HPL&R

Hosken Passenger Logistics & Rail

CONSOLIDATED AUDITED ANNUAL FINANCIAL STATEMENTS

For the year ended **31 March 2019**

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CORPORATE INFORMATION

Directors

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

Non-executive directors
Y Shaik (Chairperson)
TG Govender

Independent non-executive directors
L Govender (Lead Independent Director)
NB Jappie
RD Watson (appointed 17 April 2019)
KF Mahloma (resigned 17 April 2019)

Company name and registration
HOSKEN PASSENGER LOGISTICS AND RAIL 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
Investec Bank Limited
100 Grayston Drive, Sandown, Sandton, 2196
(PO Box 785700, Sandton, 2146)

Website address
www.hplr.co.za

SHAREHOLDER SNAPSHOT

Listed below is an analysis of shareholdings extracted from the register of ordinary shareholders at 31 March 2019.

DISTRIBUTION OF SHAREHOLDERS

	Number of shareholders	% of shareholders	Number of shares	% of issued capital
1 – 1 000	1 788	48.23%	719 347	0.25%
1 001 – 10 000	1 401	37.79%	5 066 529	1.75%
10 001 – 50 000	406	10.95%	8 201 025	2.83%
50 001 – 100 000	49	1.32%	3 411 685	1.18%
100 001 – 500 000	41	1.11%	8 920 742	3.08%
500 001 – 1 000 000	7	0.19%	5 128 609	1.77%
1 000 001 shares and over	15	0.40%	258 552 063	89.16%
Total	**3 707**	**100.00%**	**290 000 000**	**100.00%**

TYPE OF SHAREHOLDER

	Number of shareholders	% of shareholders	Number of shares	% of issued capital
Banks	5	0.13%	178 589	0.06%
Broker	1	0.03%	192	0.00%
Close Corporation	42	1.13%	1 505 212	0.52%
Endowment Fund	4	0.11%	27 835	0.01%
Individual	3 170	85.51%	37 533 858	12.94%
Investment Company	49	1.32%	232 534 457	80.18%
Pension Fund	2	0.05%	68 541	0.02%
Private Company	127	3.43%	12 371 830	4.27%
Public Company	11	0.30%	1 477 480	0.51%
Trust	296	7.98%	4 302 006	1.48%
Total	**3 707**	**100.00%**	**290 000 000**	**100.00%**

SHAREHOLDING GREATER THAN 5%

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
Hosken Consolidated Investments Limited	217 703 492	75.07%

SHAREHOLDER SPREAD

To the best of the knowledge of the Directors and after reasonable enquiry, the spread of shareholders at 31 March 2019, was as follows:

	Number of shareholders	% of shareholders	Number of shares	% of issued capital
Public shareholding	**3 703**	**99.89%**	**71 320 299**	**24.59%**
Non-Public Shareholding	**4**	**0.11%**	**218 679 701**	**75.41%**
HCI	1	0.03%	217 703 492	75.07%
FE Meyer*	1	0.03%	66 725	0.02%
TG Govender (direct)*	1	0.03%	87 808	0.03%
TG Govender (indirect)*	1	0.03%	821 676	0.28%
Total	**3 707**	**100.00%**	**290 000 000**	**100.00%**

* *Directors*

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 consolidated annual financial statements for the year ended 31 March 2019 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 consolidated annual financial statements are based upon appropriate accounting policies and supported by reasonable and prudent judgements and estimates. The consolidated annual financial statements were prepared under the supervision of the Chief Financial Officer, Mr ML Wilkin CA(SA).

The directors are satisfied that the information contained in the consolidated 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 consolidated 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 consolidated 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 2019 were approved by the Board of directors on 24 July 2019 and are signed on its behalf by:

FE Meyer
Chief Executive Officer

ML Wilkin
Chief Financial Officer

Cape Town
24 July 2019

DECLARATION BY 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 2019, 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 2019

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 2019.

The Committee consists solely of Independent Non-Executive Directors being:

- L Govender (Chairperson)
- NB Jappie
- KF Mahloma – resigned 17 April 2019
- RD Watson – appointed 17 April 2019

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 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 performs 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 met four times during the year under review and held one meeting via teleconference. At least two non-conflicting members are required to form a quorum. The Committee is expected to hold at least four meetings per financial year. Individual Directors' attendance at the Committee meetings is set out below:

Committee member	No. of meetings attended by member
L Govender	5
NB Jappie	4
KF Mahloma	5

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 and those more fully set out in the corporate governance report, included in the Group's Integrated Annual Report. 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 considering, inter alia, the information stated in paragraph 22.15(h) of the JSE Listing Requirements;
- assessed and nominated for re-election at the next annual general meeting, BDO South Africa Incorporated, as the external audit firm, and the appointment of Stephan Cillié as the designated auditor for the following year;
- in consultation with management, agreed the engagement letter, terms, audit plan and budgeted fees for the 2019 financial year;
- considered the nature and extent of non-audit services provided by the external auditor for the financial year ended 31 March 2019 and the fees thereof to ensure the independence of the external auditor is maintained;
- reviewed the external audit report on the annual financial statements and confirmed 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 2019 and based on the information provided to the Committee, considers 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 Procurements (as issued by the Financial Reporting Standards Council), the manner required by the Companies Act, and the JSE Listing Requirements;
- 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; and
- reviewed and ensured that the consolidated interim condensed financial statements of the Group, in respect of the first six-month period, comply with all statutory and regulatory requirements.

INTERNAL AUDIT

The Committee has oversight of the Group's financial statements and reporting process, which includes the system of internal financial control. It is 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. The Committee is responsible for the appointment of the internal auditors who report directly to the Chair of the Committee. The Committee oversees cooperation between internal and external auditors, and serves as a link between the Board of directors and these functions. In assessing the system of internal control, the Committee reviewed the internal audit reports and interrogated the findings directly with the internal auditors.

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 is accountable to the Board for monitoring the risk management process. 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 are to ensure that:

- management designs, implements and monitors the 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 Committee, 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 at each Committee meeting. The Chairperson of the Committee reports 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 stand-alone and consolidated annual financial statements of the Company 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

24 July 2019

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF HOSKEN PASSENGER LOGISTICS AND RAIL LIMITED

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Hosken Passenger Logistics and Rail Limited (the Group) set out on pages 12 to 49, which comprise the consolidated statements of financial position as at 31 March 2019, the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and the consolidated statements of cash flows for the year then ended, and notes to the consolidated 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 2019, 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 Consolidated and Separate Financial Statements* section of our report. We are independent of the Group in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively. 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 Responses**
Useful lives, residual values and depreciation method of buses. Refer also Note 1 (Accounting Policies) and Note 5	
The useful lives, residual values and depreciation method of the buses 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, amongst others, 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. Refer to note 5 in the annual financial statements for details of the change in estimate of the residual values of buses held. • We have recalculated the depreciation charge of buses by: (a) Confirming that the inputs applied in the depreciation calculations are accurate. (b) Recalculating 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 in determining the useful lives and residual values of the buses 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. (d) Comparing management estimates of useful life to the work of an expert, after assessing the independence and competence of the expert. • We have obtained a management representation letter, confirming the reasonableness of the useful lives, residual values and depreciation method. • We evaluated the accuracy and completeness of this disclosure in terms of IFRS.

INDEPENDENT AUDITOR'S REPORT (continued)

Key Audit Matter	Audit Responses
Repurchase of service provision. Refer also to Note 1 (Accounting Policies) and Note 2	
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; 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.	Our audit procedures included, amongst others, 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) Comparing 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 IAS37 – 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 evaluated the accuracy and completeness of this disclosure in terms of IFRS.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report, the Audit and Risk Committee's Report, the Company Secretary's Certificate as required by the Companies Act of South Africa and the 2019 Integrated Annual Report, which we obtained prior to the date of this report. 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 and will 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 on the other information obtained prior to the date of this auditor's report, 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 Group'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'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 Group to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT (continued)

- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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 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 two years.

BDO Cape Incorporated

BDO Cape Incorporated
Registered Auditors

Stephan Cillié
Director
Registered Auditor

24 July 2019

119–123 Hertzog Boulevard
Foreshore
Cape Town, 8001

DIRECTORS' REPORT

The directors have pleasure in submitting their report on the activities of the business together with the consolidated annual financial statements for the year ended 31 March 2019.

NATURE OF BUSINESS AND OPERATIONS

The Company serves as an investment holding company. Its interests consist mainly of investments in the transport sector. The Company holds 100% 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.

RESULTS

The Group made attributable net profit for the year of R233.9 million (2018: R235.9 million).

While the year under review has been testing in a number of ways, the Group has nonetheless posted steady results which augur well for the future. In the face of economic recession, the Group was able to draw on its legacy of a century and a half's operational experience when dealing with an increasingly challenging operating environment.

These challenges included a national five-week protected strike, an additional illegal strike related to in-sourcing which affected the MyCiTi operations and unusually high fuel price increases. In addition to this, the run up to the elections was marred by the disruption of services and an upsurge in vandalism and arson.

Group revenue reflected a nominal decrease of 1.6% from the prior year. Operating expenses were up by 1.7% compared to the previous year, which were mitigated by improved operating efficiencies.

The net effect for the year is a decrease in operating profit of 9.3% from the prior year.

Profit for the year is 0.2% lower than the prior year, largely due to additional interest received on the financial asset and the effect of depreciation from the reassessment of residual values of buses (refer to note 5).

DIVIDENDS

During the course of the year the Company declared and paid an interim dividend of 14 cents per share on 18 December 2018, and two special dividends, one of 75 cents per share paid on 18 December 2018 and another of 80 cents per share paid on 18 February 2019. The Board declared a final dividend in respect of the year ended 31 March 2019 of 28 cents per share on 23 May 2019 which was paid on 18 June 2019.

SHARE CAPITAL

There was no change in the authorised or issued share capital of the Company during the period under review. At 31 March 2019, the total shares in issue was 290 000 000.

MAJORITY SHAREHOLDER

The Company's ultimate holding company is Hosken Consolidated Investments Limited holding 75.07% of the issued share capital of the Company at 31 March 2019.

DIRECTORATE

The directors of the Company who held office during the year under review and at the date of this report are as follows:

Directors	*Office*	*Designation*	
Mr Y Shaik	Chairman	Non-executive	
Mr FE Meyer	Chief Executive Officer	Executive	
Mr ML Wilkin	Chief Financial Officer	Executive	
Mr TG Govender		Non-executive	
Mr L Govender	Lead Independent	Independent non-executive	
Ms NB Jappie		Independent non-executive	
Ms KF Mahloma		Independent non-executive	(resigned 17 April 2019)
Ms RD Watson		Independent non-executive	(appointed 17 April 2019)

In accordance with the Company's MOI and Section 10.16(g) of the JSE Listings Requirements, one-third of non-executive directors will retire at the forthcoming annual general meeting. In terms of which Mr Y Shaik and Mr TG Govender, being the retiring directors, and being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS AND EMOLUMENTS

Details of directors' shareholdings and emoluments appear in note 38, and details of share options awarded to executive directors' appear in note 36.

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%
N2 Express Joint Venture Proprietary Limited	Transport services	33.33%

Subsequent to year end, the Group's major subsidiary Golden Arrow Bus Services acquired the remaining shares in Sibanye Bus Services and Table Bay Area Rapid Transit, details of which are set out in note 39.

GOING CONCERN

The directors believe that the Group and the Company 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 2019.

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 2019.

SPECIAL RESOLUTIONS

The following special resolutions were passed by the Company's shareholders at the annual general meeting held on 22 October 2018:

- Granting the Company a general authority to allot and issue the Company's unissued ordinary shares (or to issue options or convertible securities into ordinary shares) for cash, subject to the provisions of the Company's MOI, the Companies Act and the JSE Listing requirements;
- Approval of the fees payable to non-executive directors for their services as directors or as members of the board sub-committees in respect of the financial period 1 November 2018 until the next annual general meeting of the Company;
- Granting the Company and the subsidiaries of the Company a general authority contemplated in terms of the JSE Listings Requirement paragraph 5.72, for the acquisition by the Company, or a subsidiary of the Company, of ordinary issued shares issued by the Company; and
- Granting the Company authorisation to provide financial assistance to subsidiaries in accordance with sections 44 and 45 of the Companies Act.

SPECIAL RESOLUTIONS OF SUBSIDIARIES

The statutory information relating to special resolutions passed by subsidiaries is available from the registered office of the Company.

SUBSEQUENT EVENTS

The N2 Express MyCiTi contract expired on 31 May 2019.

The directors are not aware of any further matter or circumstance arising since the end of the financial year to the date of this report, 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, Mr ML Wilkin CA(SA).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 March 2019

	Notes	2019 R'000	2018 R'000
ASSETS			
Non-Current Assets			
Property, plant and equipment	4	1 579 256	1 462 937
Goodwill	6	8 451	8 451
Intangible assets	7	57	78
Investments in associates	8	22 342	18 343
Other financial asset	9	–	218 897
Deferred tax	10	399	414
		1 610 505	1 709 120
Current Assets			
Other financial asset	9	–	237 503
Current tax receivable		2 376	1 435
Inventories	11	17 559	15 714
Trade and other receivables	12	68 933	67 816
Cash and cash equivalents	13	520 957	308 130
		609 825	630 598
Total Assets		2 220 330	2 339 718
EQUITY AND LIABILITIES			
Equity			
Share capital	14	1 797 160	2 246 660
Share-based payments reserve		3 816	–
Common control reserve		(1 800 000)	(1 800 000)
Reinvestment reserve	15	98 295	98 295
Maintenance reserve	16	32 545	29 421
Retained income		983 263	799 317
Equity Attributable to Equity Holders of Parent		1 115 079	1 373 693
Non-controlling interest	17	43 623	32 615
		1 158 702	1 406 308
Liabilities			
Non-Current Liabilities			
Deferred tax	10	227 415	197 582
Borrowings	18	48 188	17 109
Instalment sale obligations	19	292 994	283 778
Post-employment medical benefit liability	20	64 675	58 928
		633 272	557 397
Current Liabilities			
Borrowings	18	21 586	6 934
Instalment sale obligations	19	145 315	142 389
Post-employment medical benefit liability	20	4 354	3 794
Current tax payable		5 653	4 340
Provisions	21	95 935	97 630
Trade and other payables	22	155 513	120 926
		428 356	376 013
Total Liabilities		1 061 628	933 410
Total Equity and Liabilities		2 220 330	2 339 718

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2019

	Notes	2019 R'000	2018 R'000
Revenue	23	1 779 849	1 808 406
Other income		14 541	4 501
Operating expenses		(1 382 392)	(1 358 793)
Operating profit	24	411 998	454 114
Depreciation and amortisation	24	(81 471)	(112 076)
Investment income	25	48 810	22 310
Income from equity accounted investments	26	10 999	7 283
Finance costs	27	(45 014)	(39 618)
Profit before taxation		345 322	332 013
Taxation	28	(100 406)	(86 619)
Profit for the year		244 916	245 394
Profit attributable to:			
Equity holders of the parent		233 908	235 947
Non-controlling interest		11 008	9 447
		244 916	245 394
Earnings per share (cents)			
Basic and diluted	34	80.66	81.36

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	Notes	2019 R'000	2018 R'000
Profit for the year		**244 916**	**245 394**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Actuarial (losses)/gains on defined benefit plans	20	(2 730)	16 863
Taxation relating to actuarial (losses)/gains on defined benefit plans		764	(4 722)
Items that will be reclassified subsequently to profit or loss			
Cash flow hedging – amounts capitalised to property, plant and equipment		–	6 633
Cash flow hedging – current year losses		–	(343)
Taxation relating to cash flow hedging		–	(1 761)
Other comprehensive (loss)/income for the year net of taxation		**(1 966)**	**16 670**
Total comprehensive income for the year		**242 950**	**262 064**
Total comprehensive income attributable to:			
Equity holders of the parent		231 942	252 617
Non-controlling interest		11 008	9 447
		242 950	**262 064**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019

	Share capital R'000	Cash flow hedging reserve R'000	Reinvestment reserves R'000	Share-based payments 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 R'000	Non-controlling interest R'000	Total equity R'000
Balance at 1 April 2017	–	(4 529)	98 295	–	–	24 928	118 694	675 722	794 416	35 154	829 570
Profit for the year	–	–	–	–	–	–	–	235 947	235 947	9 447	245 394
Other comprehensive income	–	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)
Transfer between reserves	–	–	–	–	–	4 493	4 493	(4 493)	–	–	–
Effects of change in shareholding	–	–	–	–	(1 800 000)	–	(1 800 000)	–	(1 800 000)	–	(1 800 000)
Dividends/Distribution to shareholders	(649 802)	–	–	–	–	–	–	(120 000)	(769 802)	(11 986)	(781 788)
Opening balance as previously reported	2 246 660	–	98 295	–	(1 800 000)	29 421	(1 672 284)	799 317	1 373 693	32 615	1 406 308
Adjustments – adoption of IFRS 15	–	–	–	–	–	–	–	(4 272)	(4 272)	–	(4 272)
Balance at 1 April 2018 as restated	2 246 660	–	98 295	–	(1 800 000)	29 421	(1 672 284)	795 045	1 369 421	32 615	1 402 036
Profit for the year	–	–	–	–	–	–	–	233 908	233 908	11 008	244 916
Other comprehensive income	–	–	–	–	–	–	–	(1 966)	(1 966)	–	(1 966)
Transfer between reserves	–	–	–	–	–	3 124	3 124	(3 124)	–	–	–
Effect of equity settled share-based payments	–	–	–	3 816	–	–	3 816	–	3 816	–	3 816
Dividends/Distribution to shareholders	(449 500)	–	–	–	–	–	–	(40 600)	(490 100)	–	(490 100)
Balance at 31 March 2019	1 797 160	–	98 295	3 816	(1 800 000)	32 545	(1 665 344)	983 263	1 115 079	43 623	1 158 702
Notes	14		15			16					

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2019

	Notes	2019 R'000	2018 R'000
Cash flows from operating activities			
Cash generated from operations	29	456 820	467 333
Interest income		55 012	15 132
Dividend paid	31	(40 600)	(131 986)
Finance costs		(45 014)	(36 940)
Tax paid	30	(69 423)	(63 776)
Net cash from operating activities		356 795	249 763
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(56 348)	(104 079)
Proceeds from sale of property, plant and equipment		4 969	1 962
Dividends received		7 000	5 000
Proceeds from settlement of financial asset	32	448 417	–
Net cash from investing activities		404 038	(97 117)
Cash flows from financing activities			
Proceeds on share issue	14	–	649 802
Share issue costs		–	(3 538)
Distribution to shareholders	31	(449 500)	(649 802)
Funding raised	33	60 000	30 000
Funding repaid	33	(158 506)	(159 375)
Net cash used in financing activities		(548 006)	(132 913)
Total cash movement for the year		212 827	19 733
Cash and cash equivalents at the beginning of the year		308 130	288 397
Total cash and cash equivalents at end of the year	13	520 957	308 130

ACCOUNTING POLICIES

For the year ended 31 March 2019

1. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated annual financial statements are set out below.

1.1 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 have been prepared on the historic cost convention, unless otherwise stated in the accounting policies as set out below. They are presented in South Africa Rands, which is the Group and Company's functional currency.

The accounting policies are consistent with the previous period, except for the adoption of IFRS 9 and IFRS 15 (refer to note 2).

1.2 Consolidation and Equity accounting

Basis of consolidation

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. 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 financial year ends other than 31 March, and therefore are equity accounted using management prepared information on a basis in line with the Group's reporting date and Group's accounting policies. 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.

1.3 Common control transactions

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 has been recognised in equity. 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.

1.4 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.

ACCOUNTING POLICIES (continued)

For the year ended 31 March 2019

1.5 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 and separate annual financial statements.

Impairment of financial assets

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, refer to the individual notes addressing financial assets.

Allowance for slow moving, damaged and obsolete inventory

Slow moving inventories and obsolete materials are written down to net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operating profit note.

All MAN, Scania and Volvo parts that are older than 6 months have been provided for at 50% of the value and all parts older than 1 year have been provided for in full.

Impairment of non-financial assets

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 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. The expected operational life is 18 years for commuter buses and 15 years for luxury coaches. The estimated residual value of a commuter bus after 18 years is R200 000 and for a luxury coach after 15 years is R500 000.

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.

Deferred income

The Group has applied certain assumptions in determining the amounts outstanding at year-end in relation to unused rides on multi-journey tickets based on management's judgement and estimates. Refer also to Accounting policy notes 1.17 and 2.

1.6 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.

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 method	Depreciation rate
Buses	Straight line	15 – 18 years
Computer hardware Equipment	Straight line	3 years
• Fare collection equipment	Straight line	15 years
• Radio equipment	Straight line	5 years
Furniture and fixtures	Straight line	3 – 6 years
Buildings	Straight line	50 years
Motor vehicles		
• Cars	Straight line	5 years
• Vans	Straight line	4 years
Plant and machinery	Straight line	5 years

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 prospectively as a change in accounting estimate.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset. Depreciation ceases once the asset is depreciated to its residual value or the asset is disposed of.

1.6 Property, plant and equipment (continued)

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.

1.7 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 and is amortised over two years.

1.8 Financial instruments

Financial instruments held by the Group are classified in accordance with the provisions of IFRS 9 Financial Instruments. In the prior year the Group had applied IAS 39: Financial Instruments to its comparative. Refer to note 2 Change in Accounting policy for the impact of the adoption of IFRS 9 in the current year.

The Group's fianancial assets comprise:

- Trade and other receivables
- Cash and cash equivalents

The Group's fianancial liabilities comprise:

- Borrowings and Instalment sale obligations
- Trade and other payables

The Group's fianancial assets and liabilities are measured at amortised cost.

Note 40 Financial instruments and risk management presents the financial instruments held by the group based on their specific classifications.

Trade and other receivables

Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost.

Trade and other receivables are inititally recognised at fair value, and are subsequently measuerd at amortised cost using the effective interest rate method.

Loss allowances are estimated using the expected credit loss model as detailed below and are reassessed at each reporting date with changes recognised in profit or loss. Significant financial difficulties of a debtor, probability that a debtor will enter bankruptcy or financial reorganisation, and default or deliquency in payments are considered indicators that the trade receivable is impaired.

Impairment of financial assets

IFRS 9 was adopted effective 1 April 2018 and introduced the expected credit loss model for recognising a loss allowance on the Group's trade and other receivables. The Group applies the IFRS 9 simplified approach in measuring expected credit losses for its trade receivables, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Customers are perceived to have similar credit risk profiles and are therefore assessed as a collective when calculating the expected loss rate.

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

The Group recognises a loss allowance for expected credit losses on financial assets, most notably, trade and other receivables (excluding VAT and prepayments). The amount of expected credit losses is updated at each reporting date. The Group measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit losses (lifetime ECL), which represents the expected credit losses that will result from possible default events over the expected life of the receivable.

The Group makes use of a provision matrix as a practical expedient to the determination of expected credit losses on trade and other receivables. The provision matrix is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date.

Significant financial assets are assessed for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade and other receivables, through the use of a loss allowance. The impairment loss is included in operating expenses in profit or loss as a movement in the loss allowance.

Write off policy

The Group writes off a receivable when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Receivables written off may still be subject to enforcement activities under the Group recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

1.8 Financial instruments (continued)

Credit risk

Details of credit risk are included in the trade and other receivables note (note 12) and the financial instruments and risk management note (note 40).

Borrowings and instalment sale obligations (interest bearing borrowings)

Borrowings and instalment sale obligations are classified as financial liabilities subsequently measured at amortised cost.

Interest bearing 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.

Interest expense, calculated on the effective interest method, is included in profit or loss in finance costs (note 27).

These debts expose the Group to liquidity risk and interest rate risk. Refer to note 40 for details of risk exposure and management thereof.

Trade and other payables

Trade and other payables, excluding VAT and amounts received in advance, are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method.

Trade and other payables expose the Group to liquidity risk and possibly to interest rate risk. Refer to note 40 for details of risk exposure and management thereof.

Cash and cash equivalents

Cash and cash equivalents are stated at carrying amount which is deemed to be fair value, they are subsequently measured at amortised cost, using the effective interest rate method.

Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

The Group derecognises financial liabilities when the Group obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, is recognised in profit or loss.

1.9 Tax

Current tax assets and liabilities

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.

Tax expenses

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

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a business combination.

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

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 Leases

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

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

1.11 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. Slow-moving inventories and obsolete materials are written down to net realisable value.

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.

1.12 Impairment of non-financial 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 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.

1.13 Equity-settled share based payments

Equity-settled

The Group has granted share options to employees in terms of The HPL&R Group Employee Option Scheme.

In terms of IFRS 2 these options are fair valued at the date of grant and the fair value determined on the date of grant is recognised as an expense over the relevant vesting periods. The fair value of options granted is measured using the BlackScholes model.

1.14 Other reserves

Reinvestment reserve

The reinvestment reserve, is a distributable reserve, which resulted from the surplus on the liquidation of The Golden Arrow Retirement Plan (GARP) in 1998.

Maintenance reserve

In terms of the contract with the City of Cape Town and Table Bay Area Rapid Transit Proprietary Limited, the buses used on the contract and owned by the City 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.

1.15 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid leave, bonuses, and non-monetary benefits such as medical aid), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

For the defined contribution plans, the Group makes payments to industry-managed retirement benefit schemes ("pension fund contributions"). The Group has no further payment obligations once the contributions are paid. The contributions are recognised as employee benefit expense in profit and loss in the periods during which the related service is rendered by employees.

Post retirement medical benefits

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, in respect of certain employees and pensioners. These contributions are used to cover outgoings not financed from member contributions.

1.15 Employee benefits (continued)

Post retirement medical benefits (continued)

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.

1.16 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 estimated costs that will be payable to employees who are not required by any future operator 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.

1.17 Revenue

The Group derives revenue from the provision of bus passenger transport and automotive repair services, and as such revenue is recognised in profit and loss in the accounting period in which the service is performed in accordance the terms of contracts and tickets sold, and when collections are reasonably assured.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties.

Revenue comprises ticket 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. These two contracts however differ in how they expose the subsidiary companies to revenue risk. Revenue risk is an industry-accepted term whereby the subsidiary company is required to also collect fares from passengers, in addition to revenue earned from the operational contract, in order for the service to be profitable. The operational contracts with the City of Cape Town carry no revenue risk and the subsidiary companies operating these services do not collect fares from passengers (i.e. do not sell bus tickets), whereas the operational contract with the Department of Transport does carry this revenue risk, and although the subsidiary companies operating this service, receive revenue once the kilometres in respect of this service have been travelled, they also charge fares to passengers for using this service. These fares are charged in the form of bus tickets sold. A passenger has the choice of either buying a single journey ticket which is exercisable immediately on sale, or a multi-journey ticket which allows the passenger to use a certain number of rides within a prescribed time period.

Revenue from bus tickets sold is recognised on sale for single journey tickets. The sale of multi-journey tickets is recognised as rides are utilised. Deferred income is recognised on unsued rides at year end on multi-journey tickets, which expire after year end. In the prior year revenue from all tickets sold was recognised on sale. Refer also to Accounting Policy note 2.

Charter hire revenue comprises the hiring of buses to individual customers for private use. Revenue from charter hire is recognised when the service has been rendered.

Revenue from bus or vehicle repairs and maintenance is recognised when the service has been rendered.

Other income comprises revenue from sale of scrap, advertising, training and sundry income. Other income is recognised when the performance obligations is satisfied at a point in time.

1.18 Interest income

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

1.19 Dividend income

Dividends are recognised, in profit or loss, when the company's right to receive payment has been established.

1.20 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.

ACCOUNTING POLICIES (continued)

For the year ended 31 March 2019

2. CHANGES IN ACCOUNTING POLICY

Application of IFRS 9 Financial Instruments

IFRS 9 was issued by the IASB in July 2014 and is effective for accounting periods beginning on or after 1 January 2018. IFRS 9 replaces IAS 39 Financial Instruments. IFRS 9 introduces new classification categories for financial instruments. Under IFRS 9, financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics, while the classification of financial liabilities remains largely the same as under IAS 39. The table below details the classification of the Group's financial assets and financial liabilities under IFRS 9 as well as the previous classification under IAS 39. The classification of financial assets and financial liabilities under IFRS 9 did not have an impact on the measurement in the Group results.

Financial assets	IAS 39 classification	IFRS 9 classification
Trade receivables	Loans and receivables	Amortised cost
Cash and cash equivalents	Loans and receivables	Amortised cost

Financial liabilities	IAS 39 classification	IFRS 9 classification
Borrowings and Instalment sale obligations	Amortised cost	Amortised cost
Trade payables	Amortised cost	Amortised cost

The Group adopted the modified retrospective approach, in applying IFRS 9 whereby no comparative figures are restated but instead, a cumulative catch-up adjustment is recognised, if necessary, in opening retained earnings.

Measurement and derecognition

The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39. There is no expected impact on the financial statements.

Impairment model

IFRS 9 introduces an expected credit loss model as opposed to an incurred credit loss approach in recognising any impairment of financial assets. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In others words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

By performing the provision calculation based on the requirements of IFRS 9 the above change in accounting policy has not resulted in a material difference for the year ended 31 March 2019 and consequently the opening retained income has not been adjusted.

Application of IFRS 15 Revenue from contracts with customers

IFRS 15 replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue – Barter Transactions Involving Advertising Services and is effective for accounting periods beginning on or after 1 January 2018.

IFRS 15 introduces a 5-step approach to revenue recognition. In terms of IFRS 15 service revenue is recognised as the service is transferred to the customer, i.e. when the customer travels. As such the application of IFRS 15 has not had an impact on the pattern of revenue recognition.

Contract assets and liabilities are recognised separately when the Group has an asset or liability relating to a contract with a customer. The impact from the adoption of IFRS 15 was to recognise deferred income on the sale of multi-journey tickets which expire subsequent to year-end. In prior years, revenue was recognised on the date of sale of these tickets.

The Group has adopted the modified retrospective approach in applying IFRS 15 whereby no comparative figures are restated but instead, a cumulative catch-up adjustment is recognised, in opening retained earnings. The impact of IFRS 15 has resulted in an adjustment of R4 272 000 to opening retained income reflecting the effect of prior years deferred income not previously recognised.

The total impact on the application of IFRS 15 on Retained income and Deferred income is summarised as follows:

	2018 R000
Deferred income at 31 March 2018	1 234
Sale of multi-journey tickets utilised subsquent to year end – adjusted 1 April 2018	4 272
Deferred income at 1 April 2018	**5 506**
Retained income at 31 March 2018	799 317
Adoption of IFRS 15	(4 272)
Retained income at 1 April 2018	**795 045**

2 CHANGES IN ACCOUNTING POLICY (continued)

Application of IFRS 15 Revenue from contracts with customers (continued)

Had IFRS 15 not been adopted then the Group would have reported the following amounts by applying IAS 18 Revenue, and related interpretations, and recognised revenue on the sale of mutli-journey tickets as follows:

	As reported on IFRS 15 basis R'000	Effect R'000	As would have been reported R'000
Revenue	1 779 849	6 612	1 786 461
Deferred income (disclosed under Trade and other payables)	7 792	(6 612)	1 180

3. NEW STANDARDS AND INTERPRETATIONS

3.1 Adoption of new and revised standards

The following applicable standards, interpretations and amendments have been adopted by the Group in the current year:

- IFRS 9 Financial Instruments (IFRS 9) – refer to Note 2 Changes in Accounting policy for the impact of this standard
- IFRS 15 Revenue from Contracts with Customers, and clarifications to this standard (IFRS 15) – refer to Note 2 Changes in Accounting policy for the impact of this standard

Amendments to the followings standards:

- IFRS 2 Classification of measurement of share-based payment transactions
- Annual Improvements to IFRS (2014 – 2016)

Other than disclosure, and the impact of IFRS 9 and 15 as detailed in Note 2 Changes in Accounting policy, the adoption of these new standards have had no material impact on the underlying financial results of the Group.

3.2 Standards and interpretations not yet effective

The following applicable accounting standards, interpretations and amendments have been issued by the International Accounting Standards Board (IASB) but were not yet effective at 31 March 2019:

Amendments to the following standards:

- References to the Conceptual Framework in IFRS Standards
- IFRS 3 Business Combinations
- IFRS 9 Prepayment Features with Negative Compensation
- IAS 1 and IAS 8: Definition of Material
- Annual Improvements to IFRSs (2015 – 2017)
- IFRIC 23 Uncertainty over Income Tax Treatments

The Directors do not expect the above standards to have a material quantitative effect, although they may affect disclosure of information in the annual financial statements. The Group has not chosen to adopt any of the above standards and interpretations earlier than required.

IFRS 16 Leases

IFRS 16 was issued by the IASB in January 2016 and is effective for accounting periods beginning on or after 1 January 2019. The new standard will replace IAS 17 Leases and will eliminate the classification of leases as either operating leases or finance leases and, instead, introduce a single lease accounting model. The Group will adopt the standard for the first time in the 2020 annual financial statements and will elect to adopt the simplified approach whereby prior year numbers are not restated but instead opening retained earnings is adjusted accordingly. The Group does not expect the adoption of IFRS 16 to have a significant impact on the Group's net results or net assets. Although the effect of applying IFRS 16 will be to record a lease liability and right of use asset, the amounts have not been determined to be material.

4. PROPERTY, PLANT AND EQUIPMENT

	2019			2018		
	Cost R'000	Accumulated depreciation R'000	Carrying value R'000	Cost R'000	Accumulated depreciation R'000	Carrying value R'000
Buses	1 898 561	(717 595)	1 180 966	1 748 454	(679 911)	1 068 543
Computer hardware	89 249	(26 497)	62 752	89 057	(20 648)	68 409
Fare collection equipment	5 309	(5 297)	12	5 305	(5 254)	51
Furniture and fixtures	5 996	(4 991)	1 005	6 566	(5 131)	1 435
Land and buildings	326 817	–	326 817	313 195	–	313 195
Leasehold improvements	185	(40)	145	78	(14)	64
Motor vehicles	21 474	(18 007)	3 467	23 750	(18 081)	5 669
Plant and machinery	28 611	(24 897)	3 714	27 974	(23 037)	4 937
Radio equipment	1 900	(1 522)	378	1 900	(1 266)	634
Total	2 378 102	(798 846)	1 579 256	2 216 279	(753 342)	1 462 937

Reconciliation of property, plant and equipment – 2019

	Opening balance R'000	Additions R'000	Disposals R'000	Transfers R'000	Depreciation R'000	Impairment loss R'000	Closing balance R'000
Buses	1 068 543	199 974	(5 728)	–	(70 920)	(10 903)	1 180 966
Computer hardware	68 409	1 732	(1 520)	–	(5 869)	–	62 752
Fare collection equipment	51	4	–	–	(43)	–	12
Furniture and fixtures	1 435	760	–	(1 063)	(127)	–	1 005
Land and buildings	313 195	12 559	–	1 063	–	–	326 817
Leasehold improvements	64	107	–	–	(26)	–	145
Motor vehicles	5 669	754	(607)	–	(2 349)	–	3 467
Plant and machinery	4 937	637	–	–	(1 860)	–	3 714
Radio equipment	634	–	–	–	(256)	–	378
Total	1 462 937	216 527	(7 855)	–	(81 450)	(10 903)	1 579 256

Reconciliation of property, plant and equipment – 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
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
Leasehold improvements	–	67	–	–	(3)	–	64
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
Total	1 319 131	259 989	(796)	(70)	(112 027)	(3 290)	1 462 937

Bus additions to the value of R156 379 000 (2018: R155 909 000) were financed by instalment sale agreements (Refer to note 19).

4 PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of Asset under construction

	2019 R'000	2018 R'000
Opening balance	–	22 012
Additions	–	37 929
Cash flow hedge accounting	–	6 633
Transfer	–	(66 574)
	–	–

In the prior year, 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. 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 buildings as the residual values exceeds their carrying amount.

Instalment sales are secured by vehicles with a book value of R438 309 000 (2018: R426 167 000). See also note 19.

The impairment of buses with a net book value of R10 903 000 (2018: R3 290 000) relates to the destruction of Golden Arrow buses during the year, of which R9 492 000 (2018: R3 290 000) is receivable from insurance proceeds (see also note 34).

5. CHANGE IN ESTIMATE

Residual value of buses

As a result of the re-capitalisation of the commuter bus fleet in Golden Arrow Bus Services over the last 15 years, the make-up of the fleet has changed leading management to re-estimate the residual values of commuter buses during the year, the impact of which is considered significant. The net effect of the changes in the current financial year was a decrease in depreciation of R42 240 000.

Assuming the assets are held until the end of their estimated useful lives, depreciation over the next five years will decrease by the following amounts:

Year ending 31 March	R'000
2020	52 999
2021	44 577
2022	34 770
2023	25 311
2024	21 406

6. GOODWILL

	2019			2018		
	Cost R'000	Accumulated depreciation R'000	Carrying value R'000	Cost R'000	Accumulated depreciation R'000	Carrying value R'000
Goodwill	8 451	–	8 451	8 451	–	8 451

Reconciliation of goodwill – 2019	Opening balance R'000	Closing balance R'000
Goodwill	8 451	8 451

Reconciliation of goodwill – 2018	Opening balance R'000	Closing balance R'000
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 units (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 growth profile 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 one to six years.
- Costs were assumed to grow in line with expansion and expected inflation.

Based on the above calculations, the Group has not identified any impairment to goodwill in the remaining CGUs during the current year under review.

7. INTANGIBLE ASSETS

	2019			2018		
	Cost R'000	Accumulated amortisation R'000	Carrying value R'000	Cost R'000	Accumulated amortisation R'000	Carrying value R'000
Trademarks	57	–	57	57	–	57
Computer software	10 879	(10 879)	–	10 879	(10 858)	21
Total	10 936	(10 879)	57	10 936	(10 858)	78

Reconciliation of intangible assets – 2019	Opening balance R'000	Amortisation R'000	Closing balance R'000
Trademarks	57	–	57
Computer software	21	(21)	–
	78	(21)	57

Reconciliation of intangible assets – 2018	Opening balance R'000	Transfers R'000	Amortisation R'000	Closing balance R'000
Trademarks	57	–	–	57
Computer software	–	70	(49)	21
	57	70	(49)	78

8. INVESTMENTS IN ASSOCIATES

Name of company	% ownership interest 2019 R'000	% ownership interest 2018 R'000	Carrying amount 2019 R'000	Carrying amount 2018 R'000
Sibanye Bus Services Proprietary Limited	33.33%	33.33%	17 421	17 866
The N2 Express Joint Venture Proprietary Limited	33.33%	33.33%	4 921	477
			22 342	18 343

Summarised financial information of material associates

	Sibanye Bus Services Proprietary Limited		The N2 Express Joint Venture Proprietary Limited	
Summarised Statement of Profit or Loss	**2019 R'000**	2018 R'000	**2019 R'000**	2018 R'000
Turnover	87 219	87 000	87 374	7 526
Net profit after tax	16 664	18 327	16 333	1 432
Summarised Statement of Financial Position				
Assets				
Non-current	59 050	45 442	16	70
Current	48 069	41 280	33 338	8 825
Total assets	107 119	86 722	33 354	8 895
Liabilities				
Non-current	(34 626)	(17 362)	–	–
Current	(20 226)	(5 514)	(12 613)	(5 976)
Total net assets	52 267	63 846	20 741	2 919

	Sibanye Bus Services Proprietary Limited		The N2 Express Joint Venture Proprietary Limited	
Reconciliation of net assets to equity accounted investments in associates	**2019 R'000**	2018 R'000	**2019 R'000**	2018 R'000
Investment at beginning of year	17 866	16 757	477	–
Share of profit	5 555	6 109	5 444	477
Dividends received from associate	(6 000)	(5 000)	(1 000)	–
Investment at end of year	17 421	17 866	4 921	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.

9. OTHER FINANCIAL ASSET

	2019 R'000	2018 R'000
Receivables		
Promissory notes	–	456 400
Shown as:		
Non-current assets	–	218 897
Current assets	–	237 503
	–	456 400

Promissory notes

On 1 October 2018, R237 503 000 was received as part settlement of the promissory notes ceded to the Company on the restructure of the Group. On 21 December 2018, the remaining instalment of the promissory note was sold for R240 248 000, which reflected a discount of R1 781 000 on the carrying value of the financial asset at the date of sale.

The instalments were secured by way of Investec Bank payment obligations and carried interest at 8.5% compounded annually. Included in Investment income in the statement of profit and loss is interest earned on the financial asset for the year ended 31 March 2019 of R23 132 000 (2018: R6 202 000).

(Refer also to note 32 for the cash flow effects of these transactions)

10. DEFERRED TAX

	2019 R'000	2018 R'000
Deferred tax liability		
Accelerated depreciation for tax purposes	(279 660)	(240 173)
Assesed losses	325	–
Deferred income	1 851	–
Fair value adjustment on defined benefit plan	764	(4 721)
Provisions and accruals	54 153	52 251
Prepayments	(4 377)	(4 126)
Other	(72)	(399)
Total deferred tax liability	(227 016)	(197 168)

	2019 R'000	2018 R'000
Composition of deferred tax		
Deferred tax liability	(227 415)	(197 582)
Deferred tax asset	399	414
Total net deferred tax liability	(227 016)	(197 168)
Reconciliation of deferred tax liability		
At beginning of year	(197 168)	(174 787)
Accelerated depreciation for tax purposes	(39 487)	(14 563)
Fair value adjustment on defined benefit plan	5 485	(6 482)
Provisions and accruals	1 902	347
Assessed losses	325	–
Deferred income	1 851	–
Prepayments	(251)	(132)
Other	327	(1 551)
	(227 016)	(197 168)

11. INVENTORIES

	2019 R'000	2018 R'000
Fuel	5 404	5 620
Oil	2 039	2 223
Reconditioned spares	1 715	1 598
Spares	6 965	4 496
Work in progress	1 436	1 777
	17 559	15 714

The carrying value of inventories stated at net realisable value at year end is R8 259 000 (2018: R5 600 000).

12. TRADE AND OTHER RECEIVABLES

	2019 R'000	2018 R'000
Financial instruments		
Trade receivables	54 853	47 485
Allowance for impairment of trade receivables	(5 341)	(1 786)
Trade receivables at amortised cost	49 512	45 699
Other receivable	1 005	3 516
Non-financial instruments		
VAT	2 710	3 770
Prepayments	15 706	14 831
Total trade and other receivables	68 933	67 816
Categorisation of trade and other receivables		
Trade and other receivables are categorised as follows in accordance with IFRS 9: Financial Instruments:		
At amortised cost	50 517	49 215
Non-financial instruments	18 416	18 601
	68 933	67 816

Exposure to credit risk

Trade receivables inherently expose the Group to credit risk, being the risk that the Group will incur financial loss if customers fail to make payments as they fall due (see also note 40).

Expected credit loss

The Group applies the IFRS 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component.

In measuring the expected credit losses, specific debtors that are known to be irrecoverable, have been assessed separately. The gross amount of these trade receivables and expected credit losses relating to specific debtors, that were assessed separately, total R 3 918 000 for the 2019 financial year end. The balance of trade receivables (R 50 935 000) have been assessed on a collective basis as these remaining items possess shared credit risk characteristics and contribute R 1 423 000 to the expected credit loss allowance, as per the provision matrix below.

Trade and other receivables are written off when there is no reasonable expectation of recovery. Failure to make payments within 90 days from the invoice date and failure to engage with the Group on alternative payment arrangement are considered indicators of no reasonable expectation of recovery.

There was no adjustment required to the opening loss allowance recognised under IAS 39 as at 1 April 2018.

Provision matrix

Expected credit loss rate	2019 Estimated gross carrying amount at default R'000	2019 Loss allowance (Lifetime expected credit loss) R'000
Less than 30 days past due: 0.14%	42 172	(59)
31 – 60 days past due: 2.75%	5 162	(142)
60 days past due: 23.95%	1 211	(290)
90 days past due: 39.00%	2 390	(932)
Total	50 935	(1 423)

Reconciliation of loss allowances

The following table shows the movement in the loss allowance (lifetime expected credit losses) for trade and other receivables:

	2019 R'000	2018 R'000
Opening balance in accordance with IAS 39 Financial Instruments: Recognition and Measurement	(1 786)	(3 874)
Adjustments upon application of IFRS 9	–	–
Opening balance in accordance with IFRS 9	(1 786)	(3 874)
Loss allowance recognised during the year	(3 679)	(49)
Receivables written off during the year	34	–
Loss allowance unused and reversed during the year	90	2 137
Closing balance	(5 341)	(1 786)

13. CASH AND CASH EQUIVALENTS

	2019 R'000	2018 R'000
Cash and cash equivalents consist of:		
Cash on hand	4 689	3 193
Bank balances	516 268	304 937
	520 957	308 130

14. SHARE CAPITAL

	2019 R'000	2018 R'000
Authorised		
1 000 000 000 Ordinary shares of no par value	–	–
Issued		
290 000 000 Ordinary shares of no par value	1 797 160	2 246 660
Details of the issued share capital changes are as follows:		
At the begining of the year	2 246 660	–
Issued during the year	–	2 900 000
Share issue costs	–	(3 538)
Distrubution to shareholders	–	(649 802)
Special dividends	(449 500)	–
	1 797 160	2 246 660

15. REINVESTMENT RESERVE

	2019 R'000	2018 R'000
The reinvestment reserve is the portion that is attributable to the company 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

16. MAINTENANCE RESERVE

In terms of the contract with the City of Cape Town and Table Bay Area Rapid Transit Proprietary Limited, the buses used on the contract and owned by the City 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.

	2019 R'000	2018 R'000
Opening balance	29 421	24 928
Transfer from retained earnings	3 124	4 493
	32 545	29 421

17. NON-CONTROLLING INTEREST

Name of company	Location	% holding 2019	% holding 2018	Carrying amount 2019 R'000	Carrying amount 2018 R'000
Table Bay Area Rapid Transit Proprietary Limited	South Africa	50.09%	50.09%	43 158	31 757
Eljosa Travel & Tours Proprietary Limited	South Africa	76.00%	76.00%	465	858
				43 623	32 615

Summary of interest in subsidiary – Table Bay Area Rapid Transit Proprietary Limited	2019 R'000	2018 R'000
Non-current assets	853	697
Current assets	99 155	73 236
Current liabilities	13 113	9 865
Equity and reserves	86 895	64 068
Turnover	121 620	133 645
Net profit for the year	22 828	27 593
Reconciliation of carrying value of non-controling interest of Table Bay Area Rapid Transit Proprietary Limited.		
Opening balance	31 757	35 011
Profit for the year after tax	22 828	27 593
Profit attributable to owners of parent	(11 427)	(18 831)
Dividend paid	–	(12 016)
Closing balance	43 158	31 757

Summary of interest in subsidiary – Eljosa Travel & Tours Proprietary Limited	2019 R'000	2018 R'000
Non-current assets	84 907	49 479
Current assets	4 567	3 845
Non-current liabilities	72 891	42 573
Current liabilities	14 716	7 226
Equity and reserves	1 854	3 576
Turnover	51 894	39 315
Net (loss) profit for the year	(1 632)	2 976
Reconciliation of carrying value of non-controling interest of Eljosa Travel & Tours Proprietary Limited.		
Opening balance	858	143
(Loss)/profit for the year after tax	(1 632)	2 976
Profit attributable to owners of parent	1 239	(2 261)
Closing balance	465	858

18. BORROWINGS

	2019 R'000	2018 R'000
Held at amortised cost		
Unsecured		
Nedbank Limited – Term loan 1	17 116	24 043
This loan is unsecured, bears interest at prime less 0.50% and is repayable in monthly instalments over the term until 2021.		
Nedbank Limited – Term loan 2	26 329	–
This loan is unsecured, bears interest at prime less 0.50% and is repayable in monthly instalments over the term until 2022.		
Nedbank Limited – Term loan 3	26 329	–
This loan is unsecured, bears interest at prime less 0.50% and is repayable in monthly instalments over the term until 2022.		
	69 774	24 043
Shown as:		
Non-current liabilities	48 188	17 109
Current liabilities	21 586	6 934
	69 774	24 043

19. INSTALMENT SALE OBLIGATIONS

	2019 R'000	2018 R'000
Instalment sale liabilities	438 309	426 167
Shown as:		
Non-current liabilities	292 994	283 778
Current liabilities	145 315	142 389
	438 309	426 167
The present value of instalment sale liabilities due per financial institution are as follows:		
Wesbank		
Repayable in monthly instalments of R585 000 (2018: R715 000)	3 881	11 689
Nedbank Limited		
Repayable in monthly instalments of R5 016 000 (2018: R5 091 000)	138 965	116 598
MAN Financial Services		
Repayable in monthly instalments of R5 134 000 (2018: R4 473 000)	139 137	123 444
The Standard Bank of South Africa Limited		
Repayable in monthly instalments of R2 890 000 (2018: R2 862 000)	76 583	73 106
ABSA Bank Limited		
Repayable in monthly instalments of R2 314 000 (2018: R1 327 000)	79 743	101 330
	438 309	426 167

Interest is charged at a weighted average effective rate of 9.09% (2018: 9.04%) and monthly instalments are repayable over a period of five years.

Instalment sales are secured by vehicles with a book value of R438 309 000 (2018: R426 167 000). Refer to note 40 for further information regarding the liquidity risk associated with the Group's borrowings.

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 are paid. 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 2019 and amounted to R69 029 000 (2018: R62 722 000).

20. POST-EMPLOYMENT MEDICAL BENEFIT LIABILITY (continued)

	2019 R'000	2018 R'000
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	69 029	62 722
Non-current liabilities	64 675	58 928
Current liabilities	4 354	3 794
	69 029	62 722
Movements for the year		
Opening balance	62 722	72 416
Net expense recognised in profit or loss	6 307	(9 694)
	69 029	62 722
Net expense recognised in profit or loss		
Current service cost	1 626	3 443
Interest cost	5 745	7 262
Pensioner subsidy	(3 794)	(3 536)
Expense recognised in profit and loss	3 577	7 169
Actaurial losses/(gains) recognised in other comprehensive income	2 730	(16 863)
	6 307	(9 694)
Key assumptions used		
Assumptions used for valuation:		
Normal retirement age	65	65
Discount rates used	9.80%	9.20%
Continuation of membership at retirement	55.00%	55.00%
Discovery Health expected long term medical aid subsidy increase rate	8.40%	7.80%
Medical Benefit Fund expected long term medical aid subsidy increase rate	7.80%	7.30%

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 at year end 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	2019 Change in Rands	2019 Change in %
discount rate increased by 0.50% p.a.	(4 434)	(6.4)
discount rate reduced by 0.50% p.a.	3 992	5.8
subsidy increase rate increased by 1% p.a.	8 291	12.0
subsidy increase rate reduced by 1% p.a.	(6 953)	(10.1)

	2018 Change in Rands	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)

21. PROVISIONS

Reconciliation of provisions – 2019	Opening balance R'000	Additions R'000	Utilised during the year R'000	Closing balance R'000
Bonus provision	39 148	57 461	(58 700)	37 909
Repurchase of service provision	37 789	36	–	37 825
Third party claims provision	20 693	4 623	(5 115)	20 201
	97 630	62 120	(63 815)	95 935

Reconciliation of provisions – 2018	Opening balance R'000	Additions R'000	Utilised during the year R'000	Closing balance R'000
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

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 estimated costs that will be payable to employees who are not required by any future operator 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.

22. TRADE AND OTHER PAYABLES

	2019 R'000	2018 R'000
Financial instruments:		
Trade payables	71 887	62 648
Accruals	24 946	30 489
Payroll accruals	17 091	–
Leave pay accruals	22 827	22 162
Other payables	10 916	4 312
Non-financial instruments:		
Deferred income	7 792	1 234
VAT	54	81
	155 513	120 926

23. REVENUE

	2019 R'000	2018 R'000
Revenue from bus services provided		
Operational contract carrying revenue risk	896 809	867 557
Operational contracts with no revenue risk	113 916	192 829
Sale of single journey tickets	209 290	181 587
Sale of multi-journey tickets	472 682	471 999
Charter hire services	69 943	67 175
Total revenue from bus services	1 762 640	1 781 147
Revenue from automotive repair services		
Bus and vehicle repair and maintenance	7 982	10 606
Other income	9 227	16 653
Total revenue	1 779 849	1 808 406

24. OPERATING PROFIT

	2019 R'000	2018 R'000
Operating profit for the year is stated after charging (crediting) the following, amongst others:		
Auditor's remuneration – external		
Audit fees	2 052	1 900
Other services	264	732
	2 316	2 632
Remuneration, other than to employees		
Consulting, legal and professional services	8 288	5 832
Employee costs		
Salaries, wages, bonuses and other benefits	711 506	719 802
Pension fund contributions	62 914	49 534
Total employee costs	774 420	769 336
Leases		
Operating lease charges		
Premises	6 344	7 568
Equipment	534	491
	6 878	8 059
Depreciation and amortisation		
Depreciation of property, plant and equipment	81 450	112 027
Amortisation of intangible assets	21	49
Total depreciation and amortisation	81 471	112 076
Impairment losses		
Property, plant and equipment	10 903	3 290
Other		
Gain on sale of property, plant and equipment	(913)	(860)
Inventory write downs	(2 520)	(500)
Share-based payments equity settled	3 816	–
Discount on sale of promissory note	1 781	–

25. INVESTMENT INCOME

	2019 R'000	2018 R'000
Interest income		
Bank	19 068	15 523
Other interest	29 742	6 787
Total investment income	48 810	22 310

Included in other interest is interest earned on the promissory notes of R23 132 000 (2018: R6 202 000).

26. INCOME FROM EQUITY ACCOUNTED INVESTMENTS

	2019 R'000	2018 R'000
The company owns 33.33% in Sibanye Bus Services Proprietary Limited. The income from this investment is calculated as follows:		
Profit for the year from associate	16 664	18 327
Less: Profit attributable to outside shareholders	(11 109)	(12 218)
Less: Interest received	–	(412)
Add: Sundry expenses	–	1 109
	5 555	6 806
The company owns 33.33% in N2 Express Joint Venture Proprietary Limited. The income from this investment is calculated as follows:		
Profit for the year from associate	16 333	1 432
Less: Profit attributable to outside shareholders	(10 889)	(955)
	5 444	477
Total income from equity accounted investment	10 999	7 283

The N2 Express MyCiTi contract expired on 31 May 2019.

27. FINANCE COSTS

	2019 R'000	2018 R'000
Bank	104	891
Instalment sale and term loan liabilities	44 350	38 658
Other interest paid	560	39 618
Total finance costs	45 014	39 618

28. TAXATION

	2019 R'000	2018 R'000
Major components of the tax expense		
Current		
Local income tax – current period	66 919	79 151
Local income tax – recognised in current tax for prior periods	2 876	(8 389)
	69 795	70 762
Deferred		
Originating and reversing temporary differences	30 611	15 857
	100 406	86 619
Reconciliation between applicable tax rate and average effective tax rate		
Normal tax rate	28.00%	28.00%
Raising of deferred tax assets	0.09%	–
Deferred tax not raised on losses	–	(0.23%)
Capital losses and non-deductable expenses	1.82%	0.08%
Non-taxable income including share of associate income	(1.28%)	(1.79%)
Prior year charges	0.45%	–
Effective rate	29.08%	26.06%

29. CASH GENERATED FROM OPERATIONS

	2019 R'000	2018 R'000
Profit before taxation	345 322	332 013
Adjustments for:		
Depreciation and amortisation	81 471	112 076
Profit on sale of assets	(913)	(860)
Share base payments	3 816	–
Income from equity accounted investments	(10 999)	(7 283)
Interest income	(48 810)	(22 310)
Finance costs	45 014	39 618
Other impairments	10 903	–
Movements in retirement benefit assets and liabilities	3 577	7 169
Movements in provisions	(1 695)	4 383
Other non-cash items	1 386	(1 813)
Changes in working capital:		
Inventories	2 105	2 827
Trade and other receivables	(4 672)	(8 318)
Trade and other payables	30 315	9 831
	456 820	467 333

30. TAX PAID

	2019 R'000	2018 R'000
Balance at beginning of the year	(2 905)	3 497
Current tax for the year recognised in profit or loss	(69 795)	(70 762)
Interest received on prior period tax paid	–	584
Balance at end of the year	3 277	2 905
	(69 423)	(63 766)

31. DIVIDENDS/DISTRIBUTION TO SHAREHOLDERS

	2019 R'000	2018 R'000
Dividends	(40 600)	(131 986)
Special dividends/distribution to shareholders	(449 500)	(649 802)
	(490 100)	(781 788)

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. The Company subsequently declared and paid out a dividend of R649.8 million to shareholders on 1 February 2018.

The distibutions in the current year comprise two special dividends totalling R449 500 000 and an ordinary dividend totalling R40 600 000 declared and paid in the current financial year.

32. PROCEEDS FROM SETTLEMENT OF FINANCIAL ASSET

	2019 R'000	2018 R'000
Proceeds from part settlement of financial asset	237 503	–
Proceeds from sale of financial asset	240 248	–
Total proceeds from sale of financial asset	477 751	–
Less interest received on the financial asset included in Investment income	(29 334)	–
Proceeds on settlement of financial asset	448 417	–

33. BORROWINGS ARISING FROM FINANCING ACTIVITIES

Movements in the carrying value of borrowings are as follows:

	2019 R'000	2018 R'000
Carrying value at the beginning of the year	450 210	423 676
Cash-flows:		
Raising of new debt (term loan)	60 000	30 000
Debt repayments	(158 506)	(159 375)
Non-cash:		
Raising of instalment sales agreements	156 379	155 909
Carrying value at the end of the year	508 083	450 210

34. HEADLINE EARNINGS PER SHARE

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

At the year end share price, the effect of the share options are not dilutive.

The impairment of property, plant and equipment relates to the destruction of Golden Arrow buses; of which R9 492 000 (gross) is recoverable from insurance proceeds and reflected as insurance claims for capital assets. In the prior year, the impairment of property, plant and equipment of R3 290 000 was fully recoverable from insurance proceeds and as such was netted off and nil effect shown in the reconciliation of headline earnings.

35. COMMITMENTS

	2019 R'000	2018 R'000
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	109 278	102 960

This committed expenditure will be financed through instalment sale agreements with registered financial institutions.

	2019 R'000	2018 R'000
Operating leases – as lessee (expense)		
Minimum lease payments due		
– within one year	2 831	2 646
– in second to fifth year inclusive	5 982	8 813
	8 813	11 459

36. HPL&R GROUP EMPLOYEE OPTION SCHEME

The Group operates 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 the number of shares which equate 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.

	2019 R'000	2018 R'000
Equity-settled share-based payment expense for the year	3 816	–

The first grant of the share options under the Scheme was on 31 March 2018, and as such had no impact on the 2018 financial year end.

Share options granted to eligible participants that have not yet become unconditional are as follows:

	2019		2018	
	Number of share options	Weighted average exercise price R	Number of share options	Weighted average exercise price R
Balance at the beginning of the year	6 572 422	6.98	–	–
Options forfeited	(273 135)	6.98	–	–
Options granted	2 544 126	3.70	6 572 422	6.98
Balance at the end of the year	8 843 413	6.04	6 572 422	6.98

36. HPL&R GROUP EMPLOYEE OPTION SCHEME (continued)

The grant date fair value of options at year end was determined using the Black-Scholes valuation model. The significant inputs into the model were the listed share price on grant date, volatility of 31% (2018: 32%) and an annual risk-free rate of 7.19% (2018: 7.81%).

The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of the daily share price since HPL&R's shares were listed on the Johannesburg Stock Exchange in April 2018. The cost relating to options is recognised by allocating the fair value over the vesting period on a straight-line basis.

The volume weighted average share price during the current year was R4.25 (2018: not yet traded).

The options issued in terms of the Scheme and outstanding at 31 March 2019 become unconditional between the following dates:

	Number of share options	Exercise price R
Between 31 March 2021 and 30 September 2021	2 099 762	6.98
Between 22 March 2022 and 22 September 2022	848 042	3.70
Between 31 March 2022 and 30 September 2022	2 099 762	6.98
Between 22 March 2023 and 22 September 2023	848 042	3.70
Between 31 March 2023 and 30 September 2023	2 099 762	6.98
Between 22 March 2024 and 22 September 2024	848 043	3.70
	8 843 413	

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

Share options granted to executive directors	2019		2018	
Mr FE Meyer	Number of share options	Weighted average exercise price R	Number of share options	Weighted average exercise price R
Balance at the beginning of the year	2 016 344	6.98	–	
Options granted	210 900	3.70	2 016 344	6.98
Balance at the end of the year	**2 227 244**	**6.67**	**2 016 344**	**6.98**
Unconditional between the following dates:				
Between 31 March 2021 and 30 September 2021	672 115	6.98	672 115	6.98
Between 22 March 2022 and 22 September 2022	70 300	3.70	–	
Between 31 March 2022 and 30 September 2022	672 115	6.98	672 115	6.98
Between 22 March 2023 and 22 September 2023	70 300	3.70	–	
Between 31 March 2023 and 30 September 2023	672 114	6.98	672 114	6.98
Between 22 March 2024 and 22 September 2024	70 300	3.70	–	
	2 227 244	**6.67**	**2 016 344**	**6.98**

	2019		2018	
Mr ML Wilkin	Number of share options	Weighted average exercise price R	Number of share options	Weighted average exercise price R
Balance at the beginning of the year	1 263 484	6.98	–	
Options granted	132 240	3.70	1 263 484	6.98
Balance at the end of the year	**1 395 724**	**6.67**	**1 263 484**	**6.98**
Unonditional between the following dates:				
Between 31 March 2021 and 30 September 2021	421 161	6.98	421 161	6.98
Between 22 March 2022 and 22 September 2022	44 080	3.70	–	
Between 31 March 2022 and 30 September 2022	421 161	6.98	421 161	6.98
Between 22 March 2023 and 22 September 2023	44 080	3.70	–	
Between 31 March 2023 and 30 September 2023	421 162	6.98	421 162	6.98
Between 22 March 2024 and 22 September 2024	44 080	3.70	–	
	1 395 724	**6.67**	**1 263 484**	**6.98**

37. RELATED PARTIES

Relationships

Holding company	Hosken Consolidated Investments Limited
Associates	Refer to note 8
Fellow subsidiary	HCI Managerial Services Proprietary Limited
	HCI Foundation
	GRIPP Advisory Proprietary Limited
	La Concorde Holdings Limited
Post-employment medical benefit fund	Golden Arrow Employee's Medical Benefit Fund

	2019 R'000	2018 R'000
Related party balances		
Amounts included in Trade receivable (Trade Payable) regarding related parties		
Hosken Consolidated Investments Limited	5	5
HCI Foundation	676	578
The N2 Express Joint Venture Proprietary Limited	9 864	13 299
Sibanye Bus Services Proprietary Limited	(2 091)	(3 145)
Sibanye Bus Services Proprietary Limited	3 882	3 882
HCI Managerial Services Proprietary Limited	(144)	(146)
	12 192	14 473
Related party transactions		
Sales to related party		
HCI Foundation	3 627	3 020
The N2 Express Joint Venture Proprietary Limited	–	76 887
	3 627	79 907
Rent received from related parties		
Sibanye Bus Services Proprietary Limited	50	573
Administration fees paid to (received from) related parties		
Hosken Consolidated Investments Limited	1 725	1 710
Sibanye Bus Services Proprietary Limited	(3 350)	(2 958)
	(1 625)	(1 248)
Contributions paid to related party		
Golden Arrow Employee's Medical Benefit Fund	31 514	29 792
Dividends/distributions to related parties		
Hosken Consolidated Investments Limited	360 220	120 000
La Concorde Holdings Limited	–	649 802
	360 220	769 802
Contract revenue paid to related party		
Sibanye Bus Services Proprietary Limited	56 070	55 397
Internal audit fees paid to related party		
GRIPP Advisory Proprietary Limited	523	–

38. DIRECTORS' INTEREST AND EMOLUMENTS

Directors' Interest

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 the following directors held shares in 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	66 725	0.0%	–	–	66 725	0.0%
TG Govender	87 808	0.0%	821 676	0.3%	909 484	0.3%
	154 533	**0.1%**	**821 676**	**0.3%**	**976 209**	**0.3%**

At the end of 2018 financial year 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 had resigned during the period) received shares in the Company on the unbundling by La Concorde, subsequent to the listing on the JSE on 24 April 2018, and the unbundling by Niveus as follows:

	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
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 additional interest in the shares of the Company as follows:

Director	Additional direct number of shares acquired	Additional % of shares in issue acquired
FE Meyer	28 588	0.0%

No further changes occurred in the directors' interest from 31 March 2019 to the date of the approval of the annual financial statements.

Directors Emoluments

Year ended 31 March 2019	HPLR Group Directors' Fees R'000	Directors' fees R'000	Salary R'000	Fringe benefits including medical aid R'000	Pension contri-butions R'000	Bonus R'000	Gain from share schemes R'000	Total R'000
Executive Directors								
FE Meyer	–	–	2 939	694	275	3 602	–	7 510
ML Wilkin	–	–	2 302	499	215	2 822	–	5 838
	–	–	5 241	1 193	490	6 424	–	13 348
Non-executive Directors								
Y Shaik	151	130	3 787	–	–	1 600	2 146	7 814
TG Govender	140	130	1 908	67	–	806	1 854	4 905
L Govender	148	169	–	–	–	–	–	317
NB Jappie	159	183	–	–	–	–	–	342
KF Mahloma	148	–	–	–	–	–	–	148
Paid by HCI subsidiaries not in the HPLR Group	–	(612)	(5 695)	(67)	–	(2 406)	(4 000)	(12 780)
	746	–	5 241	1 193	490	6 424	–	14 094

38. DIRECTORS' INTEREST AND 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 2019 and 31 March 2018.

Y Shaik was remunerated by HCI as executive director for the years ended 31 March 2019 and 31 March 2018. Y Shaik was also remunerated as non-executive director by Deneb Investments Limited (subsidiary of HCI) for the years ended 31 March 2019 and 31 March 2018.

TG Govender was remunerated by HCI as executive director for the years ended 31 March 2019 and 31 March 2018. TG Govender was also remunerated by Deneb Investments Limited as non-executive director for the years ended 31 March 2019 and 31 March 2018.

L Govender was remunerated by eMedia Holdings Limited (subsidiary of HCI) as non-executive director for the year ended 31 March 2019 and by Deneb Investments Limited and eMedia Holdings Limited for the year ended 31 March 2018.

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 2019 and 31 March 2018.

Year ended 31 March 2018	HPLR Group Directors' Fees R'000	Directors' fees R'000	Salary R'000	Fringe benefits including medical aid R'000	Pension contri-butions R'000	Bonus R'000	Gain from share schemes R'000	Total R'000
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)
	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

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.

39. EVENTS AFTER THE REPORTING PERIOD

The N2 Express MyCiTi contract expired on 31 May 2019.

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

On 1 April 2019, GABS acquired an additional 33.33% of the issued share capital of Sibanye for a purchase consideration of R26 583 000 and an additional 24.97% of the issued share capital of TBRT for a purchase consideration of R39 240 000. In addition, GABS has entered into sale of share agreements, which will be effective 31 July 2019, to acquire the remaining 33.33% of the issued share capital of Sibanye for a purchase consideration of R26 583 000 and the remaining 24.97% of the issued share capital of TBRT for a purchase consideration of R39 240 000. Following these transactions GABS will increase its holdings in both these companies to 100%.

The fair value of net assets acquired in Sibanye on 1 April 2019, for which the acquisition accounting in respect of this business combination is provisional, is as follows:

	2019 R'000
Property, plant and equipment	59 050
Current assets	48 069
Non-current liabilities	(34 626)
Current liabilities	(20 226)
Net assets	52 267
Calculation of Goodwill	
Aggregate of consideration transferred	26 583
Non-controlling interest	17 421
Fair value of previously held interest	17 421
	61 425
Acquisition date fair value of assets and liabilities	(52 267)
Goodwill	9 158

40. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Categories of financial assets held at amortised cost	Notes	2019 Amortised cost R'000	2018 Amortised cost R'000
Trade and other receivables	12	50 517	49 215
Cash and cash equivalents	13	520 957	308 130
Other financial assets	9	–	456 400
		571 474	813 745

Categories of financial liabilities held at amortised cost	Notes	2019 Amortised cost R'000	2018 Amortised cost R'000
Trade and other payables	22	147 667	119 611
Borrowings	18	69 774	24 043
Instalment sale obligations	19	438 309	426 167
		655 750	569 821

40. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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 shareholder 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 18 & 19, cash and cash equivalents disclosed in note 13, 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 shareholder, return capital to shareholder, issue new shares or sell assets to reduce debt (in accordance with the MOI of the Company, the Companies Act and the JSE Listings Requirements).

There are no externally imposed capital requirements.

There have been no changes to the Group's capital management, its strategy for capital maintenance nor its externally imposed capital requirements from the prior year.

The capital structure and gearing ratio of the Group at the reporting date was as follows:

	Notes	2019 R'000	2018 R'000
Borrowings	18	69 774	24 043
Finance lease liabilities	19	438 309	426 167
Trade and other payables	22	155 513	120 926
Total borrowings		663 596	571 136
Cash and cash equivalents	13	(520 957)	(308 130)
Net borrowings		142 639	263 006
Equity		1 158 702	1 406 308
Gearing ratio		12%	19%

Financial risk management

Overview

The Group is exposed to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk (currency risk and interest rate risk).

The Group's Audit and Risk committee oversees how management monitors compliance with the risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit and Risk Committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk mangement controls and procedures, the results of which are reported to the Audit and Risk Committee.

40. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Financial risk management (continued)

Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty fails to meet its contractual obligations, and arises principally from the Group's Trade and other receivables.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each passenger, Government contract counterparty and customer. The Group considers passengers to share similar risk characteristics.

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.

The Group limits its exposure to credit risk by only investing in liquid securities and only investing with major financial institutions.

The Group evaluates credit risk in respect of its customers and its contracts with Government on an ongoing basis.

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

		2019			2018		
	Notes	Gross carrying amount	Credit loss allowance	Carrying amount	Gross carrying amount	Credit loss allowance	Carrying amount
Trade and other receivables	12	55 858	(5 341)	50 517	51 001	(1 786)	49 215
Other financial asset	9	–	–	–	456 400	–	456 400
Cash and cash equivalents	13	516 268	–	516 268	304 937	–	304 937
		572 126	(5 341)	566 785	812 338	(1 786)	810 552

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 on going review of future commitments, budgeting 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. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

2019	Notes	Less than 1 year	1 to 5 years	Total	Carrying amount
Non-current liabilities					
Borrowings	18	–	53 837	53 837	48 188
Instalment sale obligation	19	–	334 174	334 174	292 994
Current liabilities					
Trade and other payables	22	147 667	–	147 667	147 667
Borrowings	18	27 306	–	27 306	21 586
Instalment sale obligation	19	178 556	–	178 556	145 315
		353 529	388 011	741 540	655 750

40. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Liquidity risk (continued)

2018	Notes	Less than 1 year	1 to 5 years	Total	Carrying amount
Non-current liabilities					
Borrowings	18	–	18 933	18 933	17 109
Instalment sale obligation	19	–	335 203	335 203	283 778
Current liabilities					
Trade and other payables	22	119 611	–	119 611	119 611
Borrowings	18	9 088	–	9 088	6 934
Instalment sale obligation	19	164 390	–	164 390	142 389
		293 089	354 136	647 225	569 821

Foreign currency risk

The Group in not directly exposed to foreign currency risk as the Group's transactions are predominantly entered into in its functional currency, South African Rands.

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

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. As part of the process of managing the Group's interest rate risk, interest rate characteristics of new loans and borrowings are positioned according to expected movements in interest rates.

Based on average interest rates of those disclosed in note 19, at 31 March 2019 a 1% fluctuation in interest rates higher/lower, with all other variables constant, would have resulted in a R5 081 000 (2018: R4 069 000) decrease/increase in post-tax profits for year.

41. 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

Fair Value as at 31 March 2019	Carrying Amount as at 31 March 2019 R'000	Level 1 Quoted prices in active markets for identical instruments R'000	Level 2 Significant other observable inputs R'000	Level 3 Significant unobservable inputs R'000
Post retirement health care benefit	69 029	–	–	69 029

Level 3: Recurring fair value measurements

Fair Value as at 31 March 2019	Carrying Amount as at 31 March 2018 R'000	Level 1 Quoted prices in active markets for identical instruments R'000	Level 2 Significant other observable inputs R'000	Level 3 Significant unobservable inputs R'000
Post retirement health care benefit	62 722	–	–	62 722

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.