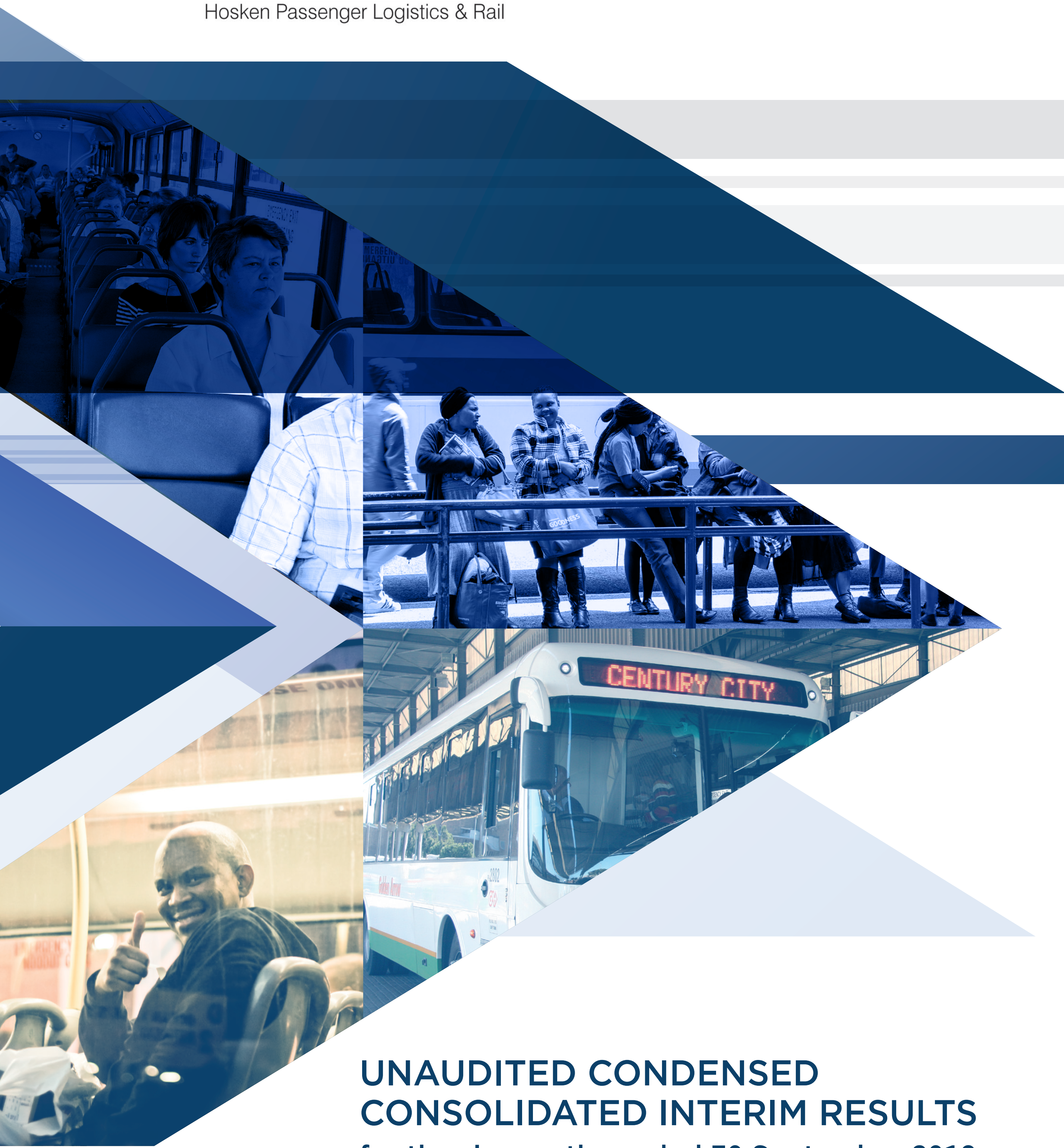
HPL&R

Hosken Passenger Logistics & Rail



UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS

for the six months ended 30 September 2019

UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS

COMMENTARY AND RESULTS

The Board is pleased to report the Group's interim results for the six months ended 30 September 2019 which reflects profit for the period of R132.8 million and headline earnings of R120.4 million.

The comparative six month period ended 30 September 2018 was marred by a five-week labour strike and as such does not provide a reasonable comparison for the current period. Operating profit for the six months ended 30 September 2019 of R234.7 million is 40.3% higher than the comparative period of R167.3 million.

We caution shareholders that this increase in operating profit will not be replicated in the second half of the financial year as the Group's contracting income will be more evenly spread over FY2020, than was the case in FY2019.

The Group has produced commendable results under continued difficult operating conditions, as its operations continue to be affected by an increased spate of crime on its buses and service delivery protests which have resulted in the destruction of four Golden Arrow buses during the reporting period. Golden Arrow has worked directly with law enforcement to target crime on its vehicles and has seen some pleasing results in this area.

Information obtained from the new Automated Fare Collection (AFC) system has led to significant savings in both kilometers and driver hours. With the continuous escalation in fuel costs, bus fuel economy is an area of focus and significant savings have been achieved in this area. Passenger numbers are in line with previous year, disregarding the effect of the strike in May 2018.

As previously reported, the Group concluded the acquisition of the remaining shares in both Sibanye Bus Services ("Sibanye") and Table Bay Area Rapid Transport ("TBRT") on the 1 April 2019 and 31 July 2019 respectively, acquiring an additional 33.33% of Sibanye on each of these dates and an additional 24.97% in TBRT on each of these dates. This has resulted in Sibanye no longer being shown as an associate and consolidated as a subsidiary with the effect of 1 April 2019. Please refer to the notes to the interim results for further disclosure on the impact of these acquisitions.

The City of Cape Town has failed to negotiate an extension of the N2 Express operation of 40 buses between Khayelitsha and Mitchell's Plain to central Cape Town due to Codeta (Khayelitsha Taxi Association) refusing to partner with Golden Arrow and Route 6 (Mitchell's Plain Taxi Association) to operate this route. This contract ended on 31 May 2019.

CHANGES IN DIRECTORATE

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

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

ORDINARY DIVIDEND TO SHAREHOLDERS

The directors have approved and declared an interim ordinary dividend of 14 cents (gross) per HPLR share for the six months ended 30 September 2019 from income reserves.

The salient dates for the payment of this dividend is as follows:

Announcement date	Thursday, 21 November 2019
Last day to trade cum dividend	Tuesday, 10 December 2019
Commence trading ex-dividend	Wednesday, 11 December 2019
Record date	Friday, 13 December 2019
Payment date	Tuesday, 17 December 2019

Share certificates may not be dematerialised or rematerialised between Wednesday, 11 December 2019 and Friday, 13 December 2019, both days inclusive.

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

- The interim ordinary dividend shall constitute a "dividend" as defined in the Income Tax Act, 58 of 1962.
- The local DT rate is 20%.
- The number of ordinary shares in issue at the date of the declaration is 290 000 000.
- The DT amounts to 2.8 cents per share for the interim ordinary dividend.
- The net local dividend amount is 11.2 cents per share for the interim ordinary dividend for all shareholders who are not exempt from the DT.
- HPLR's income tax reference number is 9754/276/16/1.

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

For and on behalf of the board of directors

FE Meyer
Chief Executive Officer

ML Wilkin
Chief Financial Officer

21 November 2019

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2019

	Unaudited 30 September 2019 R'000	Unaudited 30 September 2018 R'000	Audited 31 March 2019 R'000
ASSETS			
Non-current assets	**1 730 592**	1 773 274	1 610 505
Property, plant and equipment	**1 673 427**	1 503 279	1 579 256
Right-of-use asset	**24 220**	–	–
Goodwill	**27 098**	8 451	8 451
Intangible assets	**63**	62	57
Investments in associates	**5 385**	23 565	22 342
Deferred taxation	**399**	414	399
Other financial asset	**–**	237 503	–
Current assets	**541 546**	755 588	609 825
Inventories	**19 276**	15 654	17 559
Other financial asset	**–**	237 503	–
Trade and other receivables	**142 468**	243 122	68 933
Taxation	**1 973**	1 002	2 376
Cash and cash equivalents	**377 829**	258 307	520 957
Total assets	**2 272 138**	2 528 862	2 220 330
EQUITY AND LIABILITIES			
Equity	**1 124 716**	1 485 646	1 158 702
Equity attributable to equity holders of the parent*	**1 125 066**	1 446 506	1 115 079
Non-controlling interest	**(350)**	39 140	43 623
Non-current liabilities	**680 113**	613 610	633 272
Borrowings	**36 725**	59 945	48 188
Instalment sale obligations	**307 103**	293 245	292 994
Lease liability	**23 969**	–	–
Post-employment medical benefit liability	**69 277**	62 984	64 675
Deferred taxation	**243 039**	197 436	227 415
Current liabilities	**467 309**	429 606	428 356
Trade and other payables*	**160 912**	146 257	159 867
Borrowings	**22 543**	19 599	21 586
Instalment sale obligations	**150 291**	133 605	145 315
Taxation	**5 091**	9 309	5 653
Provisions	**128 472**	120 836	95 935
Total equity and liabilities	**2 272 138**	2 528 862	2 220 330

**30 September 2018 balances have been restated to take into account the adoption of IFRS 15 at 1 April 2018. Refer to the notes to condensed consolidated interim results.*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2019

	Unaudited 6 months ended 30 September 2019 R'000	Unaudited 6 months ended 30 September 2018 R'000	Audited year ended 31 March 2019 R'000
Revenue	1 022 544	816 072	1 779 849
Other income	10 392	2 714	14 541
Operating expenses	(798 242)	(651 468)	(1 382 392)
Operating profit	234 694	167 318	411 998
Depreciation and amortisation	(45 860)	(60 168)	(81 471)
Investment income	11 955	25 508	48 810
Share of profits of associates	464	5 679	10 999
Fair value adjustment on associate on change of control	9 163	–	–
Finance costs	(25 729)	(20 086)	(45 014)
Profit before taxation	184 687	118 251	345 322
Taxation	(51 798)	(34 641)	(100 406)
Profit for the period	132 889	83 610	244 916
Attributable to:			
Equity holders of the parent	128 945	77 085	233 908
Non-controlling interest	3 944	6 525	11 008
	132 889	83 610	244 916

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2019

	Unaudited 6 months ended 30 September 2019 R'000	Unaudited 6 months ended 30 September 2018 R'000	Audited year ended 31 March 2019 R'000
Profit for the period	132 889	83 610	244 916
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Actuarial losses on defined benefit plans	–	–	(2 730)
Taxation relating to actuarial losses on defined benefit plans	–	–	764
Total comprehensive income for the period	132 889	83 610	242 950
Attributable to:			
Equity holders of the parent	128 945	77 085	231 942
Non-controlling interest	3 944	6 525	11 008
	132 889	83 610	242 950

RECONCILATION OF HEADLINE EARNINGS

	Unaudited 6 months ended 30 September 2019 R'000		Unaudited 6 months ended 30 September 2018 R'000		Audited year ended 31 March 2019 R'000	
Reconciliation of headline earnings	Gross	Net	Gross	Net	Gross	Net
Earnings attributable to equity holders of the parent		128 945		77 085		233 908
Profit on disposal of plant and equipment	(6 771)	(4 875)	(1 120)	(806)	(913)	(657)
Insurance claim for capital assets	(4 091)	(2 946)	–	–	(9 492)	(6 834)
Impairment of property, plant and equipment	8 919	6 422	–	–	10 903	7 850
Fair value adjustment on associate on change of control	(9 163)	(7 110)	–	–	–	–
Headline earnings		120 436		76 279		234 267
Earnings per share (cents)						
Basic and diluted		44.46		26.58		80.66
Headline earnings per share (cents)						
Basic and diluted		41.53		26.30		80.78
Weighted average number of shares in issue ('000)						
Basic and diluted		290 000		290 000		290 000
Actual number of shares in issue ('000)		290 000		290 000		290 000

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2019

	Unaudited 6 months ended 30 September 2019 R'000	Unaudited 6 months ended 30 September 2018 R'000	Audited year ended 31 March 2019 R'000
Balance at the beginning of the period	1 158 702	1 406 308	1 406 308
Prior period restatements – adoption of IFRS 15*	–	(4 272)	(4 272)
Prior period restatements – adoption of IFRS 16	(371)	–	–
Total comprehensive income	132 889	83 610	242 950
Equity settled share-based payments	2 502	–	3 816
Acquisition of subsidiary	17 257	–	–
Effects of changes in shareholding	(105 063)	–	–
Dividends/distribution to shareholders	(81 200)	–	(490 100)
Balance at the end of the period	1 124 716	1 485 646	1 158 702

**30 September 2018 has been restated to take into account the adoption of IFRS 15 at 1 April 2018. Refer to the notes to condensed consolidated interim results.*

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2019

	Unaudited 6 months ended 30 September 2019 R'000	Unaudited 6 months ended 30 September 2018 R'000	Audited year ended 31 March 2019 R'000
Cash flows from operating activities	63 579	2 859	356 795
Cash generated by operations	200 831	45 429	456 820
Investment income	11 955	6 902	55 012
Finance cost	(25 729)	(20 086)	(45 014)
Taxation paid	(42 278)	(29 386)	(69 423)
Dividends paid	(81 200)	–	(40 600)
Cash flows from investing activities	(3 737)	(35 603)	404 038
Dividends received	–	–	7 000
Business combination	14 843	–	–
Acquisition of property, plant and equipment[1]	(26 645)	(39 511)	(56 348)
Acquisition of intangible assets	(5)	–	–
Proceeds from settlement of financial asset	–	–	448 417
Proceeds from sale of property, plant and equipment	8 070	3 908	4 969
Cash flows from financing activities	(202 970)	(17 079)	(548 006)
Funding raised[1]	–	60 000	60 000
Funding repaid	(97 619)	(77 079)	(158 506)
Principal paid on lease liabilities	(288)	–	–
Transactions with non-controlling shareholders	(105 063)	–	–
Distribution to shareholders	–	–	(449 500)
(Decrease)/Increase in cash and cash equivalents	(143 128)	(49 823)	212 827
Cash and cash equivalents			
At the beginning of the period	520 957	308 130	308 130
At the end of the period	377 829	258 307	520 957

[1] R64.5 million (September 2018: R73.2 million; March 2019: R156.4 million) of debt raised in the period related to instalment sale agreements used to finance bus acquisitions, and has therefore not been included in the cash flow statement as a cash flow amount.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS

BASIS OF PREPARATION AND ACCOUNTING POLICIES

The results for the six months ended 30 September 2019 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the disclosure requirements of IAS 34 – Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the South African Companies Act, No. 71 of 2008 (as amended) and the Listings Requirements of the JSE Limited.

The accounting policies applied by the Group in preparation of these unaudited condensed consolidated interim financial statements are consistent with those applied by the Group in its consolidated annual financial statements for the year ended 31 March 2019, other than the adoption of IFRS 16 Leases. IFRS 16 has been adopted from 1 April 2019 using the modified retrospective approach whereby no comparative figures were restated, but instead the transitional adjustments were recognised in opening retained earnings. The application of IFRS 16 has resulted in the Group recognising a right-of-use asset and a corresponding lease liability in its Statement of Financial Position. Refer to the Change in Accounting policy note below for further details on the application of IFRS 16. Details of the standards adopted are provided in the annual financial statements. As required by the Listings Requirements of the JSE Limited, the Group reports headline earnings in accordance with Circular 4/2018 – Headline Earnings, as issued by the South African Institute of Chartered Accountants.

These interim financial statements were prepared under the supervision of the Chief Financial Officer, Mr Mark Wilkin CA(SA) and have neither been audited nor independently reviewed by the Group's auditors.

OPERATING SEGMENTS

The directors have considered the implications of IFRS 8: Operating segments and are of the opinion that the operations of the Group constitute one operating segment, being the provision of passenger transport services within South Africa. Resource allocation and operational management 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.

BUSINESS COMBINATION

Golden Arrow Bus Services acquired 33.33% of the shares in Sibanye, previously a 33.33% held associate, effective 1 April 2019 resulting in the Group gaining control on this date. The remaining 33.33% of the shares were acquired on 31 July 2019 and reflect as a change in shareholding in the Statement of Changes in Equity, as detailed below.

The acquired business contributed R47.7 million to revenue for the Group and R9.7 million to profit after tax for the six months ended 30 September 2019.

A summary of the cost of acquisition, net cash flow on acquisition and analysis of assets and liabilities acquired are as follows:

	R'000s
Non-current assets	59 050
Current assets	48 070
Non-current liabilities	(35 540)
Current liabilities	(19 804)
Net assets acquired	**51 776**
Non-controlling interest	(17 257)
Fair value of previously held interest	(26 583)
Goodwill on acquisition	18 647
Purchase consideration	**26 583**
Cash and cash equivalents on date of acquisition	41 426
Net cash inflow on acquisition	**14 843**

Goodwill arose on acquisition and can be attributed to the benefits of expected synergies and revenue growth.

EFFECTS OF CHANGES IN SHAREHOLDING

Reflected in the Statement of Changes in Equity is an amount of R105 million which reflects the total changes in shareholding from the acquisition of the remaining non-controlling interests in both TBRT and Sibanye.

Further reflected in the Statement of Cash Flows is the R105 million payment for the transaction with the non-controlling shareholders comprising R26.5 million for the final 33.33% of Sibanye acquired on 31 July 2019 and R78.5 million for the remaining 49.94% of TBRT acquired equally on 1 April 2019 and 31 July 2019.

STATEMENT OF FINANCIAL POSITION AND CASH FLOWS

The increase in property, plant and equipment is due to property, plant and equipment of Sibanye with a net book value of R59 million being consolidated into the Group on 1 April 2019 and the acquisition of an additional R64.5 million of buses across the Group. These bus purchases were financed through instalment sale agreements, and as such these additions are shown net of the borrowings raised in the Statement of Cash Flows.

CHANGE IN ACCOUNTING ESTIMATE OF RESIDUAL VALUES

As reported in the 2019 Annual Financial Statements management re-estimated the residual values of commuter buses which impacted the depreciation amount for the year significantly. Should the re-estimation have been applied at 30 September 2018 the net effect of the changes in depreciation would have been a decrease in depreciation of R20.9 million for the six months ended 30 September 2018.

CHANGE IN ACCOUNTING POLICY

The Group adopted IFRS 16 using the modified retrospective approach from 1 April 2019. Applying the specific transition provisions of IFRS 16, the comparatives for the 2018 reporting periods have not been restated, and instead, the resulting adjustments and reclassifications have been recognised in the opening balance sheet on 1 April 2019.

The Group elected to apply the practical expedient to not reassess whether a contract is, or contains a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. The definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 April 2019.

IFRS 16 provides for certain optional practical expedients, including those related to the initial adoption of the standard. The Group applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
- Exclude initial direct costs from the measurement of right-of-use assets at the date of initial application for leases where the right-of-use asset was determined as if IFRS 16 had been applied since the commencement date;
- Reliance on previous assessments on whether leases are onerous as opposed to preparing an impairment review under IAS 36 as at the date of initial application; and
- Applied the exemption not to recognise right-of-use assets and lease liabilities for leases with less than 12 months of the lease term remaining as of the date of initial application.

On adoption of IFRS 16, the Group recognised a right-of-use asset and lease liability in relation to the lease of a property which had previously been classified as an operating lease. Included in the measurement of this lease liability is an option to purchase the property.

The right-of-use asset was measured at the carrying value that would have resulted from IFRS 16 being applied from the commencement date of the lease.

The lease liability was measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as at 1 April 2019. The Group's incremental borrowing rate is the rate at which a similar borrowing could be obtained from an independent creditor under comparable terms and conditions. The weighted-average rate applied was 9%.

The following table presents the impact of adopting IFRS 16 on the statement of financial position as at 1 April 2019:

	R'000
Right-of-use asset	24 475
Deferred tax asset	145
Lease liability	(24 991)
Restatement of Retained Earnings as at 1 April 2019	**(371)**

Included in profit for the period is R0.2 million of depreciation on the right-of-use asset and R1.1 million of finance costs incurred on the lease liability. Short-term and low-value leases included in operating expenses for the period were R0.7 million and R0.1 million respectively.

The following table reconciles the minimum lease commitments disclosed in the Group's 2019 Annual Financial Statements to the amount of the lease liability recognised on 1 April 2019:

	R'000
Minimum operating lease commitment at 31 March 2019	8 813
Plus: effect of option to purchase reasonably certain to be exercised	22 500
Undiscounted lease payments	31 313
Less: effect of discounting using the incremental borrowing rate as at the date of initial application	(6 322)
Lease liability recognised at 1 April 2019	**24 991**

Reconciliation of right-of-use asset	R'000
Recognised on adoption of IFRS 16 (1 April 2019)	24 475
Depreciation	(255)
Carrying value as at 30 September 2019	**24 220**

Reconciliation of lease liability	R'000
Recognised on adoption of IFRS 16 (1 April 2019)	24 991
Finance costs	1 119
Lease payments	(1 407)
Carrying value as at 30 September 2019	**24 703**
Of which:	
Current (included in Trade and other payables)	734
Non-current	23 969
	24 703

RESTATEMENT OF COMPARATIVES

The following figures at 30 September 2018 have been restated for the adoption of IFRS 15, as reported in the 2019 Annual Financial statements:

	30 September 2018		
	Previously reported R'000	Restatement R'000	Restated R'000
Equity attributable to equity holders of the parent	1 450 778	(4 272)	1 446 506
Trade and other payables	141 985	4 272	146 257

Readers are referred to the 2019 Annual Financial Statements for further details on the adoption of IFRS 15.

CORPORATE INFORMATION

Directors:
Executive
FE Meyer (Chief Executive Officer)
ML Wilkin (Chief Financial Officer)

Non-executive
Y Shaik (Chairman)
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

HOSKEN PASSENGER LOGISTICS AND RAIL LIMITED
("HPLR" or "the Company" or "the Group")
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, Cape Town,7460
(PO Box 115, Cape Town, 8000)

Company Secretary
HCI Managerial Services Proprietary Limited
Suite 801, 76 Regent Road, Sea Point, Cape Town, 8005
(PO Box 5251, Cape Town, 8000)

Auditors
BDO South Africa 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