HPL&R
Hosken Passenger Logistics & Rail

REVIEWED PROVISIONAL CONDENSED CONSOLIDATED RESULTS

For the year ended 31 March 2020

COMMENTARY AND RESULTS

The Board is pleased to report the Group's provisional results for the year ended 31 March 2020.

OVERVIEW

For the review period, the performance of the Group was anchored in the steady performance of its principal subsidiary, Golden Arrow Bus Services Proprietary Limited, despite a severely constrained economic environment and volatile operating conditions.

Notwithstanding the debilitating effects of a stagnant economy, as well as the early close of schools and the COVID-19 lockdown in March, overall passenger volumes showed a relatively marginal decline, which was in part mitigated by the uptake of commuters from the dysfunctional rail service and the contraction of the MyCiTi service.

Management's philosophy to be obsessed with the quality of service and ruthless in finding efficiencies continue to have a positive effect on results. The innovative utilisation of information stemming from our Automated Fare Collection system enhanced the efficient utilisation of assets, while the installation of fuel saving electronics on buses yielded positive results on fuel consumption.

Positive returns on energy saving initiatives have been realised after the first phase of solar installations over the reporting period and the feasibility of using electrically powered vehicles under current operating conditions will be conducted during the current year.

As previously reported, the Group concluded the acquisition of the remaining shares in both Sibanye Bus Services Proprietary Limited ("Sibanye") and Table Bay Area Rapid Transport Proprietary Limited ("TBRT") on 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.

During the next financial year, the focus of the Group will be on effectively navigating its companies through the COVID-19 pandemic. The Group's bus services have been designated as essential services during the lockdown period and all companies in the Group, except for Eljosa Travel and Tours Proprietary Limited, have been able to operate limited bus services during the lockdown period. This will present both challenges and opportunities as operations will have to be adjusted commensurate with demand and the alignment to regulations.

The COVID-19 pandemic will have a negative financial impact on FY2021. The Group is still assessing the scale of this impact on its financial performance over this period and once more certainty is known, will report to shareholders accordingly.

REVIEW OF RESULTS

Group profit for the period is reflected at R262.9 million (a 7.3% increase on prior year) and headline earnings at R250.5 million (an increase of 6.9% on prior year).

Revenue increased by 15.1% to R2.05 billion, and operating costs increased by 14.2% to R1.58 billion, resulting in a 18.6% increase in operating profit (EBITDA) to R488.6 million. The prior year comparative results were predominantly affected by a five-week labour strike in the first quarter of FY2019.

The decrease in investment income is due to the interest earned on the promissory notes in the FY2019 which were fully exited in December 2018 (2019: interest on promissory notes R23.13 million).

Following the acquisition of the remaining shares in Sibanye, this investment previously disclosed as a 33.33% held investment in associate, has been consolidated as a subsidiary in the Group results from 1 April 2019, contributing R17.3 million to Group profit for the year (2019: contributed R5.5 million to income from equity accounted investments). The income from equity accounted investments for the 2020 year end reflects the share of the profits of the 33.33% investment in The N2 Express JV Proprietary Limited, whose MyCiTi contract with the City of Cape Town 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.

COMMENTARY AND RESULTS (CONTINUED)

ORDINARY CASH DIVIDEND TO SHAREHOLDERS

The directors have approved and declared a final ordinary dividend of 31 cents (gross) per HPLR share for the year ended 31 March 2020 from income reserves.

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

Announcement date	Friday, 29 May 2020
Last day to trade cum dividend	Monday, 15 June 2020
Commence trading ex-dividend	Wednesday, 17 June 2020
Record date	Friday, 19 June 2020
Payment date	Monday, 22 June 2020

Share certificates may not be dematerialised or rematerialised between Wednesday, 17 June 2020 and Friday, 19 June 2020, both days inclusive.

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

- The final ordinary dividend shall constitute a "dividend" as defined in the Income Tax Act, 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 6.2 cents per share for the final ordinary dividend.
- The net local dividend amount is 24.8 cents per share for the final 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

29 May 2020

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	Notes	Reviewed 2020 R'000	Audited 2019 R'000
ASSETS			
Non-current assets		1 786 707	1 610 505
Property, plant and equipment	2	1 730 134	1 579 256
Right-of-use asset	1	25 360	–
Goodwill		27 298	8 451
Intangible assets		62	57
Investments in associates		3 358	22 342
Deferred taxation		495	399
Current assets		576 927	609 825
Inventories		19 541	17 559
Trade and other receivables		60 826	68 933
Taxation		6 937	2 376
Cash and cash equivalents		489 623	520 957
Total assets		2 363 634	2 220 330
EQUITY AND LIABILITIES			
Equity		1 226 588	1 158 702
Equity attributable to equity holders of the parent		1 228 751	1 115 079
Non-controlling interest		(2 163)	43 623
Non-current liabilities		695 780	633 272
Borrowings		25 700	48 188
Instalment sale obligations		314 200	292 994
Lease liability	1	23 549	–
Post-employment medical benefit liability		55 835	64 675
Deferred taxation		276 496	227 415
Current liabilities		441 266	428 356
Trade and other payables		166 539	159 867
Borrowings		22 603	21 586
Instalment sale obligations		155 027	145 315
Taxation		2 028	5 653
Provisions		95 069	95 935
Total equity and liabilities		2 363 634	2 220 330

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2020

	Notes	Reviewed 2020 R'000	Audited 2019 R'000
Revenue	5	2 048 402	1 779 849
Other income		18 827	14 541
Operating expenses		(1 578 572)	(1 382 392)
Operating profit		488 657	411 998
Depreciation and amortisation		(93 411)	(81 471)
Investment income		25 774	48 810
Income from equity accounted investments		436	10 999
Fair value adjustment on associate on change of control		9 163	–
Finance costs		(50 312)	(45 014)
Profit before taxation		380 307	345 322
Taxation		(117 397)	(100 406)
Profit for the year		262 910	244 916
Profit attributable to:			
Equity holders of the parent		261 042	233 908
Non-controlling interest		1 868	11 008
		262 910	244 916
Earning per share (cents)			
Basic and diluted		90.01	80.66

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	Reviewed 2020 R'000	Audited 2019 R'000
Profit for the year	262 910	244 916
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss		
Actuarial gains/(losses) on defined benefit plans	12 709	(2 730)
Taxation relating to actuarial gains/(losses) on defined benefit plans	(3 559)	764
Total comprehensive income for the year	272 060	242 950
Total comprehensive income attributable to:		
Equity holders of the parent	270 192	231 942
Non-controlling interest	1 868	11 008
	272 060	242 950

RECONCILIATION OF HEADLINE EARNINGS

For the year ended 31 March 2020

	Reviewed 2020 R'000 Gross	Reviewed 2020 R'000 Net	Audited 2019 R'000 Gross	Audited 2019 R'000 Net
Earnings attributable to equity holders of the parent		261 042		233 908
Profit on disposal of plant and equipment	(11 568)	(8 329)	(913)	(657)
Impairment of plant and equipment	13 151	9 469	10 903	7 850
Insurance claim for capital assets	(6 287)	(4 527)	(9 492)	(6 834)
Fair value adjustment on associate on change of control	(9 163)	(7 110)	–	–
Headline earnings		250 545		234 267
Earnings per share (cents)				
Basic and diluted		90.01		80.66
Headline earnings per share (cents)				
Basic and diluted		86.39		80.78
Weighted average number of shares in issue ('000)				
Basic and diluted		290 000		290 000
Actual number of shares in issue ('000)		290 000		290 000

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2020

	Notes	Reviewed 2020 R'000	Audited 2019 R'000
Balance at the beginning of the year		1 158 702	1 406 308
Adjustment on initial application of IFRS 15		–	(4 272)
Adjustment on initial application of IFRS 16		293	–
Total comprehensive income		272 060	242 950
Equity settled share-based payments		4 876	3 816
Acquisition of subsidiaries (non-controlling interest portion)	3	17 520	–
Effects of changes in shareholding	4	(105 063)	–
Dividends/distribution to shareholders		(121 800)	(490 100)
Balance at the end of the year		1 226 588	1 158 702

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

	Notes	Reviewed 2020 R'000	Audited 2019 R'000
Cash flows from operating activities		276 403	356 795
Cash generated from operations		509 101	456 820
Investment income		25 774	55 012
Finance cost		(50 312)	(45 014)
Taxation paid		(86 360)	(69 423)
Dividends paid		(121 800)	(40 600)
Cash flows from investing activities		(9 584)	404 038
Dividends received		2 000	7 000
Business combinations	3	13 056	–
Acquisition of property, plant and equipment		(38 587)	(56 348)
Acquisition of intangible assets		(5)	–
Proceeds from settlement of financial asset		–	448 417
Proceeds from sale of plant and equipment		13 952	4 969
Cash flows from financing activities		(298 153)	(548 006)
Funding raised	6	–	60 000
Funding repaid	6	(192 487)	(158 506)
Principal paid on lease liabilities		(603)	–
Transactions with non-controlling shareholders	4	(105 063)	–
Distribution to shareholders		–	(449 500)
Increase in cash and cash equivalents		(31 334)	212 827
Cash and cash equivalents			
At the beginning of the year		520 957	308 130
At the end of the year		489 623	520 957

NOTES TO THE REVIEWED PROVISIONAL CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

BASIS OF PREPARATION AND ACCOUNTING POLICIES

The reviewed provisional condensed consolidated results for the year ended 31 March 2020 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the disclosure requirements of IAS 34 – Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the South African Companies Act, No. 71 of 2008 (as amended) and the Listings Requirements of the JSE Limited.

The accounting policies applied by the Group in preparation of these reviewed provisional condensed consolidated 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 1/2019 – Headline Earnings, as issued by the South African Institute of Chartered Accountants.

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

OPERATING SEGMENTS

The directors have considered the implications of IFRS 8 Operating Segments and are of the opinion that the operations of the Group constitute one operating segment, being the provision of passenger transport services within South Africa. Resource allocation and operational management 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 2020 have been reviewed by BDO South Africa Incorporated, who expressed an unmodified review conclusion. The auditor's report does not necessarily report on all the information contained in the financial results. Any reference to future financial performance included in this announcement has not been reviewed nor reported on. 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.

1. 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:

- a single discount rate was applied to a portfolio of leases with reasonably similar characteristics;
- initial direct costs were excluded 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; and
- applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of the lease term remaining as of the date of initial application.

The Group further elected not to recognise right-of-use assets and lease liabilities for leases of low value assets based on the value of the underlying asset when new.

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%.

NOTES TO THE REVIEWED PROVISIONAL CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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	25 425
Deferred tax liability	(114)
Lease liability	(25 018)
Restatement of retained earnings as at 1 April 2019	**293**

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	(6 295)
Lease liability recognised at 1 April 2019	**25 018**

Included in profit or loss for the period are R0.07 million of depreciation on right-of-use assets and R2.23 million of finance costs on the lease liability. Short-term and low-value leases included in other operating expenses for the year were R1.45 million and R0.25 million respectively. Lease payments of R2.83 million were recognised in respect of the lease liability.

Reconciliation of right-of-use asset	R'000
Recognised on adoption of IFRS 16 (1 April 2019)	25 425
Depreciation	(65)
Carrying value as at 31 March 2020	**25 360**

The right-of-use asset is depreciated on a straight-line basis over the remaining economic life of the asset.

Reconciliation of lease liability	R'000
Recognised on adoption of IFRS 16 (1 April 2019)	25 018
Finance costs	2 228
Lease payments	(2 831)
Carrying value as at 31 March 2020	**24 415**
Of which:	
Current (included in trade and other payables)	866
Non-current	23 549
	24 415

Subsequent to initial measurement, the lease liability increases as a result of interest charged at a constant rate on the balance outstanding and is reduced by lease payments made.

NOTES TO THE REVIEWED PROVISIONAL CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. PROPERTY, PLANT AND EQUIPMENT

The movement in property, plant and equipment is summarised as follows:

	Carrying Value at 31 March 2019 R'000s	Additions R'000s	Business Combinations R'000s	Depreciation R'000s	Disposals R'000s	Impairments R'000s	Carrying Value at 31 March 2020 R'000s
Buses	1 180 966	179 943	58 850	(84 147)	(2 242)	(12 462)	**1 320 908**
Computer hardware, fare collection and radio equipment	63 142	3 941	188	(6 491)	–	(689)	**60 091**
Land and buildings and leasehold improvements	326 962	12 297	–	(43)	–	–	**339 216**
Motor vehicles	3 467	1 968	1 850	(921)	(67)	–	**6 297**
Plant and machinery	3 714	639	–	(1 500)	(75)	–	**2 778**
Furniture and fixtures	1 005	71	10	(242)	–	–	**844**
Total	1 579 256	198 859	60 898	(93 344)	(2 384)	(13 151)	1 730 134

3. BUSINESS COMBINATIONS

Golden Arrow Bus Services acquired 33.33% of the shares in Sibanye Bus Services Proprietary Limited ("Sibanye"), previously a 33.33% held associate, effective 1 April 2019 resulting in the Group gaining control on this date. The remaining 33.34% 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 R91.3 million to revenue for the Group and R17.3 million to Group profit after tax for the year ended 31 March 2020.

On 1 March 2020 the Group acquired 90% of the shares of K2019623129 Proprietary Limited, a shuttle service business trading as Shuttle Up, for a total consideration of R2.3 million. As this business was acquired so close to year end, it had no effect on Group revenue nor profit after tax for the year ended 31 March 2020.

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

	Sibanye R'000s	Shuttle Up R'000s	Total R'000s
Non-current assets	59 050	1 850	60 900
Current assets	48 070	580	48 650
Non-current liabilities	(35 540)	–	(35 540)
Current liabilities	(19 804)	–	(19 804)
Net assets acquired	51 776	2 430	54 206
Non-controlling interest	(17 257)	(263)	(17 520)
Fair value of previously held interest	(26 583)	–	(26 583)
Goodwill on acquisition	18 647	200	18 847
Purchase consideration	26 583	2 367	28 950
Cash and cash equivalents on date of acquisition	41 426	580	42 006
Net cash in/(out)flow on acquisition	14 843	(1 787)	13 056

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

4. 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 Table Bay Area Rapid Transport Proprietary Limited ("TBRT") and Sibanye.

Further reflected in the cash flow statement 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.

NOTES TO THE REVIEWED PROVISIONAL CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. REVENUE

Group revenue for the year is made up as follows:

	Reviewed 2020 R'000	Audited 2019 R'000
Revenue from bus services provided		
Revenue recognised over time		
Operational contract carrying revenue risk	1 006 182	896 809
Operational contract with no revenue risk	136 433	113 916
Sale of multi-journey tickets	545 728	472 682
Revenue recognised at a point in time		
Sale of single journey tickets	263 244	209 290
Charter hire services	84 562	69 943
Total revenue from bus services	2 036 149	1 762 640
Revenue from automotive repair services		
Revenue recognised at a point in time		
Bus and vehicle repair and maintenance	1 332	7 982
Other income		
Revenue recognised over time	3 649	1 833
Revenue recognised at a point in time	7 272	7 394
	10 921	9 227
Total revenue	2 048 402	1 779 849

6. BORROWINGS ARISING FROM FINANCING ACTIVITIES

Movements in the carrying value of borrowings are as follows:

	Reviewed 2020 R'000	Audited 2019 R'000
Carrying value at the beginning of the year	508 083	450 210
Cash flows:		
Raising of new debt (term loan)	–	60 000
Debt repayments	(192 487)	(158 506)
Non-cash:		
Raising of instalment sales agreements	160 272	156 379
Arising on business combination	41 662	–
	517 530	508 083

R160.2 million (2019: R156.4 million) of debt raised in the period relates to instalment sale agreements used to finance bus acquisitions, and therefore has not been included in the cash flow statement as a cash flow amount.

7. COMMITMENTS

	Reviewed 2020 R'000	Audited 2019 R'000
Capital expenditure		
Property, plant and equipment authorised but not yet contracted	7 521	–
Property, plant and equipment authorised and contracted to be expended	109 008	109 278

It is intended that this expenditure will be funded from bank finance and operating cash flows.

8. RELATED PARTY TRANSACTIONS

Related party transactions similar to those disclosed in the Group's 2019 Annual Financial Statements took place for the year ended 31 March 2020, and will be disclosed in the Group's Annual Financial Statements for the year ended 31 March 2020.

9. EVENTS AFTER THE REPORTING PERIOD

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report that would require any adjustments to these provisional annual financial statements.

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)

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, 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

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