuel and labour costs in the industry. Operational efficiencies introduced by management aided in the Group's ability to show an increase in Headline earnings per share of 2.8% for the period.

The increase in depreciation and amortisation costs is due to the ongoing fleet recapitalisation program of the Group's major subsidiary, Golden Arrow Bus Services Proprietary Limited, and is evidenced in the increase in property plant and equipment over the period.

The increase in investment revenue is largely attributable to the interest accrued on the promissory notes receivable on the disposal of KWV by La Concorde Holdings Limited ("La Concorde"), ceded to the Group on the restructure (Refer below and to note 12).

DIVIDENDS AND DISTRIBUTION TO SHAREHOLDERS

The directors have not declared a final dividend for the full year, as dividends of R120 million were declared and paid to equity holders of the Group on 28 November 2017. In addition, a distribution of R649.8 million was paid out to Shareholders on 1 February 2018, as part of the restructure and capitalisation of the Group, as referred to below.

In future, the Company aims, in line with the dividend policy disclosed in its pre-listing statement dated 15 March 2018, to declare and pay approximately 50% of its annual profit after tax as a dividend to shareholders, subject to working capital requirements and capital expenditure required for expansion and maintenance.

GROUP RESTRUCTURE AND SHARE ISSUE

On 1 February 2018, the Company acquired 100% of the issued share capital of HPL and R Investments Proprietary Limited from HCI for a consideration of R1.8 billion, which was settled by the allotment and issue of shares, constituting approximately 62% of the issued share capital of the Company.

The remaining approximately 38% of the issued share capital of the Company was issued to La Concorde Holdings Limited ("La Concorde"), a subsidiary of Niveus Investments Limited ("Niveus"), in exchange for cash of R649.8 million and the cession of Promissory notes with a value of R450.2 million at the time of the share issue (see also note 7 and 12)

As holding company of Niveus, HCI remained the controlling shareholder of the Group at year-end with an effective holding of approximately 73.06%.

On 13 April 2018, La Concorde unbundled its holding of approximately 38% of the issued share capital of the Company to its shareholders by way of a distribution in specie, pro rata to their respective holdings in La Concorde, resulting in Niveus thereafter holding approximately 22% of the issued share capital in the Company. On 30 April 2018, Niveus unbundled its approximate 22% shareholding in the Company to its shareholders by way of a distribution in specie, pro rata to their respective holdings in Niveus. Following the Niveus and La Concorde unbundlings, HCI still remains the controlling shareholder of the Group and its effective shareholding remains approximately 73.06%.

Refer to the Shareholder Snapshot on page 3 for details of the shares in issue at year end, and subsequent to the Niveus unbundling, on 30 April 2018.

SHARE CAPITAL

The authorised share capital at 31 March 2018 was 1000 000 000 ordinary shares at no par value. At 31 March 2018, the total shares issued was 290 000 000. Refer to note 12 in the annual financial statements for more information on the Group's share capital.

MAJORITY SHAREHOLDER

HCI is the holding company of HPL&R with an effective interest of 73.06%

DIRECTORATE

The directors of the Company at the date of this report are as follows:

Directors	*Office*	*Designation*	*Nationality*	*Appointment Date*
Mr Y Shaik	Chairman	Non-executive	South African	1 February 2018
Mr FE Meyer	Chief Executive Officer	Executive	South African	6 March 2018
Mr ML Wilkin	Chief Financial Officer	Executive	South African	6 March 2018
Mr TG Govender	Deputy Chairman	Non-executive	South African	1 February 2018
Mr L Govender	Lead Independent	Independent non-executive	South African	6 March 2018
Ms NB Jappie		Independent non-executive	South African	6 March 2018
Ms KF Mahloma		Independent non-executive	South African	6 March 2018

A van der Veen and MM Loftie-Eaton resigned as directors of the company effective 6 March 2018 following the conclusion of the Group restructure.

Details of directors' shareholdings and emoluments appear in note 37.

On 31 March 2018 share options of 2 016 344 and 1 263 484 were awarded to FE Meyer and ML Wilkin respectively, at an option price of R6.98. Refer to note 38 for further details on the Group's share option scheme.

In accordance with the Company's MOI and Section 10.16(g) of the JSE Listing Requirements, all directors will retire at the forthcoming annual general meeting being the first annual general meeting of the Company. All retiring directors, being eligible, offer themselves for re-election.

COMPANY SECRETARY

The secretary of the Company is HCI Managerial Services Proprietary Limited, whose details are set out on page 2.

INVESTMENTS

Company	Nature of business	Holding
HPL and R Investments Proprietary Limited	Investment holding	100%
Golden Arrow Bus Services Proprietary Limited	Transport services	100%
Eljosa Travel & Tours Proprietary Limited	Transport services	76%
Table Bay Area Rapid Transit Proprietary Limited	Transport services	50.06%
Sibanye Bus Services Proprietary Limited	Transport services	33.33%
The N2 Express Joint Venture Proprietary Limited	Transport services	33.33%

GOING CONCERN

The Directors believe that the Group have adequate financial resources to continue operations for the foreseeable future and accordingly the consolidated and separate annual financial statements have been prepared on the basis of accounting policies applicable to a going concern.

The Directors are not aware of any new material changes that may adversely impact the Group nor are they aware of any material non-compliance with statutory or regulatory requirements which may affect the Group.

AUDITORS

BDO Cape Incorporated was appointed in office in accordance with section 90 of the Companies Act 71 of 2008 with Stephan Cillié as designated auditor for the year ended 31 March 2018.

OPERATING SEGMENT

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 is 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.

NO MATERIAL CHANGE

There has been no material change in the financial or trading position of the Group since the publication of its provisional results for the year ended 31 March 2018.

SUBSEQUENT EVENTS

The Company successfully listed on the main board of the JSE on 24 April 2018.

The directors are not aware of any further matter or circumstance arising since the end of the financial year, not otherwise dealt with within the annual financial statements that would affect the operations or results of the Company or the Group significantly.

PREPARER

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

STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

	Notes	Group 2018 R'000	Group 2017 R'000
ASSETS			
Non-Current Assets			
Property, plant and equipment	3	1 462 937	1 319 131
Goodwill	4	8 451	8 451
Intangible assets	5	78	57
Investments in associates	6	18 343	16 757
Other financial asset	7	218 897	–
Deferred taxation	8	414	397
		1 709 120	1 344 793
Current Assets			
Other financial asset	7	237 503	–
Inventories	9	15 714	17 381
Current tax receivable		1 435	3 669
Trade and other receivables	10	67 816	57 410
Cash and cash equivalents	11	308 130	288 397
		630 598	366 857
Total Assets		2 339 718	1 711 650
EQUITY AND LIABILITIES			
Equity			
Share capital	12	2 246 660	–
Common control reserve	13	(1 800 000)	–
Reinvestment reserve	14	98 295	98 295
Foreign exchange cash flow hedge reserve		–	(4 529)
Maintenance reserve	16	29 421	24 928
Retained income		799 317	675 722
Equity attributable to equity holders of the parent		1 373 693	794 416
Non-controlling interest	15	32 615	35 154
		1 406 308	829 570
Liabilities			
Non-Current Liabilities			
Deferred taxation	8	197 582	175 184
Loan from related party	17	–	14 981
Other financial liabilities	18	17 109	–
Instalment sale obligations	19	283 778	278 025
Post-employment medical benefit liability	20	58 928	68 880
		557 397	537 070
Current Liabilities			
Current tax payable		4 340	172
Other financial liabilities	18	6 934	–
Instalment sale obligations	19	142 389	130 670
Post-employment medical benefit liability	20	3 794	3 536
Derivative financial liability	21	–	6 290
Trade and other payables	22	120 926	111 095
Provisions	23	97 630	93 247
		376 013	345 010
Total Liabilities		933 410	882 080
Total Equity and Liabilities		2 339 718	1 711 650

STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2018

		Group	
		2018	2017
	Notes	R'000	R'000
Revenue	24	1 808 406	1 682 964
Other income		4 501	2 939
Operating expenses		(1 358 793)	(1 239 967)
Operating profit	25	454 114	445 936
Investment revenue	26	22 310	15 000
Depreciation and amortisation		(112 076)	(99 569)
Income from equity accounted investments	27	7 283	6 837
Finance costs	28	(39 618)	(38 059)
Profit before taxation		332 013	330 145
Taxation	29	(86 619)	(88 407)
Profit for the year		245 394	241 738
Profit attributable to :			
Equity holders of the parent		235 947	228 336
Non-controlling interest		9 447	13 402
		245 394	241 738

STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2018

	Notes	Group 2018 R'000	Group 2017 R'000
Profit for the year		245 394	241 738
Other comprehensive income:			
Items that may not be reclassified subsequently to profit or loss			
Actuarial gains/(losses) on defined benefit plans		16 863	(3 304)
Taxation relating to actuarial gains/(losses) on defined benefit plans		(4 722)	925
Items that may be reclassified subsequently to profit or loss			
Cash flow hedging – current year losses		(343)	(6 315)
Cash flow hedging – amount capitalised to property, plant and equipment		6 633	25
Taxation relating to cash flow hedging		(1 761)	1 761
Other comprehensive income/(loss) for the year net of taxation		16 670	(6 908)
Total comprehensive income for the year		262 064	234 830
Total comprehensive income attributable to:			
Equity holders of the parent		252 617	221 428
Non-controlling interest		9 447	13 402
		262 064	234 830
Earnings per share (cents)			
Basic	30	81.36	78.74
Diluted	30	81.36	78.74
Headline earnings per share (cents)			
Basic	30	81.15	78.93
Diluted	30	81.15	78.93

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018

	Share capital R'000	Foreign exchange cash flow hedge reserve R'000	Reinvestment reserve R'000	Common control reserve R'000	Maintenance reserve R'000	Total reserves R'000	Retained income R'000	Total attributable to equity holders of the group/company R'000	Non-controlling interest R'000	Total equity R'000
Group										
Balance at 01 April 2016	–	–	98 295	–	14 241	112 536	580 452	692 988	21 774	714 762
Changes in equity										
Total profit for the year	–	–	–	–	–	–	228 336	228 336	13 402	241 738
Total comprehensive income for the year	–	(4 529)	–	–	–	(4 529)	(2 379)	(6 908)	–	(6 908)
Transfer between reserves	–	–	–	–	10 687	10 687	(10 687)	–	–	–
Acquisition of subsidiary	–	–	–	–	–	–	–	–	(22)	(22)
Dividends	–	–	–	–	–	–	(120 000)	(120 000)	–	(120 000)
Total changes	–	(4 529)	–	–	10 687	6 158	95 270	101 428	13 380	114 808
Balance at 01 April 2017	–	(4 529)	98 295	–	24 928	118 694	675 722	794 416	35 154	829 570
Changes in equity										
Total profit for the year	–	–	–	–	–	–	235 947	235 947	9 447	245 394
Total comprehensive income for the year	–	4 529	–	–	–	4 529	12 141	16 670	–	16 670
Issue of shares	2 900 000	–	–	–	–	–	–	2 900 000	–	2 900 000
Share issue cost	(3 538)	–	–	–	–	–	–	(3 538)	–	(3 538)
Effects of changes in shareholding	–	–	–	(1 800 000)	–	(1 800 000)	–	(1 800 000)	–	(1 800 000)
Transfer between reserves	–	–	–	–	4 493	4 493	(4 493)	–	–	–
Dividends/distribution to shareholders	(649 802)	–	–	–	–	–	(120 000)	(769 802)	(11 986)	(781 788)
Total changes	2 246 660	4 529	–	(1 800 000)	4 493	(1 790 978)	123 595	579 277	(2 539)	576 738
Balance at 31 March 2018	2 246 660	–	98 295	(1 800 000)	29 421	(1 672 284)	799 317	1 373 693	32 615	1 406 308
Notes	12		14	13	16				15	

STATEMENT OF CASH FLOWS

For the year ended 31 March 2018

	Notes	Group 2018 R'000	Group 2017 R'000
Cash flows from operating activities			
Cash generated from operations	31	467 333	478 861
Interest income		15 132	15 000
Finance costs	28	(36 940)	(38 417)
Tax paid	32	(63 776)	(82 856)
Dividends paid	33	(131 986)	(120 000)
Net cash from operating activities		249 763	252 588
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(104 079)	(52 610)
Proceeds from sale of property, plant and equipment		1 962	3 761
Investment in subsidiary		–	(9 636)
Dividends received		5 000	8 900
Net cash used in investing activities		(97 117)	(49 585)
Cash flows from financing activities			
Proceeds on share issue	12	649 802	–
Other liabilities raised		(3 538)	–
Funding raised	34	30 000	–
Funding repaid	34	(159 375)	(157 406)
Distribution to shareholders	33	(649 802)	–
Net cash from financing activities		(132 913)	(157 406)
Total cash movement for the year		19 733	45 597
Cash and cash equivalents at the beginning of the year		288 397	242 800
Total cash and cash equivalents at the end of the year	11	308 130	288 397

ACCOUNTING POLICIES

For the year ended 31 March 2018

1. Presentation of Consolidated Annual Financial Statements

Basis of preparation

The consolidated annual financial statements are presented in accordance with, and comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and effective at the time of preparing these financial statements, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee of the South African Institute of Chartered Accountants ("SAICA"), Financial Pronouncements as issued by the Financial Reporting Standards Council ("FRSC"), the JSE Listings Requirements and the South African Companies Act, 71 of 2008, as amended.

The consolidated annual financial statements were prepared under the historical cost convention, except where otherwise stated. The accounting policies are consistent with those applied in the previous period, except for common control transactions as per note 1.3.1 to the accounting policies. They are presented in South African Rand Thousands.

The Group's subsidiaries historically presented their respective Statement of Profit or Loss in terms of the "function method". The Group has elected to present the Statement of Profit or Loss on the "nature method" as this presents more relevant disclosure for the Group and more closely represents how management evaluate the results of the Group.

The accounting policies that the Group applied in the presentation of the annual financial statements are set out below.

1.1 Consolidation and Equity accounting

The consolidated financial statements include the financial information of the company and its subsidiaries and associates.

Subsidiaries

Subsidiaries are entities controlled by the group, where control is when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Where the group's interest in subsidiaries is less than 100%, the share of equity attributable to outside shareholders is reflected in non-controlling interest. Subsidiaries are included in the financial statements from the date control commences until the date control ceases.

Associates

An associate is an entity over which the investor has significant influence.

The group recognises its share of the associate's results in profit or loss, after accounting for interest, tax and non-controlling interests. The investment in associate is accounted for using the equity method of accounting and is initially recognised at cost. The group's share of its associate's post-acquisition profits or losses is recognised in profit or loss. The cumulative post acquisition movements are recognised against the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The group's associates have an accounting reference date other than 31 March, thus they are equity accounted using management prepared information on a basis coterminous with the group's reporting date. Unrealised gains on transactions between the group and its associate are eliminated to the extent of the group's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Goodwill

Goodwill is initially measured at cost, being the excess of the cost of the business combination over company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

Subsequently, goodwill acquired in a business combination is carried at cost less any accumulated impairment.

Goodwill is assessed for impairment annually.

1.2 Common control transaction

Acquisitions of subsidiaries which do not result in a change of control of the subsidiaries are accounted for as common control transactions. The Group has made the policy choice to apply predecessor accounting to common control transactions. The principles of predecessor accounting are that no assets or liabilities are restated to their fair values.

The Group incorporates the pre-combination carrying amounts of assets and liabilities of the acquired entity. These amounts include any goodwill recorded at the consolidated level in respect of the acquired entity. No new goodwill arises. The excess of the cost of the acquisition over the Group's interest in the carrying value of the identifiable assets and liabilities of the acquired entity is carried as a non-distributable reserve in the consolidated results. This treatment requires that the comparative figures are presented as if the common control transaction had taken place at the start of the first reporting period presented.

1.3 Significant judgements and sources of estimation uncertainty

The preparation of the annual financial statements in accordance with IFRS requires that certain critical accounting estimates and assumptions be used.

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

1.3 Significant judgements and sources of estimation uncertainty (continued)

1.3.1 Significant judgements

Trade receivables

The group assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Common Control

The restructure of the Group, prior to its listing on the JSE, is a common control transaction as HCI remains the ultimate controlling shareholder of the Group. As such IFRS 3 does not apply due to common control. The Group has therefore applied predecessor accounting to its consolidated financial statements with the effect that the assets and liabilities of the subsidiaries acquired under the Group restructure are recognised under the predecessor value method and carried at historical carrying values, with no goodwill being recognised and a common control reserve arising on the Group restructure. This treatment requires that the comparative figures are presented as if the common control transaction had taken place at the start of the first reporting period presented i.e. 1 April 2016.

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the reportable operating segments, has been identified as the Chief Executive Officer. Operating segments with similar economic characteristics are aggregated into one reportable segment which reflects the nature of the services provided by the Group.

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 is 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 Group's Chief Executive Officer.

1.3.2 Sources of estimation

Provisions

Refer to 1.10 of the accounting policy notes for methods and estimations used in determining provisions at year end.

Post retirement health care benefit

The group provides a post retirement health care benefit and therefore recognises an obligation in the statement of financial position.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds.

Impairment testing

The group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

Residual values and useful lives of items of property, plant and equipment

Due to the specialised nature of the group's property, plant and equipment, the residual values attached to these assets are reviewed annually. Buses are expected to have an initial operational life of 12-15 years. The residual value of a bus after 12-15 years is R100 000 for commuter buses and R500 000 for luxury coaches. Buses that will not be rebodied or have already been rebodied have been written down to R20 000, the scrap metal value. Buses that can be rebodied are written down to R40 000 over three further years, the component value of an operational bus.

1.4 Revenue

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

Revenue comprises sales from bus operations, claims in respect of operational contracts with the Department of Transport and the City of Cape Town and automotive repair services.

The operational contracts with Department of Transport and The City of Cape Town are in terms of contracts for the provision of bus services. Revenue is recognised when the kilometres in respect of the services have been travelled.

Revenue from ticket sales is recognised when the tickets are sold.

Revenue from charter hire is recognised when the service has been rendered.

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

1.5 Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the assets. Subsequent costs are included in the asset's carrying value or recognised as a separate asset as appropriate, only when it is probable that the future economic benefits associated with the specific asset will flow to the company and the cost can be measured reliably. Repairs and maintenance costs are charged to the statement of profit and loss during the financial period in which they are incurred.

Property, plant and equipment classified as Asset under construction in the prior year comprised capital expenditure on the development of the automated fare collection ("AFC") system, which was transferred to Computer hardware on the completion of the AFC system in the current financial period. The cost includes costs incurred initially to acquire and construct the AFC system. The cost also included gains or losses on qualifying cash flow hedges attributable to that asset.

Depreciation of property, plant and equipment is provided to write off the gross carrying value, less residual value, on a straight-line basis over their estimated useful lives. Land is not depreciated. The depreciation rates applicable to each category of property, plant and equipment are as follows:

Item	Depreciation rate
Buses	
• New buses	6.67%
• Refurbished buses	8.3%
• Midi buses	12.5%
Computer hardware	33%
Equipment	
• Fare collection equipment	14.29%
• Radio equipment	20%
Furniture and fixtures	16.7% – 33.3%
Buildings	2%
Motor vehicles	
• Cars	20%
• Vans	25%
Plant and machinery	20%

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting period. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

The depreciation charge for each period is recognised in profit or loss. Depreciation ceases once the asset is depreciated to its residual value or the asset is disposed off.

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

1.6 Intangible assets

Trademarks

Trademarks are recognised initially at cost. Trademarks have indefinite useful lives and are carried at cost less impairment.

Computer software

Computer software is recognised at cost. Computer software is amortised over two years.

1.7 Leases

Leases of property, plant and equipment were the lessor retains substantially all the risks and rewards of ownership are classified as operating leases.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the period of the lease.

1.8 Inventories

Spares inventories are measured at the lower of cost and net realisable value. Cost is calculated on a weighted average basis. Net realisable value is the higher of value in use and the estimated selling price in the ordinary course of the business less selling expenses. Provision is made for slow-moving inventories and obsolete materials are written off.

Fuel and oil are measured at the lower of cost and net realisable value. Cost is calculated on a first-in, first-out (FIFO) basis.

1.9 Tax

Current tax assets and liabilities

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

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

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

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

1.10 Provisions and contingencies

Bonus provision

Union employee bonuses are dependent on the rate negotiated with the respective bargaining councils. Other employee bonuses are paid at the discretion of the company. Senior management receive an incentive bonus based on the results of the company. In all cases, payment of a bonus is dependent upon the employee being in the company's service at the date of payment.

Repurchase of service provision

The provision is raised in respect of costs that will be payable to employees on completion of the restructuring of the bus industry by the Department of Transport. For all eligible employees, the entity provides for 50% of one week's pay for each completed year of service. The remaining 50% is provided for by the Bus Industry Restructuring fund.

Third party claims provision

Third party claims are legal claims resulting from traffic accidents. Claims that are insured are excluded from this provision. Where the company expects to be reimbursed under an insurance contract, the reimbursement is recognised as a separate asset.

1.11 Financial instruments

Classification

The group classifies financial assets and financial liabilities into the following categories:

- Loans and receivables
- Financial liabilities measured at amortised cost
- Derivative at fair value

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis.

Initial recognition and measurement

Financial assets and financial liabilities are initially recorded at fair value (plus any directly attributable transaction costs where applicable). For those financial instruments that are not subsequently held at fair value, the company assesses whether there is any objective evidence of impairment at each reporting date. Financial assets are recognised when the company has rights or other access to economic benefits. Such assets consist of cash and a contractual right to receive cash or another financial asset, or a contractual right to exchange financial instruments with another entity on potentially favourable terms. Financial assets are derecognised when the right to receive cash flows from the asset have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

Financial liabilities are recognised when there is an obligation to transfer benefits and that obligation is a contractual liability to deliver cash or another financial asset, or to exchange financial instruments with another entity on potentially unfavourable terms. Financial liabilities are derecognised when they are extinguished, that is discharged, cancelled or expired.

Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

1.11 Financial instruments (continued)

Loans from group companies

This includes a loan from an associate and is recognised initially at fair value plus direct transaction costs.

Subsequently this loan is measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts.

Trade and other receivables

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

Trade and other payables

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

Cash and cash equivalents

Cash and cash equivalents are carried at cost and comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Borrowings

Borrowings are initially measured at fair value plus direct transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method and includes accrued interest.

Derivative financial instruments and hedge accounting

Derivative financial instruments are accounted for at fair value through profit and loss except for derivatives designated hedging instruments in cash flow hedge relationships, which require a specific accounting treatment. To qualify for hedge accounting, the hedging relationship must meet several strict conditions with respect to documentation, probability of occurrence of the hedged transaction and hedge effectiveness.

For the reporting periods under review, the Group has designated certain forward currency contracts as hedging instruments in cash flow hedge relationships. These arrangements have been entered into to mitigate currency exchange risk arising from certain legally binding purchase orders denominated in foreign currency.

All derivative financial instruments used for hedge accounting are recognised initially at fair value and reported subsequently at fair value in the statement of financial position.

To the extent that the hedge is effective, changes in the fair value of derivatives designated hedging instruments in cash flow hedges are recognised in other comprehensive income and included within the cash flow hedge reserve in equity. Any ineffectiveness in the hedge relationship is recognised immediately in profit or loss.

At the time the hedged item affects profit or loss, any gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and presented as a classification adjustment within other comprehensive income. However, if a non-financial asset or liability is recognised as a result of the hedged transaction, the gains and losses previously recognised in other comprehensive income are included in the initial measurement of the hedged item.

If a forecast transaction is no longer expected to occur, any related gain or loss recognised in other comprehensive income is transferred immediately to profit or loss. If the hedging relationship ceases to meet the effectiveness conditions, hedge accounting is discontinued and the related gain or loss is held in the equity reserve until the forecast transaction occurs.

1.12 Post retirement health care benefit

Defined benefit plan

Defined benefit plans, within the group, are post-employment benefit plans under which contributions to Golden Arrow Employees Medical Benefit Fund (MBF) and Discovery Health are paid. These contributions are used to cover outgoings not financed from member contributions.

Payments to defined benefit plans are charged as an expense as they fall due.

Post retirement medical benefits

The cost of providing benefits in respect of retirement health care is determined separately for each plan using the projected unit credit method, with actuarial valuations being carried out at each reporting date. Past service cost is recognised immediately to the extent that the benefits have already vested, or otherwise amortised on a straight line basis over the average period until the amended benefits become vested. Current service cost and any gain and loss on settlement are recognised in profit and loss.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation.

Actuarial gains and losses, returns on plan assets and any change in the effect of the asset ceiling are recognised in the year in which they arise, in other comprehensive income.

1.13 Impairment of assets

The group assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the group estimates the recoverable amount of the asset.

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

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

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

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss.

Goodwill is assessed annually for possible impairment. For purposes of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination.

Impairment losses relating to goodwill are not reversed. Any impairment is recognised in the statement of profit or loss.

1.14 Dividend distribution

Dividend distributions to equity holders of the parent are recognised as a liability in the annual financial statements in the period in which the dividends are approved by the Board. Dividends declared after the reporting date are not recognised, as there is no present obligation at the reporting date.

2. New Standards and Interpretations

At the date of approval of these annual financial statements, certain new accounting standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the entity.

Management anticipates that all of the pronouncements will be adopted in the entity's accounting policies for the first period beginning after the effective date of the pronouncement.

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the group has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Amendments to IAS7: Disclosure initiative (effective years beginning on or after 1 January 2017)

The amendment requires disclosure that enables users of the financial statements to evaluate changes in liabilities arising from financing activities, including changes arising from both cash flow and non-cash flow changes.

In accordance with this amendment the Group has made the required additional disclosure in note 34.

Amendments to IAS12 Income Tax: Recognition of deferred tax assets for unrealised losses (effective years beginning on or after 1 January 2017)

This amendment was introduced to clarify the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value.

This amendment has had no impact on the group financial statements.

2.2 Standards and interpretations not yet effective

The group has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the group’s accounting periods beginning on or after 01 April 2018:

IFRS 16: Leases (effective years beginning on or after 1 January 2019)

IFRS 16 establishes the principles for the recognition, measurement and presentation and disclosure for leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance with the standards approach to lessor accounting substantially unchanged from its predecessor, IAS17.

Management assessment is that the standard will not have a material impact.

IFRS 15: Revenue from contracts with customers (effective years beginning on or after 1 January 2018)

IFRS 15 specifies how and when to recognise revenue as well as requiring entities to provide users of the financial statements with more informative, relevant disclosures. The standard provides a single, principles-based five step model to be applied to all contracts with customers.

Management assessment is that the standard will not have a material impact.

IFRS 9: Financial instruments (effective years beginning on or after 1 January 2018)

IFRS9, as issued, reflects the final phase of work on IAS39. It applies to the following:

- Classification and measurement of financial assets and financial liabilities as defined in IAS39;
- A new general hedge accounting model; and
- A new expected loss impairment model and introducing limited amendments to the classification and measurement requirements for financial assets.

Management’s preliminary assessment is that the standard will not have a material impact on the financial statements, however, is currently evaluating the effects of this standard.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2018

3. Property, plant and equipment

Group	2018 Cost R'000	2018 Accumulated depreciation R'000	2018 Carrying value R'000	2017 Cost R'000	2017 Accumulated depreciation R'000	2017 Carrying value R'000
Asset under construction	–	–	–	22 011	–	22 011
Buses	1 748 454	(679 911)	1 068 543	1 584 487	(589 819)	994 668
Computer hardware	89 057	(20 648)	68 409	21 004	(17 162)	3 842
Fare collection equipment	5 305	(5 254)	51	16 100	(16 031)	69
Furniture and fixtures	6 566	(5 131)	1 435	4 957	(4 590)	367
Land and buildings	313 195	–	313 195	283 677	–	283 677
Leasehold improvements	78	(14)	64	11	(11)	–
Motor vehicles	23 750	(18 081)	5 669	22 629	(15 781)	6 848
Plant and machinery	27 974	(23 037)	4 937	27 732	(20 972)	6 760
Radio equipment	1 900	(1 266)	634	1 900	(1 011)	889
Total	2 216 279	(753 342)	1 462 937	1 984 508	(665 377)	1 319 131

Reconciliation of property, plant and equipment – Group – 2018

	Opening balance R'000	Additions R'000	Disposals R'000	Transfers R'000	Depreciation R'000	Impairment loss R'000	Closing balance R'000
Asset under construction	22 011	44 563	–	(66 574)	–	–	–
Buses	994 668	180 588	(780)	–	(102 643)	(3 290)	1 068 543
Computer hardware	3 842	1 478	–	66 574	(3 485)	–	68 409
Leasehold improvements	–	67	–	–	(3)	–	64
Fare collection equipment	69	84	–	(70)	(32)	–	51
Furniture and fixtures	367	1 433	–	–	(365)	–	1 435
Land and buildings	283 677	29 518	–	–	–	–	313 195
Motor vehicles	6 848	2 018	(16)	–	(3 181)	–	5 669
Plant and machinery	6 760	240	–	–	(2 063)	–	4 937
Radio equipment	889	–	–	–	(255)	–	634
	1 319 131	259 989	(796)	(70)	(112 027)	(3 290)	1 462 937

Reconciliation of property, plant and equipment – Group – 2017

	Opening balance R'000	Additions R'000	Additions through business combinations R'000	Disposals R'000	Depreciation R'000	Impairment loss R'000	Closing balance R'000
Asset under construction	–	22 011	–	–	–	–	22 011
Buses	882 557	186 854	20 984	(780)	(91 548)	(3 399)	994 668
Computer hardware	4 580	1 388	8	–	(2 134)	–	3 842
Fare collection equipment	59	65	–	–	(55)	–	69
Furniture and fixtures	405	46	–	–	(84)	–	367
Land and buildings	278 651	5 026	–	–	–	–	283 677
Motor vehicles	7 884	2 449	297	(298)	(3 484)	–	6 848
Plant and machinery	4 202	4 570	16	–	(2 028)	–	6 760
Radio equipment	496	629	–	–	(236)	–	889
	1 178 834	223 038	21 305	(1 078)	(99 569)	(3 399)	1 319 131

Bus additions to the value of R155 909 000 (2017: R170 428 000) were financed by instalment sale agreements (See also note 34).

3. **Property, plant and equipment** (continued)

Reconciliation of Asset under construction	2018 R'000	2017 R'000
Opening balance	22 012	–
Additions	37 929	21 986
Cash flow hedge accounting	6 633	25
Transfer	(66 574)	
	–	22 011

Golden Bus Services Proprietary Limited hedged its exposure in South Africa to foreign currency risk in respect of its acquisition and construction of automated fare collection system included under computer hardware (2017: Included in asset under construction). Cash flow hedge accounting was applied to these hedging transactions and accordingly, the effective portion of any gains or losses on these contracts was adjusted against the underlying hedge item, Asset under construction. This was achieved by means of forward exchange contracts.

No depreciation has been provided for on the buildings as the residual values exceed the carrying amount.

Instalment sales are secured over vehicles with a cost of R712 787 000 (2017: R742 492 000), however the amount is limited to the outstanding loan balance which was R426 167 000 (2017: R408 695 000) at year end.

4. **Goodwill**

	2018			2017		
	Cost R'000	Accumulated impairment R'000	Carrying value R'000	Cost R'000	Accumulated impairment R'000	Carrying value R'000
Group						
Goodwill	8 451	–	8 451	8 451	–	8 451

	Opening balance R'000	Closing balance R'000
Reconciliation of goodwill – Group – 2018		
Goodwill	8 451	8 451

	Opening balance R'000	Closing balance R'000
Reconciliation of goodwill – Group – 2017		
Goodwill	8 451	8 451

Goodwill arose on the acquisition of Eljosa Travel and Tours Proprietary Limited which was acquired on 1 October 2016.

The value of the cash-generating unit (CGU) to which goodwill has been allocated has been determined based on value-in-use calculations using management's cash flow projections over a three year period. Based on past experience, and risk and growth profiles in similar industries, a growth rate of 6.5% was applied and pre-tax cash flows were discounted at 16.46%.

The following assumptions were applied when reviewing goodwill impairment:

- Asset values were based on the carrying amounts for the financial period.
- Future expected profits were estimated using historical information and approved budgets extending over three years.
- Costs were assumed to grow in line with expansion and expected inflation.

The recoverable amount of the cash-generating unit was determined to be higher than the amount of goodwill and therefore no impairment was recognised in the current period.

5. Intangible assets

	2018			2017		
	Cost R'000	Accumulated amortisation R'000	Carrying value R'000	Cost R'000	Accumulated amortisation R'000	Carrying value R'000
Group						
Computer software	10 879	(10 858)	21	–	–	–
Trademarks	57	–	57	57	–	57
Total	10 936	(10 858)	78	57	–	57

Reconciliation of intangible assets – Group – 2018

	Opening balance R'000	Transfers R'000	Amortisation R'000	Closing balance R'000
Computer software	–	70	(49)	21
Trademarks	57	–	–	57
	57	70	(49)	78

Reconciliation of intangible assets – Group – 2017

	Opening balance R'000	Closing balance R'000
Trademarks	57	57

6. Investments in associates

Name of company	% holding 2018	% holding 2017	Carrying amount 2018 R'000	Carrying amount 2017 R'000
Sibanye Bus Services Proprietary Limited	33.33%	33.33%	17 866	16 757
The N2 Express Joint Venture Proprietary Limited	33.33%	33.33%	477	–
			18 343	16 757

6. Investments in associates (continued)

	Group 2018 R'000	Group 2017 R'000
Summarised financial information – Sibanye Bus Services Proprietary Limited		
Non-current assets	45 442	50 331
Current assets	41 280	45 748
Non-current liabilities	(17 362)	(21 881)
Current liabilities	(5 514)	(6 223)
Equity and reserves	(63 846)	(67 975)
Revenue	87 000	97 696
Net profit	18 327	18 623
Reconciliation of carrying value of investment in associate - Sibanye Bus Services Proprietary Limited		
Opening balance	16 757	19 449
Add: Profit for the year after tax	18 327	18 623
Less: Profit attributable to outside shareholders (66.67%)	(12 218)	(12 415)
Less: Dividend received	(5 000)	(8 900)
	17 866	16 757
Summarised financial information – The N2 Express Joint Venture Proprietary Limited		
Non-current assets	70	137
Current assets	8 825	16 301
Non-current liabilities	–	–
Current liabilities	(5 976)	(15 429)
Equity and reserves	(2 919)	(1 009)
Revenue	7 526	–
Net profit	1 432	–
Reconciliation of carrying value of investment in associate – The N2 Express Joint Venture Proprietary Limited		
Opening balance	–	–
Add: Profit for the year after tax	1 432	–
Less: Profit attributable to outside shareholders (66.67%)	(955)	–
Less: Dividend received	–	–
	477	–

Associates with different reporting dates

The reporting date of Sibanye Bus Services Proprietary Limited is 31 December and The N2 Express Joint Venture Proprietary Limited is 30 June.

7. Other financial asset

	Group 2018 R'000	Group 2017 R'000
Loans and receivables		
Promissory notes	456 400	–
Shown as:		
Non-current assets	218 897	–
Current assets	237 503	–
	456 400	–

Promissory notes

This receivable is made up of Promissory notes ceded to the Company by La Concorde as part consideration for shares issued to La Concorde on the restructure of the Group (see also note 12). This receivable is the remaining balance of the deferred settlement of the consideration for the sale of KWV by La Concorde, and is receivable in two instalments on 1 October 2018 and 1 October 2019. The instalments are secured by way of Investec Bank payment obligations that carry interest at 8.5%, compounded annually.

8. Deferred taxation

	Group	
	2018 R'000	2017 R'000
Deferred tax liability		
Accelerated depreciation for tax purposes	(240 173)	(225 610)
Other	(4 525)	(2 842)
Provisions	52 251	51 904
Fair value adjustment on cash flow hedge	(4 721)	1 761
	(197 168)	(174 787)
Reconciliation of deferred tax liability		
At the beginning of the year	(174 787)	(168 352)
Accelerated depreciation for tax purposes	(14 563)	(14 106)
Fair value adjustment on cash flow hedge	(6 482)	1 761
Other	(1 683)	747
Provisions and accruals	347	5 163
At the end of the year	(197 168)	(174 787)
Composition of deferred tax:		
Deferred tax asset	414	397
Deferred tax liabilities	(197 582)	(175 184)
	(197 168)	(174 787)

9. Inventories

	Group	
	2018 R'000	2017 R'000
Fuel	5 620	3 787
Oil	2 223	3 011
Reconditioned spares	1 598	2 181
Spares	4 496	4 690
Work in progress	1 777	3 712
	15 714	17 381

10. Trade and other receivables

	Group	
	2018 R'000	2017 R'000
Prepayments	14 831	14 393
Other receivables	3 516	4 866
Trade receivables	47 485	41 518
Allowance for impairment of trade receivables	(1 786)	(3 874)
VAT	3 770	507
	67 816	57 410

10. Trade and other receivables (continued)

	Group 2018 R'000	Group 2017 R'000
Trade and other receivables past due but not impaired		
Trade and other receivables for the Group which are less than 3 months past due are not considered to be impaired as these receivables are considered recoverable. At 31 March 2018, R10 834 000 (2017: R4 584 000) were past due but not impaired.		
The ageing of these trade and other receivables are as follows:		
30 to 60 days	8 890	624
60 to 90 days	784	235
More than 90 days	1 160	3 725
	10 834	4 584
Trade receivables impaired		
As of 31 March 2018, trade and other receivables for the Group of R1 786 000 (2017: R3 874 000) were impaired and provided for.		
The ageing of these trade and other receivables are as follows:		
Over 9 months	1 786	3 874
Reconciliation of provision for impairment of trade and other receivables		
At the beginning of the year	3 874	469
Provision for impairment	49	3 405
Unused amounts reversed	(2 137)	–
At the end of the year	1 786	3 874

The creation and release of the provision for impaired receivables has been included in operating expenses in profit or loss. Amounts charged to the allowance account are generally written off when there is no expectation of recovery.

11. Cash and cash equivalents

	Group 2018 R'000	Group 2017 R'000
Cash and cash equivalents consist of:		
Cash on hand	3 193	3 331
Bank balances	304 937	285 066
	308 130	288 397

12. Share capital

	Group 2018 R'000	Group 2017 R'000
Authorised		
2018: 1 000 000 000 Ordinary shares of no par value		
2017: 1 000 Ordinary shares of no par value		
Issued		
2018: 290 000 000 Ordinary shares of no par value	2 246 660	–
2017: 100 Ordinary shares of no par value		
Details of the issued share capital changes during the year are as follows:		
At beginning of the year	–	–
Issued during the year	2 900 000	–
Share issue costs	(3 538)	–
Distribution to shareholders	(649 802)	–
At end of the year	2 246 660	–

On 1 February 2018, the Company acquired 100% of the issued share capital of HPL and R Investments Proprietary Limited, which holds 100% of Golden Arrow Bus Services Proprietary Limited (which in turn, has various subsidiaries) and 76% of Eljosa Travel and Tours Proprietary Limited, from Hosken Consolidated Investments Limited ("HCI") for a consideration of R1.8 billion, which was settled by the allotment and issue of shares, constituting approximately 62% of the issued share capital of the Company.

The remaining approximately 38% of the issued share capital of the Company was issued to La Concorde Holdings Limited (a subsidiary of Niveus Investments Limited) in exchange for cash of R649.8 million and the cession of Promissory Notes with a value of R450.2million at the time of the share issue. The Company subsequently declared and paid out a distribution of R649.8 million to shareholders on 1 February 2018 (see also note 33).

13. Common control reserve

	Group 2018 R'000	Group 2017 R'000
Common control reserve	1 800 000	–

The restructure of the Group, prior to its listing on the JSE, is a common control transaction as HCI remains the ultimate controlling shareholder of the Group.

The Group has therefore applied predecessor accounting to its consolidated annual financial statements with the effect that the assets and liabilities of the subsidiaries acquired under the Group restructure are recognised under the predecessor value method and carried at historical carrying values and a common control reserve arising on acquisition

14. Reinvestment reserve

	Group 2018 R'000	Group 2017 R'000
The reinvestment reserve, which is distributable, is the portion that is attributable to the Group as a result of a surplus on the liquidation of The Golden Arrow Retirement Plan (GARP) in 1998.		
Surplus on liquidation of the GARP	98 295	98 295

15. Non-controlling interests

Name of company	Location	% holding 2018	% holding 2017	Carrying amount 2018 R'000	Carrying amount 2017 R'000
Table Bay Area Rapid Transit Proprietary Limited	South Africa	50.06%	50.06%	31 757	35 011
Eljosa Travel & Tours Proprietary Limited	South Africa	76.00%	76.00%	858	143
				32 615	35 154

	Group 2018 R'000	Group 2017 R'000
Summary of group interest in subsidiary – Table Bay Area Rapid Transit Proprietary Limited		
Non-current assets	697	901
Current assets	73 236	89 539
Non-current liabilities	–	20 000
Current liabilities	9 865	9 965
Equity and reserves	64 068	90 475
Turnover	133 645	122 272
Net profit for the year	27 593	26 442
	309 104	359 594
Reconciliation of carrying value of non-controlling interest of Table Bay Area Rapid Transit Proprietary Limited.		
Opening balance	35 011	21 774
Add: Profit for the year after tax	27 593	26 442
less: Profit attributable to owners of parent	(18 831)	(13 205)
Less: Dividend paid	(12 016)	–
Closing balance	31 757	35 011

15. Non-controlling interests (continued)

	Group 2018 R'000	2017 R'000
Summary of group interest in subsidiary – Eljosa Travel & Tours Proprietary Limited.		
Non-current assets	49 479	33 672
Current assets	3 845	3 085
Non-current liabilities	42 573	29 156
Current liabilities	7 226	6 907
Equity and reserves	3 576	694
Turnover	39 315	32 358
Net profit for the year	2 976	688
	148 990	106 560
Reconciliation of carrying value of non-controling interest of Eljosa Travel & Tours Proprietary Limited.		
Opening balance	143	–
On acquisition	–	(22)
Add: Profit for the year after tax	2 976	688
less: Profit attributable to owners of parent	(2 261)	(523)
Closing balance	858	143

16. Maintenance reserve

In terms of the contract with the City of Cape Town and Table Bay Area Rapid Transit Proprietary Limited, the buses have to be maintained and returned to the City after the initial contract period of 12 years, in the state and condition they were in as at the Vehicle Delivery Date, fair wear and tear excluded The payment for the maintenance is by way of the estimated life time cost averaged over the period of the contract. The difference between the actual cost incurred and the amount received is transferred to the reserve.

	Group 2018 R'000	2017 R'000
Opening balance	24 928	14 240
Transfer from retained earnings	4 493	10 688
Closing balance	29 421	24 928

17. Loan from related party

	Group 2018 R'000	2017 R'000
Associate		
Sibanye Bus Services Proprietary Limited	–	14 981
The loan was to Table Bay Area Rapid Transit Proprietary Limited. It was unsecured and bore interest at the prime interest rate of the call guarantee account included in cash and cash equivalents. The loan was settled in the current year.		

18. Other financial liabilities

	Group 2018 R'000	2017 R'000
Held at amortised cost		
Nedbank Limited – Term loan	24 043	–
This loan is unsecured, bears interest at prime less 0.50% and is repayable in monthly instalments over the term until 2021.		
Shown as:		
Non-current liabilities	17 109	–
Current liabilities	6 934	–
	24 043	–

19. Instalment sale obligations

	Group 2018 R'000	2017 R'000
Instalment sale liabilities	426 167	408 695
Shown as:		
Non-current liabilities	283 778	278 025
Current liabilities	142 389	130 670
	426 167	408 695
The present value of instalment sale liabilities due per financial institution are as follows:		
Wesbank	11 689	19 199
Repayable in monthly instalments of R715 000 (2017: R1 023 000)		
Nedbank Limited	116 598	123 149
Repayable in monthly instalments of R5 091 000 (2017: R4 804 000)		
MAN Financial Services	123 444	140 463
Repayable in monthly instalments of R4 473 000 (2017: R5 530 000)		
The Standard Bank of South Africa Limited	73 106	83 730
Repayable in monthly instalments of R2 862 000 (2017: R2 893 000)		
ABSA Bank Limited	101 330	42 154
Repayable in monthly instalments of R1 327 000 (2017: R956 000)		
	426 167	408 695

Interest is charged at a weighted average effective rate of 9.04% and monthly instalments are repayable over a period of five years.

Instalment sales are secured over vehicles with a cost of R712 787 000 (2017: R742 492 000) as described in note 3, however the amount is limited to the outstanding loan balance which was R426 167 000 (2017: R408 695 000) at year end.

20. Post-employment medical benefit liability

Defined benefit plan

Defined benefit plans, within the group, are post-employment benefit plans under which contributions in respect of retired employees with more than 20 years of service are paid to Golden Arrow Employees Medical Benefit Fund (MBF) and Discovery Health. These contributions are used to cover outgoings not financed from member contributions. The administrators of the MBF are the Metropolitan Health Group.

The calculation of the accrued service liability in respect of post retirement health care was performed by Willis Towers Watson Actuaries and Consultants as at 31 March 2018 and amounted to R62 722 000 (2017: R72 416 000).

	Group 2018 R'000	2017 R'000
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	62 722	72 416
Non-current liabilities	58 928	68 880
Current liabilities	3 794	3 536
	62 722	72 416
Movements for the year		
Opening balance	72 416	62 716
Movement	(9 694)	9 700
	62 722	72 416
Net expense recognised in total comprehensive income		
Expense recognised in profit and loss		
Current service cost	3 443	2 923
Interest cost	7 262	6 600
Pensioner subsidy	(3 536)	(3 127)
	7 169	6 396
(Gains)/losses recognised in other comprehensive income		
Actuarial (gains)/losses	(16 863)	3 304
	(16 863)	3 304
	(9 694)	9 700

20. Post-employment medical benefit liability (continued)

	Group 2018	Group 2017
Key assumptions used		
Assumptions used for the valuation of the post-employment medical benefit liability at year end:		
Normal retirement age	65	65
Discount rates used	9.20%	9.80%
Continuation of membership at retirement	55.00%	55.00%
Discovery Health expected long term medical aid subsidy increase rate	7.80%	8.90%
Medical Benefit Fund expected long term medical aid subsidy increase rate	7.30%	8.40%

The projected unit credit method has been used to value the post retirement medical liabilities. Under this method the liability for employee members is allocated based on the service accrued to the date of valuation and the service expected to arise up to retirement age.

Sensitivity analysis

The valuation as at 31 March 2018 is sensitive to a change in the assumptions used, particularly in the discount rate and the subsidy increase rate. Below shows a summary of the effective changes in these assumptions:

Accrued liability	Group 2018 Change in R'000	Group 2018 Change in %
discount rate increased by 0.50% p.a.	(3 338)	(5.3)
discount rate reduced by 0.50% p.a.	3 677	5.9
subsidy increase rate increased by 1% p.a.	7 637	12.2
subsidy increase rate reduced by 1% p.a.	(6 392)	(10.2)
	2017 Change in R'000	**2017 Change in %**
discount rate increased by 0.50% p.a.	(4 095)	(5.7)
discount rate reduced by 0.50% p.a.	4 517	6.3
subsidy increase rate increased by 1% p.a.	9 355	12.9
subsidy increase rate reduced by 1% p.a.	(7 815)	(10.8)

21. Derivative financial liability

	Group 2018 R'000	Group 2017 R'000
Pound Sterling forward contracts – cash flow hedge	–	6 290

The Group used forward foreign exchange contracts to mitigate exchange rate exposure arising from a firm commitment to purchase equipment in Pound Sterling. All Pound Sterling forward exchange contracts were designated as hedging instruments in cash flow hedges in accordance with IAS 39.

The forward contracts relate to cash flows that were forecast for May 2017 to March 2018. All forecast transactions for which hedge accounting has been used have occurred at year end.

During 2018 a loss of R343 000 (2017: R6 315 000) was recognised in other comprehensive income. During 2018 a loss of R6 633 000 (2017: R25 000) was reclassified from equity and capitalised to asset under construction in property, plant and equipment.

22. Trade and other payables

	Group 2018 R'000	Group 2017 R'000
Trade payables	62 648	58 377
Accruals	30 489	29 177
Leave pay accrual	22 162	19 573
Amounts received in advance	1 234	1 157
Other payables	4 312	2 521
VAT	81	290
	120 926	111 095

23. Provisions

	Opening balance R'000	Additions R'000	Utilised during the year R'000	Closing balance R'000
Reconciliation of provisions – Group – 2018				
Bonus provision	36 903	54 572	(52 327)	39 148
Repurchase of service provision	37 642	147	–	37 789
Third party claims provision	18 702	7 371	(5 380)	20 693
	93 247	62 090	(57 707)	97 630
Reconciliation of provisions – Group – 2017				
Bonus provision	33 259	51 522	(47 878)	36 903
Repurchase of service provision	37 642	–	–	37 642
Third party claims provision	14 232	12 126	(7 656)	18 702
	85 133	63 648	(55 534)	93 247

24. Revenue

	Group 2018 R'000	Group 2017 R'000
Revenue – passenger bus services	1 748 392	1 632 244
Charter and lease hire revenue	32 830	23 138
Sundry revenue	27 184	27 582
	1 808 406	1 682 964

25. Operating profit

	Group 2018 R'000	Group 2017 R'000
Operating profit for the year is stated after accounting for the following:		
Operating lease charges		
Premises	7 568	4 780
Motor vehicles	–	250
Equipment	491	370
Gain/(loss) on sale of property, plant and equipment	860	(716)
Inventory write down	(500)	277
Employee costs	719 802	657 174
Pension fund contributions	49 534	40 575
Auditors' remuneration		
– Audit fees: current year	1 900	1 189
– Other services	732	–
Consultancy fees	3 278	1 779
Legal fees	2 554	200

26. Investment revenue

	Group 2018 R'000	Group 2017 R'000
Interest revenue		
Bank	15 523	14 044
Other interest	6 787	956
	22 310	15 000

27. Income from equity accounted investments

	Group 2018 R'000	Group 2017 R'000
The company owns 33.33% of Sibanye Bus Services Proprietary Limited. The income from this investment is calculated as follows:		
Profit for the year from associate	18 327	18 623
Less: Profit attributable to outside shareholders	(12 218)	(12 415)
Less: Interest received	(412)	(429)
Add: Sundry expenses	1 109	1 058
	6 806	6 837
The company owns 33.33% of The N2 Express Joint Venture Proprietary Limited. The income from this investment is calculated as follows:		
Profit for the year from associate	1 432	–
Less: Profit attributable to outside shareholders	(955)	–
	477	–
	7 283	6 837

28. Finance costs

	Group 2018 R'000	Group 2017 R'000
Bank	891	869
Instalment sale liabilities	38 658	37 186
Other interest paid	69	4
	39 618	38 059

29. Taxation

	Group 2018 R'000	Group 2017 R'000
Major components of the tax expense		
Current		
Local income tax – current period	79 151	82 261
Local income tax – recognised in current tax for prior periods	(8 389)	(2 975)
	70 762	79 286
Deferred		
Originating and reversing temporary differences	15 857	9 121
	86 619	88 407
Reconciliation of tax rate:		
Normal tax rate	28.00%	28.00%
Deferred tax not raised on losses	(0.23)%	(0.46)%
Capital losses and non-deductible expenses	0.08%	0.12%
Non-taxable income including share of associates' income	(1.79)%	(0.88)%
Effective rate	26.06%	26.78%

30. Earnings and headline earnings per share

	2018 Gross R'000	2018 Net R'000	2017 Gross R'000	2017 Net R'000
Reconciliation of headline earnings				
Earnings attributable to equity holders of the parent		235 947		228 336
Adjustments for:				
IAS 16 (Profit)/loss on disposal of plant and equipment	(860)	(619)	797	574
Headline earnings		235 328		228 910
Earnings per share (cents)				
Basic		81.36		78.74
Diluted		81.36		78.74
Headline earnings per share (cents)				
Basic		81.15		78.93
Diluted		81.15		78.93
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		–

31. Cash generated from operations

	Group 2018 R'000	Group 2017 R'000
Profit before taxation	332 013	330 145
Adjustments for:		
Depreciation and amortisation	112 076	99 569
(Profit)/loss on sale of assets	(860)	716
Income from equity accounted investments	(7 283)	(6 837)
Interest received	(22 310)	(15 000)
Finance costs	39 618	38 417
Movements in retirement benefit assets and liabilities	7 169	6 397
Movements in provisions	4 383	8 113
Other non-cash items	(1 813)	634
Changes in working capital:		
Inventories	2 827	(341)
Trade and other receivables	(8 318)	(3 882)
Trade and other payables	9 831	20 930
	467 333	478 861

32. Tax paid

	Group 2018 R'000	Group 2017 R'000
Balance at beginning of the year	3 497	(73)
Current tax for the year recognised in profit or loss	(70 762)	(79 286)
Interest received on prior period tax paid	584	–
Balance at end of the year	2 905	(3 497)
	(63 776)	(82 856)

33. Dividends paid

	Group	
	2018 R'000	2017 R'000
Dividends	(131 986)	(120 000)
Distribution to shareholders	(649 802)	–
	(781 788)	(120 000)

As part of the restructure of the Group, ordinary shares to the value of R1.1 billion where issued to La Concorde Holdings Limited on 1 February 2018 in exchange for cash of R649.8 million and a receivable of R450.2 million (see also note 7 & 12).

The Company subsequently declared and paid out a distribution of R649.8 million to Shareholders on 1 February 2018, refer to the Directors Report for further detail on the Group restructure.

34. Borrowings

Movements in the carrying value of borrowings are as follows:

	Group R'000
2018	
Carrying value at the beginning of the year	423 676
Cash-flows:	
Raising of new debt	30 000
Debt repayments	(159 375)
Non-cash:	
Raising of instalment sale obligations	155 909
Carrying value at the end of the year	450 210
2017	
Carrying value at the beginning of the year	394 407
Cash-flows:	
Debt repayments	(157 406)
Non-cash:	
Business combinations	16 247
Raising of instalment sale oligations	170 428
Carrying value at the end of the year	423 676

R155 909 000 (2017: R170 428 000) of debt raised in the year related to instalment sale agreements used to finance bus acquisitions, as such these amounts are reflected net of additions in the cash flow statement (see also note 3).

35. Commitments

	Group	
	2018 R'000	2017 R'000
Authorised capital expenditure		
Already contracted for but not provided for		
Property, plant and equipment	102 960	204 366
This committed expenditure will be financed through instalment sale agreements with registered financial institutions.		
Operating leases – as lessee (expense)		
Minimum lease payments due		
within one year	2 646	2 472
in second to fifth year inclusive	8 813	11 459
	11 459	13 931

36. Related parties

Relationships

Holding company	Hosken Consolidated Investments Limited
Associates	Refer to note 6
Fellow subsidiary	HCI Managerial Services Proprietary Limited
	HCI Foundation
Post-employment medical beneifit fund	Golden Arrow Employees Medical Benefit Fund

	Group	
	2018 R'000	2017 R'000
Related party balances		
Loan from related party		
Sibanye Bus Services Proprietary Limited	–	14 981
	–	14 981
Amounts included in Trade receivable/(Trade Payable) regarding related parties		
Golden Arrow Employees Benefit Fund	–	14
Hosken Consolidated Investments Limited	5	5
HCI Foundation	578	509
The N2 Express Joint Venture Proprietary Limited	13 299	14 054
Sibanye Bus Services Proprietary Limited	(3 145)	(378)
Sibanye Bus Services Proprietary Limited	3 882	3 529
HCI Managerial Services Proprietary Limited	(146)	–
	14 473	17 733
Related party transactions		
Sales to related party		
HCI Foundation	3 020	2 790
The N2 Express Joint Venture Proprietary Limited	76 887	73 628
	79 907	76 418
Rent received from related parties		
Sibanye Bus Services Proprietary Limited	573	521
Administration fees paid to/(received from) related parties		
Hosken Consolidated Investments Limited	1 710	1 710
Sibanye Bus Services Proprietary Limited	(2 958)	(2 777)
	(1 248)	(1 067)
Contributions paid to related party		
Golden Arrow Employees Medical Benefit Fund	29 792	27 786
Dividends and distributions paid to related parties		
Hosken Consolidated Investments Limited	120 000	120 000
La Concorde Holdings Limited	649 802	–
	769 802	120 000
Contract revenue paid to related party		
Sibanye Bus Services Proprietary Limited	55 397	49 958

Management has estimated that transactions with related parties are at arm's length.

37. Directors' Interests and emoluments

Directors' Interests

No Director of the Company had any material direct or indirect interest in any transactions that were affected by the Company in the current or preceding financial year end.

At year end no director held any Shares in the Company. However, based on their shareholding in La Concorde Holdings Limited and Niveus Investments Limited the following directors (including directors who have resigned during the period) received shares in the Company on the unbundling by La Concorde, subsequent to the listing on the JSE, and the unbundling by Niveus as follows:

Director	Direct number of shares held	Direct % of shares in issue held	Indirect number of shares held	Indirect % of shares in issue held	Total number of shares held	Total % of shares in issue held
Y Shaik	–	–	–	–	–	–
TG Govender	111 407	0.0%	834 015	0.3%	945 422	0.3%
MM Loftie-Eaton*	–	–	103 707	0.0%	103 707	0.0%
A Van der Veen*	–	–	458 428	0.2%	458 428	0.2%
	111 407	0.0%	1 396 150	0.5%	1 507 557	0.5%

* MM Loftie-Eaton and A Van Der Veen resigned as directors with effect from 6 March 2018.

In addition, to the holdings reflected above, subsequent to year end and to the date of the approval of the annual financial statements the following director acquired an interest in the shares of the Company:

Director	Direct number of shares held	Direct % of shares in issue held	Indirect number of shares held	Indirect % of shares in issue held	Total number of shares held	Total % of shares in issue held
FE Meyer	52 500	0.0%	3 000	0.0%	55 500	0.0%

No further changes occurred in the directors' interest from 31 March 2018 to the date of the approval of the annual financial statements.

Directors' Emoluments

Figures in Rand thousand	HPL&R Group Directors' fees	Directors' fees	Salary	Fringe benefits including medical aid	Pension contributions	Bonus	Gain from share schemes	Total
Year ended 31 March 2018								
Executive Directors								
FE Meyer	–	–	2 761	703	258	3 000	–	6 722
ML Wilkin	–	–	2 162	494	202	2 329	–	5 187
	–	–	4 923	1 197	460	5 329	–	11 909
Non-Executive Directors								
Y Shaik	23	250	3 609	–	–	1 758	1 371	7 011
TG Govender	17	123	2 271	425	–	1 107	1 715	5 658
L Govender	8	371	–	–	–	–	–	379
NB Jappie	76	173	–	–	–	–	–	249
KF Mahloma	8	–	–	–	–	–	–	8
Paid by HCI subsidiaries not in the HPLR Group	–	(917)	(5 880)	(425)	–	(2 865)	(3 086)	(13 173)
Total paid by HPL&R Group	132	–	4 923	1 197	460	5 329	–	12 041
Directors resigned with effect from 6 March 2018 (paid by Niveus Investments Limited)								
A van der Veen	–	–	4 533	699	–	2 210	40 722	48 164
MM Loftie-Eaton	–	–	2 102	–	–	–	9 067	11 169
	–	–	6 635	699	–	2 210	49 789	59 333

37. Directors' Interest and emoluments (continued)

Directors' Emoluments (continued)

FE Meyer and ML Wilkin were remunerated by Golden Arrow Bus Services Proprietary Limited as executive directors for the years ended 31 March 2018 and 31 March 2017.

Y Shaik and TG Govender were appointed to the Board on 1 February 2018, while FE Meyer, ML Wilkin, L Govender, NB Jappie and KF Mahloma were appointed to the Board on 6 March 2018.

L Govender was remunerated by Deneb Investments Limited and E-Media Holdings Limited (both subsidiaries of HCI) as non-executive director for the years ended 31 March 2018 and 31 March 2017.

NB Jappie was remunerated by Deneb Investments Limited and Golden Arrow Bus Services Proprietary Limited as non-executive director for the years ended 31 March 2018 and 31 March 2017.

Y Shaik was remunerated by HCI as executive director for the years ended 31 March 2018 and 31 March 2017. Y Shaik was also remunerated as non-executive director by Deneb Investments Limited and Niveus Investments Limited for the years ended 31 March 2018 and 31 March 2017.

TG Govender was remunerated by HCI as executive director for the years ended 31 March 2018 and 31 March 2017. TG Govender was also remunerated by Deneb Investments Limited as non-executive director for the years ended 31 March 2018 and 31 March 2017.

Figures in Rand thousand	HPL&R Group Directors' fees	Directors' fees	Salary	Fringe benefits including medical aid	Pension contributions	Bonus	Gain from share schemes	Total
Year ended 31 March 2017								
Executive Directors								
FE Meyer	–	–	2 553	673	239	2 317	–	5 782
ML Wilkin	–	–	1 986	431	186	1 945	–	4 548
	–	–	4 539	1 104	425	4 262	–	10 330
Non-Executive Directors								
Y Shaik	–	245	3 355	–	–	2 181	1 311	7 092
TG Govender	–	116	3 380	585	–	1 690	1 640	7 411
L Govender	–	360	–	–	–	–	–	360
NB Jappie	68	163	–	–	–	–	–	231
KF Mahloma	–	–	–	–	–	–	–	–
Paid by HCI subsidiaries not in the HPLR Group	–	(884)	(6 735)	(585)	–	(3 871)	(2 951)	(15 026)
Total paid by HPL&R Group	68	–	4 539	1 104	425	4 262	–	10 398

38. HPL&R Group Employee Option Scheme

During the 2018 financial year end, the Group implemented a share option scheme. The HPL&R Group Employee Option Scheme ("the Scheme"), in terms of which shares in the Company are offered on a share option basis to participants, provided they remain in the group's employ until the options vest. Any gain realised on the exercise of these options is settled on a net equity basis, whereby the participant receives that number of shares that equates in value to the gain made on exercise date. Options must be exercised within six months of the vesting date, whereafter the options lapse. Options vest over periods of three to five years.

6 572 422 share options were granted to eligible participants on 31 March 2018 at an option price of R6.98. These options issued in terms of the Scheme become unconditional between the following dates:

31 March 2021 and 30 September 2021	2 190 807
31 March 2022 and 30 September 2022	2 190 807
31 March 2023 and 30 September 2023	2 190 808
	6 572 422

The maximum number of shares that may be utilised for the purposes of the Scheme is 21 750 000 shares.

On 31 March 2018 share options of 2 016 344 and 1 263 484 were awarded to FE Meyer and ML Wilkin respectively, at an option price of R6.98.

No further share options were exercised by or granted to directors for the financial years ended 31 March 2018 and 31 March 2017.

39. Financial assets by category

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

	Loans and receivables R'000	Non-financial instruments R'000	Total R'000
Group – 2018			
Cash and cash equivalents	308 130	–	308 130
Other financial asset	456 400	–	456 400
Trade and other receivables	49 215	18 601	67 816
	813 745	18 601	832 346
Group – 2017			
Cash and cash equivalents	288 397	–	288 397
Trade and other receivables	42 510	14 900	57 410
	330 907	14 900	345 807

40. Financial liabilities by category

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

	Financial liabilities at amortised cost R'000	Non-financial instruments R'000	Total R'000
Group – 2018			
Instalment sale obligations	426 167	–	426 167
Post-employment medical benefit liability	–	62 722	62 722
Other financial liabilities	24 043	–	24 043
Trade and other payables	120 845	81	120 926
	571 055	62 803	633 858
Group – 2017			
Loan from related party	14 981	–	14 981
Instalment sale obligations	408 695	–	408 695
Post-employment medical benefit liability	–	72 416	72 416
Derivative financial liability	6 290	–	6 290
Trade and other payables	110 805	290	111 095
	540 771	72 706	613 477

41. Risk management

Capital risk management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the group consists of debt, which includes the borrowings disclosed in notes 17, 18 & 19, cash and cash equivalents disclosed in note 11, and equity as disclosed in the statement of financial position.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

There are no externally imposed capital requirements.

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

Financial risk management

The group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Interest rate risk

The group's interest rate risk arises from long-term borrowing's. The group's borrowings are issued at variable rates and expose the group to cash flow interest rate risk.

Based on average interest rates of those disclosed in note 19, at 31 March 2018 a 1% fluctuation in interest rates higher/lower, with all other variables constant, would have resulted in a R4 069 000 (2017: R2 943 000) decrease/increase in post-tax profits for year.

Credit risk

Credit risk consists mainly of cash equivalents and trade debtors. The group only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Management evaluate credit risk relating to customers on an ongoing basis.

Financial assets exposed to credit risk at year end were as follows:

	Group	
	2018 R'000	2017 R'000
Financial instrument		
Trade receivables	49 215	42 510
Cash and cash equivalents	304 937	285 066
Other financial asset	456 400	–

Liquidity risk

The group's risk to liquidity is a result of the funds available to cover future commitments. The group manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate unutilised borrowing facilities are monitored.

The table below analyses the Group's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group	Less than 1 year R'000	Between 1 and 5 years R'000
At 31 March 2018		
Instalment sale liability	164 389	335 203
Trade and other payables	120 845	–
Other financial liabilities	9 088	18 933
At 31 March 2017		
Instalment sale liability	163 462	317 844
Loan from related party	–	14 981
Trade and other payables	110 805	–
Derivative financial liability	–	6 290

41. Risk management (continued)

Foreign exchange risk

The Group's transactions are predominantly entered into in its functional currency, South African Rands. However, in the prior year the company entered into a contract to make payments in Pounds Sterling in connection with the purchase of property, plant and equipment in relation to the AFC System and consequently, was exposed to exchange rate fluctuations that had an impact on cash flows and investing activities.

The risk was managed through the use of forward exchange contracts (FEC) entered into in the prior financial year, which were utilised to hedge the risk of currency depreciation on these committed contract payments.

	Group	
	2018	2017
Average forward exchange rates used for conversion of foreign items were:		
GBP	17.4511	17.4511

The Group reviews its foreign currency exposure, including commitments on an ongoing basis.

42. Fair value information

IFRS 7 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

Level 1: Quoted prices available in active markets for identical assets or liabilities.

Level 2: Inputs used, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly.

Level 3: Fair value determined by valuation that uses inputs that are not based on observable market data.

The following liabilities are measured at fair value:

Level 3: Recurring fair value measurements

Liabilities

Figures in Rand thousand	Carrying Amount as at 31 March 2018	Level 1 Quoted prices in active markets for identical instruments	Level 2 Significant other observable inputs	Level 3 Significant unobservable inputs
Fair Value as at 31 March 2018				
Post retirement health care benefit	62 722	–	–	62 722

Figures in Rand thousand	Carrying Amount as at 31 March 2017	Level 1 Quoted prices in active markets for identical instruments	Level 2 Significant other observable inputs	Level 3 Significant unobservable inputs
Fair Value as at 31 March 2017				
Post retirement health care benefit	72 416	–	–	72 416

Refer to note 20 on the assumptions and sensitivity analysis applied to the Post-employment medical benefit liability.

The carrying amount of all other financial assets and liabilities are considered a reasonable approximation of their fair value.

43. Events after the reporting period

The Company successfully listed on the main board of the JSE on 24 April 2018.

The directors are not aware of any further matter or circumstance arising since the end of the financial year, not otherwise dealt with within the annual financial statements that would affect the operations or results of the Company or the Group significantly.