HPL&R

Hosken Passenger Logistics & Rail

REVIEWED PROVISIONAL CONDENSED CONSOLIDATED RESULTS

FOR THE YEAR ENDED 31 MARCH 2018

HOSKEN PASSENGER LOGISTICS AND RAIL LIMITED

(Previously Niveus Invest 17 Proprietary Limited)
(Registration number: 2015/250356/06)

REVIEWED PROVISIONAL CONDENSED CONSOLIDATED RESULTS

For the year ended 31 March 2018

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018

	Reviewed 2018 R'000	Audited 2017[1] R'000
ASSETS		
Non-current assets	**1 709 120**	1 344 793
Property, plant and equipment	**1 462 937**	1 319 131
Goodwill	**8 451**	8 451
Intangible assets	**78**	57
Investments in associates	**18 343**	16 757
Deferred taxation	**414**	397
Non-current receivables	**218 897**	–
Current assets	**630 598**	366 857
Inventories	**15 714**	17 381
Trade and other receivables	**305 319**	57 410
Taxation	**1 435**	3 669
Cash and cash equivalents	**308 130**	288 397
Total assets	**2 339 718**	1 711 650
EQUITY AND LIABILITIES		
Equity	**1 406 308**	829 570
Equity attributable to equity holders of the parent	**1 373 692**	794 416
Non-controlling interest	**32 616**	35 154
Non-current liabilities	**557 397**	537 070
Borrowings	**300 887**	293 006
Post-employment medical benefit liability	**58 928**	68 880
Deferred taxation	**197 582**	175 184
Current liabilities	**376 013**	345 010
Trade and other payables	**102 558**	95 058
Financial liabilities	**–**	6 290
Current portion of borrowings	**149 323**	130 670
Taxation	**4 340**	172
Provisions	**119 792**	112 820
Total equity and liabilities	**2 339 718**	1 711 650

[1] *The 2017 figures of the Company and its subsidiaries ("Group") have been prepared on the common control accounting method, refer to the notes to the condensed consolidated financial statements.*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 MARCH 2018

	Reviewed 2018 R'000	Audited[2] 2017[1] R'000
Revenue	**1 808 406**	1 682 964
Other income	**4 501**	2 939
Operating expenses	**(1 358 793)**	(1 239 967)
EBITDA	**454 114**	445 936
Depreciation and amortisation	**(112 076)**	(99 569)
Investment income	**22 310**	15 000
Share of profits of associates	**7 283**	6 837
Finance costs	**(39 618)**	(38 059)
Profit before taxation	**332 013**	330 145
Taxation	**(86 619)**	(88 407)
Profit for the year	**245 394**	241 738
Attributable to:		
Equity holders of the parent	**235 947**	228 336
Non-controlling interest	**9 447**	13 402
	245 394	241 738

[1] *The Group's 2017 figures have been prepared on the common control accounting method, refer to the notes to the condensed consolidated financial statements.*

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

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2018

	Reviewed 2018 R'000	Audited 2017[1] R'000
Profit for the year	**245 394**	241 738
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Cash flow hedging – current year losses	**(343)**	(6 315)
Cash flow hedging – amount capitalised to property, plant and equipment	**6 633**	25
Taxation relating to cash flow hedging	**(1 761)**	1 761
Items that may not be reclassified subsequently to profit or loss		
Actuarial gains/(losses) on defined benefit plans	**16 863**	(3 304)
Taxation relating to actuarial gains/(losses) on defined benefit plans	**(4 722)**	925
Total comprehensive income for the year	**262 064**	234 830
Attributable to:		
Equity holders of the parent	**252 617**	221 428
Non-controlling interest	**9 447**	13 402
	262 064	234 830

	Reviewed 2018		Audited 2017[1]	
Reconciliation of headline earnings	**Gross R'000**	**Net R'000**	Gross R'000	Net R'000
Earnings attributable to equity holders of the parent		**235 947**		228 336
IAS 16 (Profit)/loss on disposal of plant and equipment	**(860)**	**(619)**	797	574
Headline profit		**235 328**		**228 910**
Earnings per share (cents)				
Basic		**81.36**		**78.74**
Diluted		**81.36**		**78.74**
Headline earnings per share (cents)				
Basic		**81.15**		**78.93**
Diluted		**81.15**		**78.93**
Weighted average number of shares in issue ('000)				
Basic		**290 000**		**290 000**
Diluted		**290 000**		**290 000**
Actual number of shares in issue ('000)		**290 000**		–

[1] *The Group's 2017 figures have been prepared on the common control accounting method, refer to the notes to the condensed consolidated financial statements.*

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2018

	Reviewed 2018 R'000	Audited 2017[1] R'000
Balance at the beginning of the year	**829 570**	714 762
Shares issued	**2 900 000**	–
Share issue costs	**(3 538)**	–
Total comprehensive income	**262 064**	234 830
Effects of changes in shareholding[1]	**(1 800 000)**	–
Business combinations	**–**	(22)
Dividends	**(781 788)**	(120 000)
Balance at the end of the year	**1 406 308**	829 570

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2018

	Reviewed 2018 R'000	Audited 2017[1] R'000
Cash flows from operating activities	**(400 039)**	252 588
Cash generated by operations	**471 744**	463 207
Investment income	**8 930**	15 000
Finance cost	**(36 940)**	(38 417)
Changes in working capital	**1 791**	15 655
Taxation paid	**(63 776)**	(82 857)
Dividends paid	**(781 788)**	(120 000)
Cash flows from investing activities	**(253 026)**	(220 013)
Investment in subsidiary company	**–**	(9 636)
Dividends received	**5 000**	8 900
Property, plant and equipment		
– Additions	**(259 988)**	(223 038)
– Disposals	**1 962**	3 761
Cash flows from financing activities	**672 798**	13 022
Ordinary shares issued[2]	**649 802**	–
Other liabilities raised	**(3 538)**	–
Funding raised	**335 228**	301 098
Funding repaid	**(308 694)**	(288 076)
Increase in cash and cash equivalents	**19 733**	45 597
Cash and cash equivalents		
At the beginning of the year	**288 397**	242 800
At the end of the year	**308 130**	288 397

[1] *The Group's 2017 figures have been prepared on the common control accounting method, refer to the notes to the condensed consolidated financial statements.*

[2] *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 ("KWV instalments"). The Company subsequently declared and paid out a dividend of R649.8 million to Shareholders on 1 February 2018, refer to the notes to the condensed consolidated financial statements for further detail on the Group restructure.*

BASIS OF PREPARATION AND ACCOUNTING POLICIES

The provisional condensed consolidated financial statements for the year ended 31 March 2018 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), 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 of the Group are consistent with those applied by the Company and its subsidiaries in their financial statements for the year ended 31 March 2017. The adoption of new standards that are applicable for this financial year had no impact on the figures presented. Details of the standards adopted will be provided in the annual financial statements. As required by the Listings Requirements of the JSE Limited, the Group reports headline earnings in accordance with Circular 2/2015 – Headline Earnings, as issued by the South African Institute of Chartered Accountants.

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

GROUP RESTRUCTURE AND SHARE ISSUE

On 1 February 2018, the Company acquired 100% of the issued share capital of HPL and R Investments Proprietary Limited, which holds 100% of Golden Arrow Bus Services Proprietary Limited ("GABS") (which in turn, has various subsidiaries) and 76% of Eljosa Travel and Tours Proprietary Limited, from Hosken Consolidated Investments Limited ("HCI") for a consideration of R1.8 billion, which was settled by the allotment and issue of shares, constituting approximately 62% of the issued share capital of the Company. At year-end, the remaining approximately 38% of the issued share capital of the Company was held by La Concorde Holdings Limited ("La Concorde"), a subsidiary of Niveus Investments Limited ("Niveus). As holding company of Niveus, HCI remained the controlling shareholder of the Group at year-end with an effective holding of approximately 73.5%.

On 13 April 2018, La Concorde unbundled its holding of approximately 38% of the issued share capital of the Company to its shareholders by way of a distribution *in specie, pro rata* to their respective holdings in La Concorde, resulting in Niveus thereafter holding approximately 22% of the issued share capital in the Company. On 30 April 2018, Niveus unbundled its approximate 22% shareholding in the Company to its shareholders by way of a distribution *in specie, pro rata* to their respective holdings in Niveus.

Following the Niveus and La Concorde unbundlings, HCI still remains the controlling shareholder of the Group and its effective shareholding remains approximately 73.5%.

The Company successfully listed on the Main Board of the JSE on 24 April 2018.

COMMON CONTROL ACCOUNTING

The restructure of the Group, prior to its listing on the JSE, is a common control transaction as HCI remains the ultimate controlling shareholder of the Group. As such IFRS 3 does not apply due to common control.

The Group has therefore applied predecessor accounting to its consolidated financial statements with the effect that the assets and liabilities of the subsidiaries acquired under the Group restructure are recognised under the predecessor value method and carried at historical carrying values, with no goodwill being recognised and a common control reserve arising on the Group restructure. This treatment requires that the comparative figures are presented as if the common control transaction had taken place at the start of the first reporting period presented i.e. 1 April 2016.

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 bus 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.

REVIEW OF THE INDEPENDENT AUDITOR

The provisional condensed consolidated financial statements for the year ended 31 March 2018 have been reviewed by BDO Cape Incorporated, who expressed an unmodified review conclusion. The auditor's report does not necessarily report on all of the information contained in the financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's report together with the accompanying financial information from the issuer's registered office.

COMMENTARY AND RESULTS

The year ending 31 March 2018 will be remembered for its challenging operational conditions. The drought in the Western Cape, as well as political turmoil, have all affected the region's economy.

Although the Group's revenue showed growth of 7.5% from the prior year, EBITDA only increased by 1.8% and net profit after tax by 1.5%, and is mainly attributable to the rising fuel and employee costs in the industry. The increase in revenue was largely due to passenger growth due to the intermittent failure of the Metrorail system in the Cape Metropole. The rise in operational costs were partially mitigated by management interventions which included personnel savings, unproductive kilometre cancellations and efficiencies introduced in service and maintenance disciplines.

The rise in the depreciation cost is in line with the increase in the capitalisation of the bus fleet in the current financial year, which also resulted in the increase in borrowings of R26 million from the prior year. Further capital intensive projects included the introduction of a company-wide modern electronic ticket system and the construction of a state-of-the-art training centre by the Group's major subsidiary GABS.

The increase in non-current receivables (short-term portion included in trade and other receivables) is due to the KWV Instalments (R237.5 million maturing 1 October 2018 and R257.7 million maturing on 1 October 2019) ceded to the Company as part of the Group's restructuring. For further information on the restructuring shareholders are referred to the circular published by Niveus on 18 December 2017.

DIVIDEND TO SHAREHOLDERS

The directors have not declared a final dividend for the full year, as dividends of R131.9 million were declared and paid to shareholders from income reserves in November 2017. In addition, a dividend of R649.8 million was paid out to Shareholders on 1 February 2018, as part of the restructure and capitalisation of the Group. In future, the Company aims, in line with the dividend policy disclosed in its pre-listing statement dated 15 March 2018, to declare and pay 50% of its annual profit after tax as a dividend to shareholders, subject to working capital requirements and capital expenditure required for expansion and maintenance.

For and on behalf of the board of directors

FE Meyer
Chief Executive Officer

ML Wilkin
Chief Financial Officer

23 May 2018

Directors

Y Shaik* (Chairman)
TG Govender* (Deputy Chairman)
FE Meyer (Chief Executive Officer)
ML Wilkin (Chief Financial Officer)
L Govender (Lead Independent Director)#*
NB Jappie#*
KF Mahloma#*

** Non-executive*
 # Independent

All Directors were appointed during the year under review.

HOSKEN PASSENGER LOGISTICS AND RAIL LIMITED

(Previously Niveus Invest 17 Proprietary Limited)
Incorporated in the Republic of South Africa
Registration number: 2015/250356/06
JSE share code: HPR
ISIN: ZAE000255907
("HPLR" or "the Company")

Registered Address

103 Bofors Circle
Epping Industria
Cape Town, 7460

Company Secretary

HCI Managerial Services Proprietary Limited
(Registration number: 1996/017874/07)
Suite 801
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Sea Point
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(PO Box 5251, Cape Town, 8000)

Auditors

BDO Cape Inc.
6th Floor, 123 Hertzog Boulevard
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(PO Box 3883, Cape Town, 8000)

Transfer Secretaries

Computershare Investor Services Proprietary Limited
(Registration number: 2004/003647/07)
Rosebank Towers
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(PO Box 61051, Marshalltown, 2107)

Sponsor

PSG Capital Proprietary Limited
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