HPL&R

Hosken Passenger Logistics & Rail

CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2020

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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)

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Company name and registration
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
(Private Bag X9000, Saxonwold, 2132)

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 2020.

DISTRIBUTION OF SHAREHOLDERS

SHARE RANGE	Number of shareholders	% of shareholders	Number of shares	% of issued capital
1 – 1 000	1 711	49.55%	683 873	0.24%
1 001 – 10 000	1 258	36.43%	4 500 966	1.55%
10 001 – 50 000	385	11.15%	7 756 443	2.67%
50 001 – 100 000	44	1.27%	3 044 504	1.05%
100 001 – 500 000	36	1.04%	7 329 770	2.53%
500 001 – 1 000 000	6	0.17%	4 430 158	1.53%
1 000 001 shares and over	13	0.38%	262 254 286	90.43%
Total	**3 453**	**100.00%**	**290 000 000**	**100.00%**

TYPE OF SHAREHOLDER

	Number of shareholders	% of shareholders	Number of shares	% of issued capital
Banks	3	0.09%	138 605	0.05%
Broker	1	0.03%	192	0.00%
Close corporation	35	1.01%	341 333	0.12%
Endowment fund	4	0.12%	40 550	0.01%
Individual	2 973	86.10%	23 989 259	8.27%
Investment company	39	1.13%	242 646 879	83.67%
Pension fund	4	0.12%	324 922	0.11%
Private company	119	3.45%	12 892 115	4.45%
Public company	12	0.35%	5 389 910	1.86%
Trust	263	7.62%	4 236 235	1.46%
Total	**3 453**	**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 (“HCI”)	238 107 145	82.11%

SHAREHOLDER SPREAD

To the best of the knowledge of the directors and after reasonable enquiry, the spread of shareholders at 31 March 2020, was as follows:

	Number of shareholders	% of shareholders	Number of shares	% of issued capital
Public shareholding	**3 447**	**99.83%**	**50 875 802**	**17.54%**
Non-Public shareholding	**6**	**0.17%**	**239 124 198**	**82.46%**
HCI (direct)	1	0.03%	232 777 041	80.27%
HCI (indirect)	1	0.03%	5 330 104	1.84%
FE Meyer (direct)*	1	0.03%	102 813	0.04%
FE Meyer (indirect)*	1	0.03%	4 756	0.00%
TG Govender (direct)*	1	0.03%	87 808	0.03%
TG Govender (indirect)*	1	0.03%	821 676	0.28%
Total	**3 453**	**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 annual financial statements for the year ended 31 March 2020 have been prepared, in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the South African Companies Act, 71 of 2008, as amended, on the going concern basis and incorporate full and responsible disclosure. The annual financial statements are based upon appropriate accounting policies and supported by reasonable and prudent judgements and estimates. The annual financial statements were prepared under the supervision of the chief financial officer, Mr ML Wilkin CA(SA).

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

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

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

The annual financial statements were audited by the independent auditor, BDO South Africa Incorporated, to whom unrestricted access was given to all financial records and related information. The report of the independent auditor is presented on page 9.

The directors, whose names are stated below, hereby confirm that -

(a) the annual financial statements set out on pages 15 to 63, fairly present in all material respects the financial position, financial performance and cash flows of the Company in terms of IFRS;

(b) no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;

(c) internal financial controls have been put in place to ensure that material information relating to the Company and its consolidated subsidiaries have been provided to effectively prepare the annual financial statements of the Company; and

(d) the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having applied the combined assurance model pursuant to principle 15 of the King Code. Where we are not satisfied, we have disclosed to the Audit and Risk Committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls, and have taken the necessary remedial action. There has been no fraud that involved directors.

The consolidated annual financial statements for the year ended 31 March 2020 were approved by the Board of directors on 28 July 2020 and are signed on its behalf by:

FE Meyer
Chief executive officer

ML Wilkin
Chief financial officer

Cape Town
28 July 2020

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 2020, 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
28 July 2020

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 2020.

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

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

The Committee is a formal committee of the Board appointed by the shareholders and functions within its documented terms of reference, which is reviewed annually. 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 five times during the year under review. 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	3
RD Watson	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 with respect to the Group's Integrated Annual Report, the financial statements and 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 HPLR, 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 2020 financial year;
- considered the nature of extent of non-audit services provided by the external auditor for the financial year ended 31 March 2020 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 2020 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 of the financial year, complied 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 Group has appointed GRIPP Advisory Proprietary Limited to perform the internal audit function. 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.

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.

Material risks

A description of all immediately identifiable material risks which are specific to the Group, its industry and/or its issued ordinary shares is available on the Company's website at www.hplr.co.za.

REPORT OF THE AUDIT AND RISK COMMITTEE (continued)

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 HPLR 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 audit matters 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, and as required by IFRS, the residual values attached to these assets are reviewed annually.
Repurchase of service provision	This is based on retrenchment costs that 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.

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

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

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

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

L Govender
Chairperson
Audit and Risk Committee

28 July 2020

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 15 to 63, which comprise the consolidated statement of financial position as at 31 March 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the 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 2020, 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 and separate 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.

Key Audit Matter	How our audit addressed the key audit matter
Useful lives, residual values and depreciation method of buses – Note 4	
IAS16 requires management to review and assess the useful lives, residual values and depreciation method annually. 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 an asset	Our audit procedures included, amongst others, an assessment of the reasonability of the useful lives, residual values and depreciation method as follows: • We obtained an understanding of the design and implementation of key controls around the determination of the useful life & residual value assessment performed by management • We have recalculated the depreciation charge for buses • We have assessed managements' judgements and estimates in determining the useful lives and residual values of the buses for reasonability • 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	How our audit addressed the key audit matter
Useful lives, residual values and depreciation method of buses – Note 4 (continued) 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 value of the buses to the financial statements and the estimation uncertainty and judgement applied by management.	
Repurchase of service provision – Note 21 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, critical judgements and estimation uncertainty applied by management in the calculation of the provision.	Our audit procedures included, amongst others, the following: • We obtained an understanding of the design & implementation of key controls surrounding the determination of the provision. • We critically assessed the provision through discussions held with management and those charged with governance. • We compared managements' estimation of the amount payable to each of the various potential outcomes, based on the best information available. • We assessed that the repurchase of service provision meets the definition of a provision, in accordance with IAS37 – International Financial Reporting Standards. • We obtained representation from management confirming that the amount has been estimated reliably. • We tested the mathematical accuracy of the provision to ensure the amount has been accurately recorded. • We evaluated the accuracy and completeness of this disclosure in terms of IAS 37.

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 2020 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 and separate 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate 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 and separate 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.
- 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 South Africa Incorporated has been the auditor of Hosken Passenger Logistics and Rail Limited for three years.

BDO South Africa Incorporated

BDO South Africa Incorporated
Registered Auditors

Stephan Cillié
Director
Registered Auditor

28 July 2020

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 of the Group for the year ended 31 March 2020.

A copy of the annual financial statements of the Company are available on request from the registered office of the Company, during office hours, or via email to info@hplr.co.za.

NATURE OF BUSINESS AND OPERATIONS

The Company is an investment holding company and holds interests in various subsidiaries operating within the transport sector. Its investment holdings are detailed below.

There have been no material changes to the nature of the Group's business from the prior year.

FINANCIAL RESULTS

The results for the year under review are set out fully in the attached consolidated annual financial statements.

CASH DIVIDENDS

During the course of the financial year, the Company paid a final ordinary dividend in respect of the year ended 31 March 2019 of 28 cents per share on 18 June 2019 and an interim ordinary dividend in respect of the year ended 31 March 2020 of 14 cents per share on 17 December 2019. The Board declared a final ordinary dividend in respect of the year ended 31 March 2020 of 31 cents per share on 29 May 2020 which was paid on 22 June 2020.

SHARE CAPITAL

There was no change in the authorised or issued share capital of the Company during the period under review. At 31 March 2020, the total shares in issue was 290 000 000.

Majority shareholder

The Company's ultimate holding company is Hosken Consolidated Investments Limited holding 82.11% of the issued share capital of the Company at 31 March 2020 (2019: 75.07%).

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	Chairperson	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 Listing Requirements, one-third of non-executive directors will retire at the forthcoming annual general meeting. In terms of which Mr L Govender and Ms NB Jappie, 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 the Corporate Information page.

DIRECTORS' REPORT (continued)

Investments

Company	Nature of business	Holding
HPL and R Investments Proprietary Limited	Investment Holding	100%
Golden Arrow Bus Services Proprietary Limited	Transport services	100%
Table Bay Area Rapid Transit Proprietary Limited	Transport services	100%
Sibanye Bus Services Proprietary Limited	Transport services	100%
K2019623129 Proprietary Limited (Shuttle Up)	Transport services	90%
Eljosa Travel & Tours Proprietary Limited	Transport services	76%
N2 Express Joint Venture Proprietary Limited	Transport services	33.33%

During the period under review, the Group concluded the acquisition of the remaining shares in both Sibanye Bus Services Proprietary Limited and Table Bay Area Rapid Transport Proprietary Limited on 1 April 2019 and 31 July 2019 respectively, acquiring an additional 33.33% of Sibanye on each of these dates for a total consideration of R53.1 million and an additional 24.97% in TBRT on each of these dates for a total consideration of R78.5 million.

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. (see also note 43 Business combinations)

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 annual financial statements have been prepared on the basis of accounting policies applicable to a going concern.

The impact of the COVID-19 pandemic and the subsequent national lockdown on 27 March 2020 has had a severe impact on the South African economy. The Group's bus services have been designated as essential services during the lockdown period and all companies in the Group have been able to operate limited bus services during the lockdown period, although at reduced passenger numbers in comparison to the prior year.

The directors are not aware of any other 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.

In preparing the cash flow forecasts utilised, the impact of the COVID-19 pandemic on the Group's operations and liquidity together with measures taken by subsidiaries to mitigate the financial and operational impact of COVID-19 were considered. The Group has no financial covenants imposed by its funders. Based on these cash flow forecasts the directors are of the view that the Group has sufficient liquidity to meet its obligations as currently foreseen in the next financial year.

Auditors

BDO South Africa 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 2020.

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 2020.

SPECIAL RESOLUTIONS

The following special resolutions were passed by the Company's shareholders at the annual general meeting held on 12 September 2019:

- 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 October 2019 until the next annual general meeting of the Company; and
- Granting the Company and the subsidiaries of the Company a general authority contemplated in terms of the JSE Listings requirements paragraph 5.72, for the acquisition by the Company, or a subsidiary of the Company, of ordinary issued shares issued by the Company;

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

Due to a reduction in demand during the COVID-19 lockdown and the uncertainty going forward, Golden Arrow Bus Services Proprietary Limited entered into a Section 189 retrenchment process with its workforce, resulting in the retrenchment of approximately 12.5% of its workforce in July 2020 at a total termination cost of approximately R9.2 million.

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 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 2020

	Notes	2020 R'000	2019 R'000
ASSETS			
Non-Current Assets		**1 786 707**	1 610 505
Property, plant and equipment	4	**1 730 134**	1 579 256
Right-of-use asset	5	**25 360**	–
Goodwill	6	**27 298**	8 451
Intangible assets	7	**62**	57
Investments in associates	8	**3 358**	22 342
Deferred tax	9	**495**	399
Current Assets		**576 927**	609 825
Inventories	10	**19 541**	17 559
Trade and other receivables	11	**60 826**	68 933
Current tax receivable		**6 937**	2 376
Cash and cash equivalents	12	**489 623**	520 957
Total Assets		**2 363 634**	2 220 330
EQUITY AND LIABILITIES			
Equity		**1 226 588**	1 158 702
Share capital	13	**1 797 160**	1 797 160
Share-based payments reserve		**8 692**	3 816
Common control reserve		**(1 800 000)**	(1 800 000)
Reinvestment reserve	14	**98 295**	98 295
Maintenance reserve	15	**31 763**	32 545
Retained income		**1 092 841**	983 263
Equity attributable to equity holders of parent		**1 228 751**	1 115 079
Non-controlling interest	16	**(2 163)**	43 623
Liabilities			
Non-Current Liabilities		**695 780**	633 272
Lease liability	5	**23 549**	–
Deferred tax	9	**276 496**	227 415
Borrowings	17	**25 700**	48 188
Instalment sale obligations	18	**314 200**	292 994
Post-employment medical benefit liability	20	**55 835**	64 675
Current Liabilities		**441 266**	428 356
Borrowings	17	**22 603**	21 586
Instalment sale obligations	18	**155 027**	145 315
Trade and other payables	19	**161 980**	155 513
Post-employment medical benefit liability	20	**4 559**	4 354
Current tax payable		**2 028**	5 653
Provisions	21	**95 069**	95 935
Total Liabilities		**1 137 046**	1 061 628
Total Equity and Liabilities		**2 363 634**	2 220 330

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 March 2020

	Notes	2020 R'000	2019 R'000
Revenue	22	2 048 402	1 779 849
Other income		18 827	14 541
Other operating expenses		(1 578 572)	(1 382 392)
Operating profit (EBITDA)	23	488 657	411 998
Depreciation and amortisation	23	(93 411)	(81 471)
Investment income	24	25 774	48 810
Finance costs	26	(50 312)	(45 014)
Income from equity accounted investments	25	436	10 999
Fair value adjustment on associate on change of control		9 163	–
Profit before taxation		380 307	345 322
Taxation	27	(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
Earnings per share (cents)			
– Basic and diluted	33	90.01	80.66

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2020

	2020 R'000	2019 R'000
Profit for the year	**262 910**	244 916
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Actuarial gains/(losses) on defined benefit plan	**12 709**	(2 730)
Taxation relating to actuarial (gains)/losses on defined benefit plans	**(3 559)**	764
Other comprehensive income/(loss) for the year net of taxation	**9 150**	(1 966)
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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2020

	Share capital R'000	Reinvest-ment reserve R'000	Share-based payments reserve R'000	Common control reserve R'000	Mainte-nance 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 2018	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	(449 500)	–	–	–	–	–	(40 600)	(490 100)	–	(490 100)
Opening balance as previously reported	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
Adjustment on initial application of IFRS 16	–	–	–	–	–	–	293	293	–	293
Balance at 1 April 2019 as restated	**1 797 160**	**98 295**	**3 816**	**(1 800 000)**	**32 545**	**(1 665 344)**	**983 556**	**1 115 372**	**43 623**	**1 158 995**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**261 042**	**261 042**	**1 868**	**262 910**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**9 150**	**9 150**	**–**	**9 150**
Effects of changes in shareholding	**–**	**–**	**–**	**–**	**–**	**–**	**(39 889)**	**(39 889)**	**(65 174)**	**(105 063)**
Acquisition of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**17 520**	**17 520**
Transfer between reserves	**–**	**–**	**–**	**–**	**(782)**	**(782)**	**782**	**–**	**–**	**–**
Effect of equity settled share-based payments	**–**	**–**	**4 876**	**–**	**–**	**4 876**	**–**	**4 876**	**–**	**4 876**
Dividends	**–**	**–**	**–**	**–**	**–**	**–**	**(121 800)**	**(121 800)**	**–**	**(121 800)**
Balance at 31 March 2020	**1 797 160**	**98 295**	**8 692**	**(1 800 000)**	**31 763**	**(1 661 250)**	**1 092 841**	**1 228 751**	**(2 163)**	**1 226 588**
Notes	13	14			15				16	

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

	Notes	2020 R'000	2019 R'000
Cash flows from operating activities		**276 403**	356 795
Cash generated from operations	28	**509 101**	456 820
Investment income		**25 774**	55 012
Ordinary dividends paid	30	**(121 800)**	(40 600)
Finance costs		**(50 312)**	(45 014)
Tax paid	29	**(86 360)**	(69 423)
Cash flows from investing activities		**(9 584)**	404 038
Acquisition of property, plant and equipment	4	**(38 587)**	(56 348)
Proceeds from sale of plant and equipment	4	**13 952**	4 969
Dividends received		**2 000**	7 000
Acquisition of intangible assets	7	**(5)**	–
Business combinations	43	**13 056**	–
Proceeds from settlement of financial asset	31	**–**	448 417
Cash flows from financing activities		**(298 153)**	(548 006)
Funding raised	32	**–**	60 000
Funding repaid	32	**(192 487)**	(158 506)
Transactions with non-controlling shareholders	16	**(105 063)**	–
Principal paid on lease liabilities	5	**(603)**	–
Special dividends paid	30	**–**	(449 500)
Total cash movement for the year		**(31 334)**	212 827
Cash and cash equivalents at the beginning of the year		**520 957**	308 130
Total cash and cash equivalents at end of the year	12	**489 623**	520 957

ACCOUNTING POLICIES

For the year ended 31 March 2020

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.

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

These accounting policies are consistent with the previous period, except for the adoption of IFRS 16 (refer to note 2).

1.2 Consolidation and Equity accounting

Basis of consolidation

The consolidated annual 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.

Business combinations

The Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Costs directly attributable to the business combination are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

All intra-group transactions, balances, income, expenses and unrealised gains on transactions between Group companies are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Non-controlling interests in the net assets of consolidated subsidiaries are identified and recognised separately from the Group's interest therein and are recognised within equity. Losses of subsidiaries attributable to non-controlling interests are allocated to the non-controlling interest even if this results in a debit balance being recognised for the non-controlling interest.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions and are recognised directly in the Statement of Changes in Equity. The difference between the fair value of consideration paid or received and the movement in non-controlling interest for such transactions is recognised in equity attributable to the owners of the parent.

In cases where the Group held a non-controlling shareholding in the acquiree prior to obtaining control, that interest is measured to fair value as at acquisition date. The measurement to fair value is included in profit or loss for the year.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.2 Consolidation and Equity accounting (continued)

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 and is determined as the consideration paid, plus the fair value of any shareholding held prior to obtaining control, plus non-controlling interest and less the fair value of the identifiable assets and liabilities of the acquiree.

Goodwill is subsequently carried at cost less impairment losses and is reviewed for impairment on an annual basis. If goodwill is assessed to be impaired, that impairment will not subsequently be reversed. For the purpose of impairment testing Goodwill is allocated to cash generating units (CGUs).

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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.5 Use of estimates, judgements and assumptions

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.

Estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are detailed below.

Impairment of financial assets

The loss allowance for financial assets is based on assumptions about the risk of default and expected loss rates. The Group calculates the loss allowance taking into account historic analysis, existing market conditions, and forward-looking estimates at the end of each reporting period.

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 1.18.

ACCOUNTING POLICIES (continued)

For the year ended 31 March 2020

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 or 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		
• Commuter	Straight line	18 years
• Luxury	Straight line	15 years
• Midi	Straight line	8 years
Computer hardware	Straight line	3 years
Equipment		
• 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. Depreciation ceases once the asset is depreciated to its residual value or the asset is disposed of.

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. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.8 Financial instruments

Financial instruments held by the Group are classified in accordance with the provisions of IFRS 9 Financial Instruments.

The Group's financial assets comprise:

- Trade and other receivables
- Cash and cash equivalents

The Group's financial liabilities comprise:

- Borrowings and Instalment sale obligations
- Trade and other payables

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

Note 41 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 are recognised when the Group becomes a party to the contractual provisions. They are measured at initial recognition, at fair value plus transaction costs, if any, and subsequently at amortised cost.

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current.

The Group recognises a loss allowance for expected credit losses on trade and other receivables, excluding VAT and prepayments, as these items do not have a significant financing component. The amount of expected credit losses is updated at each reporting date.

Loss allowance for all trade receivables is determined as lifetime expected credit losses (simplified approach). This is the default approach for trade receivables.

Trade receivables are written off when there is no reasonable expectation of recovery. Failure to make payments within agreed upon contractual terms from the invoice date and failure to engage with the Group on alternative payment arrangement among others are considered indicators of no reasonable expectation of recovery. 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.

In determining the loss allowance the Group considered, inter alia, disputes with customers, untraceable and slow payers, long overdue accounts, customers handed over to attorneys for collection, customer account recoverability assessments where entities are associate entities within the Group and customers placed under liquidation. Historical data is also assessed to identify indicators of possible default by customers in the Group.

The Group at year-end performs an assessment on the expected credit loss taking into account both customer specific factors and forward-looking information. Specific factors considered were whether the customer had been handed over to attorneys for collection, whether the customer was a governmental institution, the established relationship with the customer and whether the customer was a related entity as defined by IAS 24. Forward looking information considered was the general economic growth rate in South Africa, proposed municipal, provincial and national budget cuts and expected shrinkage in the retail and tourism sector.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.8 Financial instruments (continued)

Credit risk

Details of credit risk are included in the trade and other receivables note (note 11) and the financial instruments and risk management note (note 41).

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.

These debts expose the Group to liquidity risk and interest rate risk. Refer to note 41 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 41 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 only 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, and only when, the Group obligations are discharged, cancelled or they 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. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.9 Tax

Current tax assets and liabilities

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

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

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except for deferred taxes 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

IFRS 16 was adopted on 1 April 2019 without restatement of comparative figures. Refer note 2 for an explanation of the transition method and practical expedients applied on the date of adoption. The following policies apply subsequent to the date of initial application, 1 April 2019:

The Group recognises a right-of-use asset and a lease liability at the commencement date of the contract for all leases conveying the right to control the use of an identified assets for a period of time. The commencement date is the date on which a lessor makes an underlying asset available for use by a lessee.

A lease liability and corresponding right-of-use asset are recognised on the lease payment date for all lease agreements where the Group is a lessee except, short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT and office equipment.

Lease liability

A lease liability is initially recognised at the commencement date and measured at an amount equal to the present value of the lease payments during the lease term that are not yet paid. Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Group's incremental borrowing rate is used. The incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the cost of the right-of-use asset in a similar economic environment.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.10 Leases (continued)

***Lease liability** (continued)*

On initial recognition, the carrying value of the lease liability includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Group if it is reasonably certain to exercise that option;
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of a termination option being exercised.

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made.

Right-of-use asset

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset.

Subsequently, the right-of-use asset is measured at cost less accumulated depreciation and accumulated impairment losses. Right-of-use assets are depreciated on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

1.11 Leases (Comparatives under IAS 17)

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.

1.12 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. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.13 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 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.

1.14 Equity-settled share based payments

Equity-settled

The Group has granted share options to employees in terms of The HPLR 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 recognised as an expense over the relevant vesting periods. The fair value of options granted is measured using the Black Scholes model.

1.15 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 accepted. 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.

1.16 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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.16 Employee benefits (continued)

Defined contribution plans

For the defined contribution plans, the Group makes payments to industry-managed retirement benefit schemes. 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.

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 or 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.

1.17 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

Government indicated in 1997 that its long term objective is to open public passenger transport to competitive tendering. Past experience has shown where government has followed this course of action the resulting tendered cost to government has been considerably higher than the cost under the existing regime, which has delayed the future roll out of this model.

The repurchase of service provision is raised in respect of retrenchment costs that will be payable to employees who would be surplus to requirements should the operating of some routes be awarded to third parties.

The amount provided for is based on management's best estimate of the maximum costs payable in accordance with the employees' current conditions of employment. Assumptions have been made in respect of the timing of the service being put out to tender and the extent of the services that would be awarded to third parties.

A Bus Industry Restructuring Fund was set up in 1999 to compensate employers for these retrenchment costs. As it is currently impracticable to calculate a reliable estimate of the amount reference has been made to the existence of a contingent asset under note 35 Contingent asset.

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. SIGNIFICANT ACCOUNTING POLICIES (continued)

1.18 Revenue and deferred income

The Group derives revenue from the provision of bus passenger transport and automotive repair services, and as such revenue is recognised in profit or 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 over time 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 contract with the City of Cape Town carries no revenue risk and the subsidiary company operating these services does not collect fares from passengers, 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 has been travelled, they also charge fares to passengers for using this service. These fares are charged in the form of bus tickets sold. The passenger has the choice to either buy a single journey ticket which is exercisable immediately on sale and is valid for a single ride, or a multi-journey ticket which allows the passenger to use a certain number of rides with in a prescribed time period.

Revenue from bus tickets sold are recognised at a point in time on sale of single journey tickets.

The sale of multi-journey tickets are recognised over time as rides are utilised. Deferred income is recognised on unused rides at year-end on multi-journey tickets, which expire after year-end. Multi-journey tickets allow passengers to purchase either 10 ride or 48 ride products. In determining the amount of deferred income at year-end, management have made certain assumptions on the probability of passengers using the remaining number of unused rides before expiration date (depending on the type of product, the number of days remaining in relation to the number of unused rides on those two types of products, and the relative number of days available on which the passengers could travel).

Charter hire revenue comprises the leasing of buses to individual customers for private use. Revenue from charter hire is recognised at a point in time when the service has been rendered.

Revenue from bus or vehicle repairs and maintenance is recognised at a point in time when the service has been rendered. Other revenue comprises revenue from sale of scrap, advertising, training, fuel sales and sundry income.

1.19 Interest income

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

1.20 Dividend income

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

1.21 Dividends

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

2. 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 at the end of the lease term in February 2022 for a consideration of R22 500 000.

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	**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**

Refer to note 5 for a reconciliation between the opening and closing carrying values of the Group's right-of-use asset and lease liability.

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 16 Leases (IFRS 16)
- Annual Improvements to IFRS Standards (2015 – 2017)
- IFRIC 23 Uncertainty over Income Tax Treatments

Amendments to the following standards

- Annual Improvements to IFRS Standards 2015 – 2017 Cycle
- IFRS 9: Prepayment Features with Negative Compensation
- IAS 19: Plan Amendment, Curtailment or Settlement
- IAS 28: Long-term Interests in Associates and Joint Ventures

Other than disclosure, and the impact of IFRS 16 as detailed in Note 2 Change in Accounting policy, the adoption of these new and revised 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 interpretations and amendments have been issued by the International Accounting Standards Board (IASB) but were not yet effective at 31 March 2020:

Amendments to the following standards:

- References to the Conceptual Framework in IFRS Standards
- IFRS 3 Business Combinations
- IAS 1 and IAS 8: Definition of Material
- Financial Instruments Disclosures (2015 – 2017)

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

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. PROPERTY, PLANT AND EQUIPMENT

	2020			2019		
	Cost R'000	Accumulated depreciation R'000	Carrying value R'000	Cost R'000	Accumulated depreciation R'000	Carrying value R'000
Buses	2 076 006	(753 954)	1 322 052	1 898 561	(717 595)	1 180 966
Computer hardware	92 172	(32 736)	59 436	89 249	(26 497)	62 752
Fare collection equipment	15 766	(15 766)	–	5 309	(5 297)	12
Furniture and fixtures	6 142	(5 298)	844	5 996	(4 991)	1 005
Land and buildings	339 039	–	339 039	326 817	–	326 817
Leasehold improvements	260	(83)	177	185	(40)	145
Motor vehicles	23 011	(17 858)	5 153	21 474	(18 007)	3 467
Plant and machinery	29 304	(26 526)	2 778	28 611	(24 897)	3 714
Radio equipment	2 921	(2 266)	655	1 900	(1 522)	378
Total	**2 584 621**	**(854 487)**	**1 730 134**	**2 378 102**	**(798 846)**	**1 579 256**

Reconciliation of property, plant and equipment – 2020

	Opening balance R'000	Additions R'000	Additions through business combi-nations R'000	Disposals R'000	Depreci-ation R'000	Impairment loss R'000	Closing balance R'000
Buses	1 180 966	180 117	58 850	(2 242)	(83 177)	(12 462)	1 322 052
Computer hardware	62 752	3 297	186	–	(6 110)	(689)	59 436
Fare collection equipment	12	–	–	–	(12)	–	–
Furniture and fixtures	1 005	71	10	–	(242)	–	844
Land and buildings	326 817	12 222	–	–	–	–	339 039
Leasehold improvements	145	75	–	–	(43)	–	177
Motor vehicles	3 467	1 794	1 850	(67)	(1 891)	–	5 153
Plant and machinery	3 714	639	–	(75)	(1 500)	–	2 778
Radio equipment	378	644	2	–	(369)	–	655
	1 579 256	**198 859**	**60 898**	**(2 384)**	**(93 344)**	**(13 151)**	**1 730 134**

Reconciliation of property, plant and equipment – 2019

	Opening balance R'000	Additions R'000	Disposals R'000	Transfers R'000	Depreci-ation 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
	1 462 937	**216 527**	**(7 855)**	**–**	**(81 450)**	**(10 903)**	**1 579 256**

Bus additions to the value of R160 272 000 (2019: R156 379 000) were financed by instalment sale agreements.

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

Instalment sales are secured over buses with a book value of R469 227 000 (2019: R438 309 000). See also note 18.

The impairment of buses with a net book value of R12 462 000 relates to the destruction of Golden Arrow buses and an Eljosa Travel and Tours bus during the year (2019: R10 903 000 related to the destruction of Golden Arrow buses), of which R6 287 000 (2019: R9 492 000) is receivable from insurance proceeds.

5. LEASES

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 the lease liability is an option to purchase the property on the expiry of the lease term in February 2022 for a consideration of R22 500 000.

Reconciliation of right-of-use asset	**2020 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	**2020 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:	**2020 R'000**
Current (included in Trade and other payables)	866
Non-current	23 549
	24 415

On initial recognition 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 weighted average incremental borrowing rate applied was 9%. Subsequently, the lease liability increased as a result of interest charged at a constant rate on the balance outstanding and is reduced by lease payments made.

Included in profit for the period is R65 000 of depreciation on the right-of-use assets and R2 228 000 of finance costs on the lease liability. Short-term and low-value leases included in other operating expenses for the year were R1 686 000 and R404 000 respectively. Lease payments of R2 831 000 were recognised in respect of the lease liability, of which R603 000 related to the principal amount.

The table below analyses the Group's lease liabilities 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.

31 March 2020	**Less than 1 year R'000**	**Between 1 and 5 years R'000**	**Over 5 years R'000**	**Total R'000**
Lease liability	(3 029)	(25 454)	–	(28 483)

5. LEASES (continued)

Commitments relating to operating leases	2020 R'000	2019 R'000
Operating leases – as lessee		
Minimum lease payments due		
– Within one year	118	2 831
– in second to fifth year inclusive	69	5 982
	187	8 813

Operating lease commitments reflected in the table above in 2020 relate to future lease charges on the Group's low value leases. Whereas, 2019 comparative figures related to operating lease arrangements where the Group was the lessee in terms of IAS17.

The aggregate undiscounted commitments for short-term leases amount to R812 000 at 31 March 2020.

6. GOODWILL

	2020			2019		
	Cost R'000	Accumulated impairment R'000	Carrying value R'000	Cost R'000	Accumulated impairment R'000	Carrying value R'000
Goodwill	27 298	–	27 298	8 451	–	8 451

Reconciliation of goodwill – 2020	Opening balance R'000	Additions through business combinations R'000	Closing balance R'000
Goodwill	8 451	18 847	27 298

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

Goodwill arose on the acquisition of 33.33% of the shares in Sibanye Bus Services Proprietary Limited on 1 April 2019 and 90% of the shares in K2019623129 Proprietary Limited (Shuttle Up) on 1 March 2020, and can be attributed to the benefit of expected synergies and revenue growth.

Goodwill relates to the Group's interests in the following subsidiaries:

Sibanye Bus Services Proprietary Limited	R18 647 000
Eljosa Travel and Tours Proprietary Limited	R8 451 000 (2019: R8 451 000)
Shuttle Up	R200 000

The value of cash-generating units (CGUs) to which goodwill has been allocated has been determined based on value-in-use calculations using management-generated cash flow projections (for Eljosa Travel and Tours Proprietary Limited), the application of the price-earnings multiple (for Sibanye Bus Services Proprietary Limited) and the net asset value approach (for Shuttle Up).

6. GOODWILL (continued)

The value-in-use calculations and price-earnings multiple were performed per CGU of Eljosa Travel and Tours Proprietary Limited and Sibanye Bus Services Proprietary Limited, respectively, using inputs within the below ranges. The following were the principal assumptions, based on past experience and risk growth profile in similar industries, that were used to calculate the value of those CGUs:

Pre-tax discount rates:	16.46%
Number of years:	1 to 3 years
Cost growth rate:	6 – 8%
Long-term growth rate:	6.5%
P/E multiple	4.5

The following assumptions were applied when reviewing goodwill for 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 1 to 3 years.
- Sales growths and gross margins were based on historical performance and known future prospects.
- Costs were assumed to grow in line with expansion and expected inflation.
- Cash flows were extended into perpetuity as management has no reason to believe that the Group will not continue past the budget period.

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

7. INTANGIBLE ASSETS

	2020			2019		
	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	10 996	(10 991)	5	10 879	(10 879)	–
Total	**11 053**	**(10 991)**	**62**	**10 936**	**(10 879)**	**57**

Reconciliation of intangible assets – 2020	Opening balance R'000	Additions R'000	Additions through business combinations R'000	Amortisation R'000	Closing balance R'000
Trademarks	57	–	–	–	57
Computer software	–	5	2	(2)	5
	57	5	2	(2)	62

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

8. INVESTMENTS IN ASSOCIATES

Name of company	% ownership interest 2020	% ownership interest 2019	Carrying amount 2020 R'000	Carrying amount 2019 R'000
Sibanye Bus Services Proprietary Limited*	**–**	33.33%	**–**	17 421
The N2 Express Joint Venture Proprietary Limited	**33.33%**	33.33%	**3 358**	4 921
			3 358	**22 342**

* Refer to note 43 for details on the acquisition of the remaining 67% of the shares in Sibanye Bus Services Proprietary Limited during the course of the financial year.

	Sibanye Bus Services Proprietary Limited		The N2 Express Joint Venture Proprietary Limited	
Summarised financial information of material associates:	**2020 R'000**	**2019 R'000**	**2020 R'000**	**2019 R'000**
Summarised statement of profit or loss				
Turnover	**–**	87 219	**17 145**	87 374
Net profit after tax	**–**	16 664	**1 308**	16 333
Summarised statement of financial position				
Assets				
Non-current	**–**	59 050	**–**	16
Current	**–**	48 069	**12 763**	33 338
Total assets	**–**	**107 119**	**12 763**	**33 354**
Liabilities				
Non-current	**–**	(34 626)	**–**	–
Current	**–**	(20 226)	**(2 688)**	(12 613)
Total net assets	**–**	**52 267**	**10 075**	**20 741**
Reconciliation of net assets to equity accounted investments in associates				
Investment at beginning of period	**17 421**	17 866	**4 921**	477
Fair value adjustment on associate on change of control	**9 163**	–	**–**	–
Derecognised	**(26 584)**	–	**–**	–
Share of profit	**–**	5 555	**437**	5 444
Dividends received from associate	**–**	(6 000)	**(2 000)**	(1 000)
Investment at end of period	**–**	**17 421**	**3 358**	**4 921**

The N2 Express MyCiTi contract expired on 31 May 2019.

Associates with different reporting dates

The reporting date of The N2 Express Joint Venture Proprietary Limited is 30 June and the reporting date of Sibanye Bus Services Proprietary Limited for the 2019 comparative year was 31 December.

9. DEFERRED TAX

	2020 R'000	2019 R'000
Deferred tax liability		
Accelerated depreciation for tax purposes	(320 012)	(279 660)
Assessed losses	286	325
Deferred income	2 454	1 851
Fair value adjustment on defined benefit plan	(3 559)	764
Fair value adjustment on gain of control	(2 052)	–
Prepayments	(5 326)	(4 377)
Provisions and accruals	51 655	54 153
Lease liability	6 836	–
Right-of-use asset	(7 101)	–
Other	818	(72)
Total deferred tax liability	**(276 001)**	**(227 016)**
Composition of deferred tax		
Deferred tax liability	(276 496)	(227 415)
Deferred tax asset	495	399
Total net deferred tax liability	**(276 001)**	**(227 016)**
Reconciliation of deferred tax liability		
At beginning of year	(227 016)	(197 168)
Adoption of IFRS 16[1]		
Lease liability	7 005	–
Right-of-use asset	(7 119)	–
Accelerated depreciation for tax purposes	(35 081)	(39 487)
Assessed losses	(39)	325
Deferred income	272	1 851
Fair value adjustment on defined benefit plan	(4 323)	5 485
Fair value adjustment on gain of control	(2 052)	–
Prepayments	(758)	(251)
Provisions and accruals	(1 403)	1 902
Lease liability	(169)	–
Right-of-use asset	18	–
Other	126	327
Business combination:		
Accelerated depreciation for tax purposes	(5 270)	–
Other	(192)	–
At the end of the year	**(276 001)**	**(227 016)**

[1] The Group adopted IFRS 16 during the current year, refer to Note 2 for further information relating to the adoption of IFRS 16 in the current year.

10. INVENTORIES

	2020 R'000	2019 R'000
Fuel	5 008	5 404
Oil	2 207	2 039
Reconditioned spares	1 765	1 715
Spares	7 058	6 965
Work in progress	3 503	1 436
	19 541	17 559

The carrying value of inventories stated at net realisable value at year-end is R8 336 000 (2019: R8 259 000).

11. TRADE AND OTHER RECEIVABLES

	2020 R'000	2019 R'000
Financial assets		
Trade receivables	48 833	54 853
Allowance for expected credit losses	(7 792)	(5 341)
Trade receivables at amortised cost	41 041	49 512
Deposits	64	–
Other receivable	276	1 005
Non-financial assets		
VAT	483	2 710
Prepayments	18 962	15 706
Total trade and other receivables	60 826	68 933
Trade and other receivables are categorised as follows:		
Financial assets at amortised cost	41 381	50 517
Non-financial assets	19 445	18 416
	60 826	68 933

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 41).

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.

The Group principally sells to cash customers and the current customer base comprises mainly of large governmental customers with whom it has long-standing relationships.

Credit is continuously monitored to ensure payments are made on time and for the correct amount. The standard credit period on sales is 30 days from the date of invoice.

Credit limits exceeded during the year under review were closely monitored, and management does not expect any losses from non-performance by these counterparties that have not been provided for. The effect of COVID-19 on the economic viability of customers within the travel and tourism sectors were specifically assessed and provision was made for specific customers at year-end where the risk of non-recovery was considered high.

In determining the loss allowance the Group considered factors such as disputes with customers, untraceable and slow payers, long-overdue accounts, customers that had been handed over to attorneys for collection, customers that were governmental institutions, the established relationship with the customer, whether the customer was a related entity as defined by IAS 24, customers in the travel and tourism sector heavily impacted by COVID-19 and customers placed under liquidation. Historical data was also assessed to identify indicators of possible default by customers in the Group. At year-end the Group performed an assessment on the expected credit loss taking into account forward-looking information. Specifically, for the 2020 year-end, the effect of COVID-19 and the prolonged contraction of the travel and tourism sector was taken into consideration in assessing the economic viability of certain customers operating within these sectors and their ability to repay their debts. The Group holds no collateral as security against non-payment of any of the above-mentioned trade receivables.

Historical data indicates that there has been a reasonably low occurrence of defaults by customers in the Group. Based on this the Group does not anticipate significant future defaults by customers.

Certain trade receivables do not expose the Group to significant credit risk and therefore no expected credit losses are raised on these balances.

11. TRADE AND OTHER RECEIVABLES (continued)

Allowance for expected credit losses on trade receivables

At 31 March 2020, trade receivables of R7 792 000 (2019: R5 341 000) were charged to the loss allowance account. In measuring the expected credit losses, specific debtors that were known to be irrecoverable, were assessed separately. The gross amount of these trade receivables and expected credit losses relating to specific debtors, that were assessed separately, totalled R8 367 000 for the 2020 financial year-end, and relate to debtors that have been handed over to attorneys for collection, debtors that have been outstanding for more than one year and debtors known to be directly impacted by the COVID-19 pandemic. The remaining balance of debtors did not have significant exposure to credit risk and as such no loss allowance was raised on the balance of trade receivables.

Movement in the allowance for expected credit losses on trade and other receivables are as follows:

	2020 R'000	2019 R'000
Loss allowance as at 1 April	**5 341**	1 786
Loss allowance recognised during the year	**4 029**	3 679
Receivables written off during the year	**(29)**	(34)
Loss allowance unused and reversed during the year	**(1 549)**	(90)
	7 792	5 341

The creation and release of the allowance for the expected credit losses have been included in other operating expenses in the statement of profit or loss.

In measuring the expected credit losses in the prior year, specific debtors that were known to be irrecoverable, were assessed separately. The gross amount of these trade receivables and expected credit losses relating to specific debtors, that were assessed separately, totalled R3 918 000 for the 2019 financial year end. The balance of trade receivables (R50 935 000) had been assessed on a collective basis as these remaining items possessed shared credit risk characteristics and contributed R1 423 000 to the expected credit loss allowance, as per the provision matrix below.

2019 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)**

Trade receivables past due

Trade receivables are written off when there is no reasonable expectation of recovery. Failure to make payments within 30 days from the invoice date and failure to engage with the Group on alternative payment arrangement among others, are considered indicators of no reasonable expectation of recovery.

Other receivables

Other receivables balances relate mainly to recoveries, deposits and other sundry receivables.

Other receivables do not contain significant credit risk and therefore no expected credit losses are raised on these balances.

12. CASH AND CASH EQUIVALENTS

	2020 R'000	2019 R'000
Cash and cash equivalents consist of:		
Cash on hand	464	4 689
Bank balances	489 159	516 268
	489 623	520 957

13. SHARE CAPITAL

	2020 R'000	2019 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	1 797 160
Details of the issued share capital changes are as follows:		
At the beginning of the year	1 797 160	2 246 660
Special dividends	–	(449 500)
	1 797 160	1 797 160

14. REINVESTMENT RESERVE

The reinvestment reserve is the portion that is attributable to Golden Arrow Bus Services Proprietary Limited as a result of a surplus on the liquidation of The Golden Arrow Retirement Plan (GARP) in 1998.

	2020 R'000	2019 R'000
Surplus on liquidation of the GARP	98 295	98 295

15. MAINTENANCE RESERVE

In terms of the contract with the City of Cape Town, the buses have to be maintained and returned to the City after the initial contract period of 12 years, in the state and condition they were in as at the vehicle delivery date, fair wear and tear accepted. 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.

	2020 R'000	2019 R'000
Opening balance	32 545	29 421
Transfer (to) from retained earnings	(782)	3 124
	31 763	32 545

16. NON-CONTROLLING INTEREST

Name of company	Location	% holding 2020	% holding 2019	Carrying amount 2020 R'000	Carrying amount 2019 R'000
Table Bay Area Rapid Transit Proprietary Limited	South Africa	100.00%	50.06%	–	43 158
Eljosa Travel & Tours Proprietary Limited	South Africa	76.00%	76.00%	(2 426)	465
K2019623129 Proprietary Limited (Shuttle Up)	South Africa	90.00%	–	263	–
				(2 163)	43 623

The Group acquired the remaining shares of Table Bay Rapid Area Transit Proprietary Limited ("TBRT") equally on 1 April 2019 (24.97%) and 31 July 2019 (24.97%) for a purchase consideration of R39 240 000 for each 24.97% share acquired on those dates.

Reflected in the Statement of Changes in Equity is an amount of R105 063 000 which reflects the total changes in shareholding from the acquisition of the remaining non-controlling interests in TBRT on 1 April 2019 and 31 July 2019 (of which R45 424 000 is reflected against non-controlling interest and R33 056 000 against retained earnings) and Sibanye Bus Services Proprietary Limited ("Sibanye") on 31 July 2019 (of which R19 750 000 is reflected against non-controlling interest and R6 833 000 against retained earnings).

Reflected in the Statement of Cash Flows is the R105 063 000 payment for the transactions with the non-controlling shareholders comprising R26 583 000 for the final 33.33% of Sibanye acquired on 31 July 2019 and R78 480 000 for the remaining 49.94% of TBRT acquired equally on 1 April 2019 and 31 July 2019.

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 367 000 (see also note 43).

Summary of interest in subsidiary – TBRT	2020 R'000	2019 R'000
Non-current assets	–	853
Current assets	–	99 155
Current liabilities	–	13 113
Equity and reserves	–	86 895
Turnover	–	121 620
Net profit for the year	–	22 827
Reconciliation of carrying value of non-controlling interest of TBRT		
Opening balance	43 158	31 757
Profit after tax	9 074	22 828
Profit attributable to owners of parent	(6 808)	(11 427)
Change in control	(45 424)	–
Closing balance	–	43 158

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

16. NON-CONTROLLING INTEREST (continued)

Summary of interest in subsidiary - Eljosa Travel & Tours Proprietary Limited ("Eljosa")	2020 R'000	2019 R'000
Non-current assets	97 399	84 907
Current assets	2 718	4 567
Non-current liabilities	73 206	72 891
Current liabilities	37 019	14 716
Equity and reserves	(10 108)	1 854
Turnover	63 236	51 894
Net loss for the year	(12 049)	(1 632)
Reconciliation of carrying value of non-controlling interest of Eljosa		
Opening balance	465	858
Loss for the year after tax	(12 049)	(1 632)
Profit attributable to owners of parent	9 158	1 239
Closing balance	**(2 426)**	**465**

Summary of interest in subsidiary – K2019623129 Proprietary Limited (Shuttle Up)	2020 R'000	2019 R'000
Non-current assets	2 050	–
Current assets	580	–
Equity and reserves	2 630	–

This Company did not trade for the year ended 31 March 2020 and as such it had no effect on Group revenue nor profit after tax for the year ended 31 March 2020.

17. BORROWINGS

	2020 R'000	2019 R'000
Held at amortised cost		
Nedbank Limited – Term loan 1	9 323	17 116
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	19 490	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	19 490	26 329
This loan is unsecured, bears interest at prime less 0.50% and is repayable in monthly instalments over the term until 2022.		
	48 303	69 774
Shown as:		
Non-current liabilities	25 700	48 188
Current liabilities	22 603	21 586
	48 303	69 774

18. INSTALMENT SALE OBLIGATIONS

	2020 R'000	2019 R'000
Instalment sale obligations	469 227	438 309
Shown as:		
Non-current liabilities	314 200	292 994
Current liabilities	155 027	145 315
	469 227	438 309
The present value of instalment sale obligations due per financial institution are as follows:		
Wesbank	–	3 881
Instalment was settled in the current year.		
(2019: Repayable in monthly instalments of R585 000)		
Nedbank Limited	135 879	138 965
Repayable in monthly instalments of R5 158 000 (2019: R5 016 000)		
MAN Financial Services	118 164	139 137
Repayable in monthly instalments of R4 828 000 (2019: R5 134 000)		
The Standard Bank of South Africa Limited	102 354	76 583
Repayable in monthly instalments of R3 147 000 (2019: R2 890 000)		
ABSA Bank Limited	112 830	79 743
Repayable in monthly instalments of R3 612 000 (2019: R2 314 000)		
	469 227	438 309

Interest is charged at a weighted average effective rate of 8.09% (2019: 9.09%) and monthly instalments are repayable over a period of five years.

Instalment sales are secured over buses with a book value of R469 227 000 (2019: R438 309 000). Refer to note 41 for further information regarding the liquidity risk associated with the Group's borrowings.

19. TRADE AND OTHER PAYABLES

	2020 R'000	2019 R'000
Financial liabilities		
Trade payables	53 637	71 888
Accruals	51 114	24 945
Payroll accruals	14 632	17 091
Leave pay accruals	24 027	22 827
Other payables	8 871	10 916
Non-financial liabilities		
Deferred income	8 763	7 792
VAT	70	54
Lease liability	866	–
	161 980	155 513

19. TRADE AND OTHER PAYABLES (continued)

	2020 R'000	2019 R'000
Trade and other payables are categorised as follows:		
Financial liabilities at amortised cost	152 281	147 667
Non-financial liabilities	9 699	7 846
	161 980	155 513

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 (retired employees employed after September 2019 with more than 25 years of service) are paid to Golden Arrow Employees' Medical Benefit Fund (MBF) and Discovery Health. These contributions are used to cover outgoings not financed from member contributions. The administrators of the MBF are the Metropolitan Health Group.

The calculation of the accrued service liability in respect of post-retirement health care was performed by Willis Towers Watson Actuaries and Consultants as at 31 March 2020 and amounted to R60 394 000 (2019: R69 029 000).

	2020 R'000	2019 R'000
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	60 394	69 029
Categorised as follows:		
Non-current liabilities	55 835	64 675
Current liabilities	4 559	4 354
	60 394	69 029
Movements for the year		
Opening balance	69 029	62 722
Net expense recognised in profit or loss	(8 635)	6 307
	60 394	69 029
Net expense recognised in profit or loss is made up as follows:		
Current service cost	1 709	1 626
Interest cost	6 719	5 745
Pensioner subsidy	(4 354)	(3 794)
Expense recognised in profit or loss	4 074	3 577
Actuarial (gains)/losses recognised in other comprehensive income	(12 709)	2 730
	(8 635)	6 307

20. POST-EMPLOYMENT MEDICAL BENEFIT LIABILITY (continued)

	2020	2019
Key assumptions used		
Assumptions used for valuation:		
Normal retirement age	65	65
Discount rates used	12.80%	9.80%
Price inflation rate used	6.90%	6.00%
Continuation of membership at retirement	55.00%	55.00%
Discovery Health expected long term medical aid subsidy increase rate	9.30%	8.40%
Medical Benefit Fund expected long term medical aid subsidy increase rate	8.80%	7.80%

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

Sensitivity analysis

The valuation as at 31 March 2020 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	2020 Change in R'000	2019 Change in R'000	2020 Change in %	2019 Change in %
discount rate increased by 0.50% p.a.	(2 737)	(4 434)	(4.5)	(6.4)
discount rate reduced by 0.50% p.a.	2 978	3 992	4.9	5.8
subsidy increase rate increased by 1% p.a.	6 252	8 291	10.4	12.0
subsidy increase rate reduced by 1% p.a.	(5 348)	(6 953)	(8.9)	(10.1)

21. PROVISIONS

Reconciliation of provisions – 2020

	Opening balance R'000	Additions R'000	Utilised during the year R'000	Reversed during the year R'000	Business combi-nations R'000	Closing balance R'000
Bonus provision	37 909	67 900	(63 954)	–	212	42 067
Repurchase of service provision	37 825	–	(183)	–	–	37 642
Third party claims provision	20 201	6 774	(1 536)	(10 079)	–	15 360
	95 935	74 674	(65 673)	(10 079)	212	95 069

21. PROVISIONS (continued)

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

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

Government indicated in 1997 that its long term objective is to open public passenger transport to competitive tendering. Past experience has shown where government has followed this course of action the resulting tendered cost to government has been considerably higher than the cost under the existing regime, which has delayed the future roll out of this model.

The repurchase of service provision is raised in respect of retrenchment costs that will be payable to employees who would be surplus to requirements should the operating of some routes be awarded to third parties.

The amount provided for is based on management's best estimate of the maximum costs payable in accordance with the employees' current conditions of employment. Assumptions have been made in respect of the timing of the service being put out to tender and the extent of the services that would be awarded to third parties.

A Bus Industry Restructuring Fund was set up in 1999 to compensate employers for these retrenchment costs. As it is currently impracticable to calculate a reliable estimate of the amount reference has been made to the existence of a contingent asset under note 35 Contingent asset.

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. REVENUE

	2020 R'000	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 revenue		
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

23. OPERATING PROFIT

	2020 R'000	2019 R'000
Operating profit for the year is stated after charging (crediting) the following, amongst others:		
Auditor's remuneration – external		
Audit fees	2 675	2 052
Other services	–	264
	2 675	2 316
Remuneration, other than to employees		
Consulting, legal and professional services	8 590	8 288
Employee costs		
Salaries, wages, bonuses and other benefits	820 703	711 506
Pension fund contributions	57 462	62 914
Total employee costs	878 165	774 420

23. OPERATING PROFIT (continued)

	2020 R'000	2019 R'000
Leases		
Operating lease – premises	–	6 344
Operating lease – equipment	–	534
Short term leases	1 686	–
Low-value leases	404	–
	2 090	6 878
Depreciation and amortisation		
Depreciation of property, plant and equipment	93 344	81 450
Depreciation of right-of-use assets	65	–
Amortisation of intangible assets	2	21
Total depreciation and amortisation	93 411	81 471
Impairment losses		
Property, plant and equipment	13 151	10 903
Movement in credit loss allowances		
Trade and other receivables	2 451	3 555
Other		
Profit on disposal of plant and equipment	(11 568)	(913)
Inventory write downs	58	(2 520)
Share-based payments equity settled	4 876	3 816
Discount on sale of promissory note	–	1 781

24. INVESTMENT INCOME

	2020 R'000	2019 R'000
Interest income		
Bank	25 696	19 068
Other interest	79	29 742
Total investment income	25 775	48 810

Included in other interest in 2019 was interest earned on the promissory notes of R23 132 000.

25. INCOME FROM EQUITY ACCOUNTED INVESTMENT

	2020 R'000	2019 R'000
The Group acquired 33.33% of the shares of Sibanye Bus Services Proprietary Limited effective 1 April 2019 and as such this investment has been consolidated as a subsidiary into the Group with effect from this date. The Group acquired the remaining shares in this subsidiary on 31 July 2019. Refer also to note 43. The income from this investment is calculated as follows:		
Profit for the year from associate	–	16 664
Less: Profit attributable to outside shareholders	–	(11 109)
	–	5 555

25. INCOME FROM EQUITY ACCOUNTED INVESTMENT (continued)

	2020 R'000	2019 R'000
The Group owns 33.33% (2019:33.33%) of the shares in The N2 Express Joint Venture Proprietary Limited. The income from this investment is calculated as follows:		
Profit for the year from associate	1 308	16 333
Less: Profit attributable to outside shareholders	(872)	(10 889)
	436	5 444
Total income from equity accounted investment	**436**	**10 999**

The N2 Express MyCiTi contract expired on 31 May 2019.

26. FINANCE COSTS

	2020 R'000	2019 R'000
Bank	–	104
Instalment sale liabilities	47 918	44 350
Other interest paid	166	560
Lease liability	2 228	–
Total finance costs	**50 312**	**45 014**

27. TAXATION

	2020 R'000	2019 R'000
Major components of the tax expense		
Current		
Local income tax – current period	79 003	66 919
Local income tax – recognised in current tax for prior periods	(1 456)	2 876
	77 547	69 795
Deferred		
Originating and reversing temporary differences	39 850	30 611
	117 397	100 406
Reconciliation between applicable tax rate and average effective tax rate.		
Applicable tax rate	28.00%	28.00%
Raising of deferred tax assets	–	0.09%
Deferred tax not raised on losses	1.32%	–
Capital losses and non-deductible expenses	2.35%	1.82%
Non-taxable income including share of associates' income	(0.26%)	(1.28%)
Prior year charges	(0.28%)	0.45%
Other	(0.26%)	–
Effective tax rate	**30.87%**	29.08%

28. CASH GENERATED FROM OPERATIONS

	2020 R'000	2019 R'000
Profit before taxation	380 307	345 322
Adjustments for:		
Depreciation and amortisation	93 411	81 471
Profit on sale of assets	(11 568)	(913)
Share base payments	4 876	3 816
Income from equity accounted investments	(436)	(10 999)
Interest income	(25 774)	(48 810)
Finance costs	50 312	45 014
Other impairments	13 151	10 903
Movements in retirement benefit assets and liabilities	4 074	3 577
Movements in provisions	(1 078)	(1 695)
Fair value gain on change of control	(9 163)	–
Movement in loss allowance	2 451	3 555
Movement in obsolete stock	54	(3 950)
Loss on sale of promissory notes	–	1 781
Changes in working capital:		
Inventories	(1 490)	2 105
Trade and other receivables	11 754	(4 672)
Trade and other payables	(1 780)	30 315
	509 101	456 820

29. TAX PAID

	2020 R'000	2019 R'000
Balance at beginning of the year	(3 277)	(2 905)
Current tax for the year recognised in profit or loss	(77 547)	(69 795)
Business combinations	(627)	–
Balance at end of the year	(4 909)	3 277
	(86 360)	(69 423)

30. DIVIDENDS

	2020 R'000	2019 R'000
Ordinary dividends	(121 800)	(40 600)
Special dividends	–	(449 500)
	(121 800)	(490 100)

Dividends comprise ordinary dividends totalling R121 800 000 (2019: comprised two special dividends totalling R449 500 000 and an ordinary dividend of R40 600 000).

31. PROCEEDS FROM SETTLEMENT OF FINANCIAL ASSET

	2020 R'000	2019 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

32. BORROWINGS ARISING FROM FINANCING ACTIVITIES

Movements in the carrying value of borrowings are as follows:

	2020 R'000	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:		
Business combinations	41 662	–
Raising of instalment sales obligations	160 272	156 379
Carrying value at the end of the year	517 530	508 083

R160 272 000 (2019: R156 379 000) of debt raised in the period relates to instalment sale obligations used to finance bus acquisitions, and therefore has not been included in the cash flow statement as a cash flow amount.

33. HEADLINE EARNINGS PER SHARE

	2020 R'000		2019 R'000	
Reconciliation of headline earnings	**Gross**	**Net**	**Gross**	**Net**
Earnings attributable to equity holders of the parent		261 042		233 908
Adjustments for:				
Profit on disposal of plant and equipment	(11 568)	(8 329)	(913)	(657)
Insurance claims for capital assets	(6 287)	(4 527)	(9 492)	(6 834)
Impairment of plant and equipment	13 151	9 469	10 903	7 850
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 issue ('000)				
– Basic and diluted		290 000		290 000
Actual number of shares issue ('000)		290 000		290 000

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

The impairment of plant and equipment relates to the destruction of Golden Arrow buses and an Eljosa Travel and Tours bus; of which R6 287 000 (2019: R9 492 000) (gross) is recoverable from insurance proceeds and reflected as insurance claims for capital assets (see also note 4).

34. COMMITMENTS

	2020 R'000	2019 R'000
Authorised 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.

35. CONTINGENT ASSET

A Bus Industry Restructuring Fund was set up in 1999 to compensate employers for retrenchment costs in respect of unionised employees who would be affected by changes should routes be put out to tender at some stage in the future. There is no reliable information available as to when this will occur and as a result a reliable estimate of the amount cannot be made.

36. HPLR GROUP EMPLOYEE OPTION SCHEME

The Group operates a share option scheme, The HPLR 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, where after the options lapse. Options vest over periods of three to five years.

	2020 R'000	2019 R'000
Equity-settled share-based payment expense for the year	4 876	3 816

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

	2020		2019	
	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	8 843 413	6.04	6 572 422	6.98
Options forfeited	–	–	(273 135)	6.98
Option granted	1 194 437	3.33	2 544 126	3.70
Balance at the end of the year	10 037 850	5.70	8 843 413	6.04

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 36% (2019: 31%) and an annual risk-free rate between 7.19% and 9.15% (2019: between 7.19% and 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 HPLR'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 R3.33 (2019: R4.25).

36. HPLR GROUP EMPLOYEE OPTION SCHEME (continued)

The options issued in terms of the Scheme and outstanding at 31 March 2020 become unconditional between the following dates:

Number of share options	2020 Number of share options	2020 Exercise price R
Between 31 March 2021 and 30 September 2021	2 099 762	6.98
Between 22 March 2022 and 22 September 2022	679 842	3.70
Between 31 March 2022 and 30 September 2022	2 099 762	6.98
Between 1 August 2022 and 1 February 2023	196 152	3.43
Between 16 March 2023 and 16 September 2023	370 194	3.28
Between 22 March 2023 and 22 September 2023	679 842	3.70
Between 31 March 2023 and 30 September 2023	2 099 763	6.98
Between 1 August 2023 and 1 February 2024	196 152	3.43
Between 16 March 2024 and 16 September 2024	370 194	3.28
Between 22 March 2024 and 22 September 2024	679 842	3.70
Between 1 August 2024 and 1 February 2025	196 151	3.43
Between 16 March 2025 and 16 September 2025	370 194	3.28
	10 037 850	

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

Share option granted to executive directors

Mr FE Meyer	2020 Number of share options	2020 Weighted average exercise price R	2019 Number of share options	2019 Weighted average exercise price R
Balance at the beginning of the year	2 227 244	6.67	2 016 344	6.98
Options granted	272 707	3.28	210 900	3.70
Balance at the end of the year	2 499 951	6.30	2 227 244	6.67
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	70 300	3.70
Between 31 March 2022 and 30 September 2022	672 115	6.98	672 115	6.98
Between 16 March 2023 and 16 September 2023	90 902	3.28	–	
Between 22 March 2023 and 22 September 2023	70 300	3.70	70 300	3.70
Between 31 March 2023 and 30 September 2023	672 115	6.98	672 114	6.98
Between 16 March 2024 and 16 September 2024	90 902	3.28	–	
Between 22 March 2024 and 22 September 2024	70 300	3.70	70 300	3.70
Between 16 March 2025 and 16 September 2025	90 902	3.28	–	
	2 499 951	6.30	2 227 244	6.67

36. HPLR GROUP EMPLOYEE OPTION SCHEME (continued)

Mr ML Wilkin	2020 Number of share options	2020 Weighted average exercise price R	2019 Number of share options	2019 Weighted average exercise price R
Balance at the beginning of the year	1 395 724	6.67	1 263 484	6.98
Options granted	170 883	3.28	132 240	3.70
Balance at the end of the year	1 566 607	6.30	1 395 724	6.67
Unconditional 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	44 080	3.70
Between 31 March 2022 and 30 September 2022	421 161	6.98	421 161	6.98
Between 16 March 2023 and 16 September 2023	56 961	3.28	–	
Between 22 March 2023 and 22 September 2023	44 080	3.70	44 080	3.70
Between 31 March 2023 and 30 September 2023	421 162	6.98	421 162	6.98
Between 16 March 2024 and 16 September 2024	56 961	3.28	–	
Between 22 March 2024 and 22 September 2024	44 080	3.70	44 080	3.70
Between 16 March 2025 and 16 September 2025	56 961	3.28	–	
	1 566 607	6.30	1 395 724	6.67

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

	2020 R’000	2019 R’000
Related party balances		
Amounts included in trade receivables (trade payables) regarding related parties		
Hosken Consolidated Investments Limited	5	5
HCI Foundation	270	676
The N2 Express Joint Venture Proprietary Limited	264	9 864
Sibanye Bus Services Proprietary Limited	–	(2 091)
Sibanye Bus Services Proprietary Limited	–	3 882
HCI Managerial Services Proprietary Limited	(144)	(144)
	395	12 192
Related party transactions		
Sales to related party		
HCI Foundation	(3 522)	(3 627)

37. RELATED PARTIES (continued)

	2020 R'000	2019 R'000
Rent paid to (received from) related parties		
Sibanye Bus Services Proprietary Limited	–	(50)
Administration fees paid to (received from) related parties		
HCI Managerial Services Propriety Limited	1 893	1 725
Sibanye Bus Services Proprietary Limited	–	(3 350)
	1 893	(1 625)
Contributions paid to related party		
Golden Arrow Employee's Medical Benefit Fund	34 120	31 514
Dividends to related parties		
Hosken Consolidated Investments Limited	94 891	360 220
La Concorde Holdings Limited	2 654	10 680
	97 545	370 900
Contract revenue paid to related party		
Sibanye Bus Services Proprietary Limited	–	56 070
Internal audit fees paid to related party		
GRIPP Advisory Proprietary Limited	1 706	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 2020	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	102 813	0.0%	4 756	0.0%	107 569	0.0%
TG Govender	87 808	0.0%	821 676	0.3%	909 484	0.3%
	190 621	0.1%	826 432	0.3%	1 017 053	0.4%

Director 2019	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%	–	0.0%	67 725	0.0%
TG Govender	87 808	0.0%	821 676	0.3%	909 484	0.3%
	154 533	0.1%	821 676	0.3%	977 209	0.3%

There were no changes in the directors' interest from 31 March 2020 to the date of the approval of the annual financial statements.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

38. DIRECTORS' INTEREST AND EMOLUMENTS (continued)

Directors Emoluments

Year ended 31 March 2020	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	–	–	3 115	784	291	3 833	–	8 023
ML Wilkin	–	–	2 440	509	228	3 288	–	6 465
	–	–	5 555	1 293	519	7 121	–	14 488
Non-executive directors								
Y Shaik	160	–	3 976	–	–	–	2 017	6 153
TG Govender	160	–	1 965	–	–	–	2 373	4 498
L Govender	185	187	–	–	–	–	–	372
NB Jappie	160	193	–	–	–	–	–	353
RD Watson	153	1 165	–	–	–	–	–	1 318
KF Mahloma	7	–	–	–	–	–	–	7
Paid by HCI subsidiaries not in the HPLR Group	–	(1 545)	(5 941)	–	–	–	(4 390)	(11 876)
	825	–	5 555	1 293	519	7 121	–	15 313

FE Meyer and ML Wilkin were remunerated by Golden Arrow Bus Services Proprietary Limited as executive directors for the years ended 31 March 2020 and 31 March 2019.

Y Shaik was remunerated by HCI as executive director for the years ended 31 March 2020 and 31 March 2019.

TG Govender was remunerated by HCI as executive director for the years ended 31 March 2020 and 31 March 2019.

L Govender was remunerated by E-Media Holdings Limited (subsidiary of HCI) as non-executive director for the year ended 31 March 2020 and 31 March 2019.

NB Jappie was remunerated by Deneb Investments Limited as non-executive director for the years ended 31 March 2020 and 31 March 2019.

KF Mahloma resigned from the Board on 17 April 2019 and RD Watson was appointed to the Board on 17 April 2019.

RD Watson was remunerated by HCI, E-Media Holdings Limited and Deneb Investments Limited as non-executive director for the year ended 31 March 2020.

38. DIRECTORS' INTEREST AND EMOLUMENTS (continued)

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**

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 annual financial statements have been prepared on the basis of accounting policies applicable to a going concern.

The impact of the COVID-19 pandemic and the subsequent national lockdown on 27 March 2020 has had a severe impact on the South African economy. The Group's bus services have been designated as essential services during the lockdown period and all companies in the Group have been able to operate limited bus services during the lockdown period, although at reduced passenger numbers in comparison to the prior year.

The directors are not aware of any other 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.

In preparing the cash flow forecasts utilised, the impact of the COVID-19 pandemic on the Group's operations and liquidity together with measures taken by subsidiaries to mitigate the financial and operational impact of COVID-19 were considered. The Group has no financial covenants imposed by its funders. Based on these cash flow forecasts the directors are of the view that the Group has sufficient liquidity to meet its obligations as currently foreseen in the next financial year.

40. EVENTS AFTER THE REPORTING PERIOD

Due to a reduction in demand during the COVID-19 lockdown and the uncertainty going forward, Golden Arrow Bus Services Proprietary Limited entered into a Section 189 retrenchment process with its workforce, resulting in the retrenchment of approximately 12.5% of its workforce in July 2020 at a total termination cost of approximately R9.2 million.

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 Group significantly.

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

41. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Categories of financial assets held at amortised cost	Notes	2020 Amortised cost R'000	2019 Amortised cost R'000
Trade and other receivables	11	41 381	50 517
Cash and cash equivalents	12	489 623	520 957
		531 004	571 474

Categories of financial liabilities held at amortised cost	Notes	2020 Amortised cost R'000	2019 Amortised cost R'000
Trade and other payables	19	152 281	147 667
Borrowings	17	48 303	69 774
Instalment sale obligations	18	469 227	438 309
		669 811	655 750

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 note 17 & 18, cash and cash equivalents disclosed in note 12, 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	2020 R'000	2019 R'000
Borrowings	17	48 303	69 774
Lease liability	5	23 549	–
Trade and other payables	19	161 980	155 513
Instalment sale obligations	18	469 227	438 309
Total borrowings		703 059	663 596
Cash and cash equivalents	12	(489 623)	(520 957)
Net borrowings		213 436	142 639
Equity		1 226 588	1 158 702
Gearing ratio		17%	12%

41. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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 management controls and procedures, the results of which are reported to the Audit and Risk Committee.

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 and cash and cash equivalents.

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.

The Group limits its exposure to credit risk by only investing in liquid securities and only investing with major banks with generally high credit ratings that are independently rated. The Group uses credit rating agencies, such as Moody's and Standards and Poor to assess the credit rating of the financial institutions in which it deposits cash in short to medium term deposits. The credit quality of cash and cash equivalents (excluding petty cash), and other financial assets as at 31 March 2020 and 31 March 2019 can therefore be assessed by reference to their external credit rating as follows:

Credit agency	Credit Rating	31 March 2020 Amount R'000	Credit Rating	31 March 2019 Amount R'000
Moodys	Ba1	488 540	Baa3	516 243

Credit rating definition (Moodys Baseline Credit Assessment):

Ba1 = speculative and subject to substantial credit risk

Baa3 = Moderate credit risk investment grade

In the past financial year, the credit score of the majority of South Africa's major banks have been negatively impacted by the downgrading of South Africa's sovereign rating to junk status. In March 2020 Moody's downgraded South Africa's sovereign rating to Ba1.

The Group did not consider there to be any significant concentration of credit risk within the trade receivables balance which was both individually material and which had not been adequately provided for. Refer to note 11 for further credit risk analysis in respect of trade and other receivables.

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

		2020 R'000			2019 R'000		
	Notes	Gross carrying amount	Credit loss allowance	Carrying amount	Gross carrying amount	Credit loss allowance	Carrying amount
Trade and other receivables	11	49 173	(7 792)	41 381	55 858	(5 341)	50 517
Cash and cash equivalents	12	489 159	–	489 159	516 268	–	516 268
		538 332	(7 792)	530 540	572 126	(5 341)	566 785

41. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Liquidity risk

The Group's risk to liquidity is a result of the funds available to cover future commitments. The Group manages liquidity risk through an ongoing review of future commitments, 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.

2020	Notes	Less than 1 year R'000	1 to 5 years R'000	Total R'000	Carrying amount R'000
Non-current liabilities					
Borrowings	17	–	23 801	23 801	25 700
Instalment sale obligation	18	–	351 608	351 608	314 200
Current liabilities					
Trade and other payables	19	152 281	–	152 281	152 281
Borrowings	17	29 118	–	29 118	22 603
Instalment sale obligation	18	194 235	–	194 235	155 027
		375 634	375 409	751 043	669 811

2019	Notes	Less than 1 year R'000	1 to 5 years R'000	Total R'000	Carrying amount R'000
Non-current liabilities					
Borrowings	17	–	53 837	53 837	48 188
Instalment sale obligation	18	–	334 174	334 174	292 994
Current liabilities					
Trade and other payables		147 667	–	147 667	147 667
Borrowings	17	27 306	–	27 306	21 586
Instalment sale obligation	18	178 556	–	178 556	145 315
		353 529	388 011	741 540	655 750

NOTES TO THE CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

For the year ended 31 March 2020

41. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Foreign currency risk

The Group is 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 borrowings. 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 18, at 31 March 2020 a 1% fluctuation in interest rates higher/lower, with all other variables constant, would have resulted in a R5 175 000 (2019: R5 081 000) decrease/increase in post-tax profits for year

42. FAIR VALUE INFORMATION

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

43. BUSINESS COMBINATIONS

In line with the Group's strategy to expand its interests in transport related businesses, Golden Arrow Bus Services acquired 33.33% of the shares in Sibanye Bus Services Proprietary Limited ("Sibanye") for a purchase consideration of R26 583 000, 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 for a purchase consideration of R26 583 000 and reflects as a change in shareholding in the statement of changes in equity (see also note 16).

The acquired business contributed R91 357 000 to revenue for the Group and R17 293 000 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 367 000. The Group intends to utilise this business to increase its footprint in this sector. This Company did not trade for the year ended 31 March 2020 and as such it had no effect on Group revenue nor profit after tax for the year ended 31 March 2020.

43. BUSINESS COMBINATIONS (continued)

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

	Sibanye R'000	Shuttle Up R'000	Total R'000
Non-current assets			
Property, plant and equipment	59 048	1 850	60 898
Intangible assets	2	–	2
Total non-current assets	59 050	1 850	60 900
Current assets			
Trade and other receivables	6 098	–	6 098
Inventory	546	–	546
Cash and cash equivalents	41 426	580	42 006
Total current assets	48 070	580	48 650
Non-current liabilities			
Deferred tax liability	(5 462)	–	(5 462)
Instalment sale obligations	(30 078)	–	(30 078)
Total non-current liabilities	(35 540)	–	(35 540)
Current liabilities			
Instalment sale obligations	(11 584)	–	(11 584)
Trade and other payables	(7 381)	–	(7 381)
Current income tax liabilities	(627)	–	(627)
Provisions	(212)	–	(212)
Total 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)/outflow 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.