



**HPL&R**  
Hosken Passenger Logistics & Rail

**UNAUDITED CONDENSED  
CONSOLIDATED INTERIM RESULTS**  
For the six months ended 30 September 2020

# COMMENTARY AND RESULTS

## OVERVIEW

The main focus of the HPLR Group during the current financial year has been to effectively navigate the effects of the COVID-19 pandemic.

The projection made by the City of Cape Town in May that approximately 130 000 jobs would be lost due to the pandemic during the first half of the year, mirrored the decline in passenger numbers recorded in the same period by the Group's commuter bus operations.

To properly align demand with supply, the Group's largest subsidiary Golden Arrow Bus Services Proprietary Limited (GABS) was compelled to withdraw 200 buses from service and by extension, giving notice to organised labour that associated manpower would also have to be reduced commensurately.

A Section 189 process in terms of the Labour Relations Act (LRA) facilitated by the Commission for Conciliation, Mediation and Arbitration (CCMA) was completed, which regrettably culminated in the retrenchment of 306 staff in July from mainly the Operations and Engineering units of GABS.

In addition to this, short-time and temporary layoffs were also instituted to provide relief for the operation of reduced service schedules under varying restrictive lockdown regulations. Other measures implemented to limit significant revenue losses included a moratorium on salary increments and reduced bonus payments for all personnel in non-bargaining council positions.

All entities in the Group lodged Temporary Employee Relief Scheme (TERS) claims through the South African Road Passenger Bargaining Council (SARPBAC) to supplement the income of employees impacted by short-time and temporary lay-offs as a consequence of reduced service schedules. For the period April to June 2020, TERS claims totaling R25.6 million were collected on behalf of 2861 employees across the Group.

As a further measure, GABS was able to conclude an agreement with the Provincial Contracting Authority to pay a standing kilometre rate where scheduled operations were unduly disrupted due to capacity limitations and travel time restrictions imposed by the lockdown regulations.

Stringent protocols in buses and across all company facilities were implemented to comply with all the provisions prescribed by the Occupational Health and Safety regulations. This necessitated the appointment of 120 dedicated Covid-19 Marshalls to oversee the screening of people and sanitizing of buses and work premises.

All marshalls and appointed officials received comprehensive training in conjunction with the Department of Labour in all aspects of the management and prevention of the pandemic. During the review period, a total of 179 infections were reported, with 174 recovering and unfortunately five employees succumbing to the disease.

Continued attention will be given to clawing back from the setbacks induced by lockdown restrictions. With the easing of restrictions accompanying each level of lockdown, the number of GABS passengers showed a gradual increase ranging from a low of 10% with level 5 to close to 60% with level 1.

In the case of Sibanye Bus Services Proprietary Limited (Sibanye), which primarily operates routes along the western seaboard, the increase in passengers has however occurred at a faster rate and the expectation is that full capacities could be achieved during November 2020.

The performance of Table Bay Area Rapid Transit Proprietary Limited was not affected, during this period, due to the nature of the contractual arrangement with the City of Cape Town.

Unfortunately, Eljosa Travel and Tours Proprietary Limited whose operations are linked to the luxury coach market segment has been severely impacted by international travel restrictions. Moreover, with a second wave of COVID outbreaks being experienced in the traditional international markets, it may be some time before this market returns to pre-COVID levels.

Service delivery protests, in the areas in which the Group operates, are becoming more common place in the run up to the general elections. Both GABS and Sibanye were affected by this type of action and eight buses were destroyed during the period under review.

The recovery of the local economy will be critical in recording pre-COVID passenger numbers. Utilising a reduced overhead structure to achieve budgetary targets has been elevated as a key operational imperative.

## REVIEW OF RESULTS

The impact from the COVID-19 lockdown had a marked effect on the Group's results for the period under review. Attributable Group profit for the period is reflected at R68.1 million (47.1% lower than the comparative period) and Headline earnings at R67.1 million (44.2% lower than the comparative period).

Reduced passenger numbers had the effect of a decrease in revenue of 26.7% on the comparative period, and the contraction in operations resulted in a decrease in operating expenses of 24.8% on the comparative period. Resulting in operating profit (EBITDA) for the period of R155.6 million (Sept 2019: R234.6 million).

During the period the Group put all major capital expenditure, including its fleet replacement programme on hold (which is expected to last for at least the next 12 months). This resulted in a net reduction in debt of R65.9 million from March 2020.

## CHANGES IN DIRECTORATE

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

## COMMENTARY AND RESULTS (continued)

### ORDINARY DIVIDEND TO SHAREHOLDERS

The directors have approved and declared an interim ordinary dividend of 18 cents (gross) per HPLR share for the six months ended 30 September 2020 from income reserves.

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

Announcement date	Thursday, 19 November 2020
Last day to trade cum dividend	Tuesday, 8 December 2020
Commence trading ex-dividend	Wednesday, 9 December 2020
Record date	Friday, 11 December 2020
Payment date	Monday, 14 December 2020

Share certificates may not be dematerialised or rematerialised between Wednesday, 9 December 2020 and Friday, 11 December 2020, both days inclusive.

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

- The interim ordinary dividend shall constitute a "dividend" as defined in the Income Tax Act, 58 of 1962.
- The local DT rate is 20%.
- The number of ordinary shares in issue at the date of the declaration is 290 000 000.
- The DT amounts to 3.6 cents per share for the interim ordinary dividend.
- The net local dividend amount is 14.4 cents per share for the interim ordinary dividend for all shareholders who are not exempt from DT.
- HPLR's income tax reference number is 9754/276/16/1.

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

For and on behalf of the board of directors



**FE Meyer**  
*chief executive officer*

19 November 2020



**ML Wilkin**  
*chief financial officer*

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2020

	Notes	Unaudited 30 September 2020 R'000	Unaudited 30 September 2019 R'000	Audited 31 March 2020 R'000
<b>ASSETS</b>				
<b>Non-current assets</b>		<b>1 756 973</b>	1 730 592	1 786 707
Property, plant and equipment	1	1 702 516	1 673 427	1 730 134
Right-of-use asset		25 328	24 220	25 360
Goodwill		27 298	27 098	27 298
Intangible assets		60	63	62
Investments in associates		1 276	5 385	3 358
Deferred taxation		495	399	495
<b>Current assets</b>		<b>573 156</b>	541 546	576 927
Inventories		20 069	19 276	19 541
Trade and other receivables		159 577	142 468	60 826
Taxation		3 314	1 973	6 937
Cash and cash equivalents		390 196	377 829	489 623
<b>Total assets</b>		<b>2 330 129</b>	2 272 138	2 363 634
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>		<b>1 204 818</b>	1 124 716	1 226 588
Equity attributable to equity holders of the parent		1 209 714	1 125 066	1 228 751
Non-controlling interest		(4 896)	(350)	(2 163)
<b>Non-current liabilities</b>		<b>647 942</b>	680 113	695 780
Borrowings		19 602	36 725	25 700
Instalment sale obligations		261 713	307 103	314 200
Lease liability		23 752	23 969	23 549
Post-employment medical benefit liability		60 920	69 277	55 835
Deferred taxation		281 955	243 039	276 496
<b>Current liabilities</b>		<b>477 369</b>	467 309	441 266
Trade and other payables		184 338	160 912	166 539
Borrowings		21 907	22 543	22 603
Instalment sale obligations		148 381	150 291	155 027
Taxation		2 663	5 091	2 028
Provisions		120 080	128 472	95 069
<b>Total equity and liabilities</b>		<b>2 330 129</b>	2 272 138	2 363 634

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2020

	Notes	Unaudited 6 months ended 30 September 2020 R'000	Unaudited 6 months ended 30 September 2019 R'000	Audited year ended 31 March 2020 R'000
Revenue	3	749 254	1 022 544	2 048 402
Other income		6 153	10 392	18 827
Operating expenses		(599 843)	(798 242)	(1 578 572)
<b>Operating profit (EBITDA)</b>		<b>155 564</b>	<b>234 694</b>	<b>488 657</b>
Depreciation and amortisation		(46 445)	(45 860)	(93 411)
Investment income		7 126	11 955	25 774
(Loss)/Income from equity accounted investments		(82)	464	436
Fair value adjustment on associate on change of control		–	9 163	9 163
Finance costs		(17 675)	(25 729)	(50 312)
<b>Profit before taxation</b>		<b>98 488</b>	<b>184 687</b>	<b>380 307</b>
Taxation		(33 059)	(51 798)	(117 397)
<b>Profit for the period</b>		<b>65 429</b>	<b>132 889</b>	<b>262 910</b>
<b>Profit attributable to:</b>				
Equity holders of the parent		68 162	128 945	261 042
Non-controlling interest		(2 733)	3 944	1 868
		<b>65 429</b>	<b>132 889</b>	<b>262 910</b>
<b>Earning per share (cents)</b>				
Basic and diluted		23.50	44.46	90.01

## CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2020

	Unaudited 6 months ended 30 September 2020 R'000	Unaudited 6 months ended 30 September 2019 R'000	Audited year ended 31 March 2020 R'000
Profit for the period	65 429	132 889	262 910
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified to profit or loss</i>			
Actuarial gains on defined benefit plans	–	–	12 709
Taxation relating to actuarial gains on defined benefit plans	–	–	(3 559)
<b>Total comprehensive income for the period</b>	<b>65 429</b>	<b>132 889</b>	<b>272 060</b>
<b>Total comprehensive income attributable to:</b>			
Equity holders of the parent	68 162	128 945	270 192
Non-controlling interest	(2 733)	3 944	1 868
	<b>65 429</b>	<b>132 889</b>	<b>272 060</b>

## RECONCILIATION OF HEADLINE EARNINGS

For the six months ended 30 September 2020

Reconciliation of headline earnings	Unaudited 6 months ended 30 September 2020 R'000		Unaudited 6 months ended 30 September 2019 R'000		Audited year ended 31 March 2020 R'000	
	Gross	Net	Gross	Net	Gross	Net
Earnings attributable to equity holders of the parent		68 162		128 945		261 042
Profit on disposal of plant and equipment	(2 412)	(1 737)	(6 771)	(4 875)	(11 568)	(8 329)
Impairment of plant and equipment	4 790	3 449	8 919	6 422	13 151	9 469
Insurance claim for capital assets	(3 758)	(2 706)	(4 091)	(2 946)	(6 287)	(4 527)
Fair value adjustment on associate on change of control	–	–	(9 163)	(7 110)	(9 163)	(7 110)
<b>Headline earnings</b>		<b>67 168</b>		<b>120 436</b>		<b>250 545</b>
Earnings per share (cents)						
Basic and diluted		23.50		44.46		90.01
Headline earnings per share (cents)						
Basic and diluted		23.16		41.53		86.39
Weighted average number of shares in issue ('000)						
Basic and diluted		290 000		290 000		290 000
Actual number of shares in issue ('000)		290 000		290 000		290 000

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2020

	Unaudited 6 months ended 30 September 2020 R'000	Unaudited 6 months ended 30 September 2019 R'000	Audited year ended 31 March 2020 R'000
Balance at the beginning of the period	1 226 588	1 158 702	1 158 702
Adjustment on initial application of IFRS 16	–	(371)	293
Total comprehensive income	65 429	132 889	272 060
Equity settled share-based payments	2 701	2 502	4 876
Acquisition of subsidiaries (non-controlling interest portion)	–	17 257	17 520
Effects of changes in shareholding	–	(105 063)	(105 063)
Dividends	(89 900)	(81 200)	(121 800)
<b>Balance at the end of the period</b>	<b>1 204 818</b>	<b>1 124 716</b>	<b>1 226 588</b>



## CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2020

	Notes	Unaudited 6 months ended 30 September 2020 R'000	Unaudited 6 months ended 30 September 2019 R'000	Audited year ended 31 March 2020 R'000
<b>Cash flows from operating activities</b>		(14 329)	63 579	276 403
Cash generated from operations		109 112	200 831	509 101
Investment income		7 126	11 955	25 774
Finance cost		(17 325)	(25 729)	(50 312)
Taxation paid		(23 342)	(42 278)	(86 360)
Dividends paid		(89 900)	(81 200)	(121 800)
<b>Cash flows from investing activities</b>		3 394	(3 737)	(9 584)
Dividends received		2 000	–	2 000
Business combinations		–	14 843	13 056
Acquisition of property, plant and equipment	4	(1 758)	(26 645)	(38 587)
Acquisition of intangible assets		–	(5)	(5)
Proceeds from sale of plant and equipment		3 152	8 070	13 952
<b>Cash flows from financing activities</b>		(88 492)	(202 970)	(298 153)
Funding raised	4	5 000	–	–
Funding repaid	4	(93 492)	(97 619)	(192 487)
Principal paid on lease liabilities		–	(288)	(603)
Transactions with non-controlling shareholders		–	(105 063)	(105 063)
(Decrease)/Increase in cash and cash equivalents		(99 427)	(143 128)	(31 334)
<b>Cash and cash equivalents</b>				
At the beginning of the period		489 623	520 957	520 957
At the end of the period		390 196	377 829	489 623

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS

## BASIS OF PREPARATION AND ACCOUNTING POLICIES

The results for the six months ended 30 September 2020 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the disclosure requirements of IAS 34 – Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the South African Companies Act, No. 71 of 2008 (as amended) and the Listings Requirements of the JSE Limited.

The accounting policies applied by the Group in preparation of these unaudited condensed consolidated interim financial statements are consistent with those applied by the Group in its consolidated annual financial statements for the year ended 31 March 2020. Details of the standards adopted are provided in the annual financial statements. As required by the Listings Requirements of the JSE Limited, the Group reports headline earnings in accordance with Circular 1/2019 – Headline Earnings, as issued by the South African Institute of Chartered Accountants.

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

## OPERATING SEGMENTS

The directors have considered the implications of IFRS 8: Operating segments and are of the opinion that the operations of the Group constitute one operating segment, being the provision of passenger transport services within South Africa. Resource allocation and operational management is performed on an aggregate basis. Performance is measured based on profit or loss before tax as shown in internal management reports that are reviewed by the chief operating decision maker, who is the Group's chief executive officer.

### 1. PROPERTY, PLANT AND EQUIPMENT

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

	Carrying Value at 31 March 2020 R'000	Additions R'000	Depreciation R'000	Disposals R'000	Impairments R'000	Carrying Value at 30 September 2020 R'000
Buses	1 322 052	23 083	(41 268)	(740)	(4 430)	1 298 697
Computer hardware, fare collection and radio equipment	60 091	758	(3 295)	–	(360)	57 194
Land and buildings and leasehold improvements	339 216	319	(25)	–	–	339 510
Motor vehicles	5 153	–	(963)	–	–	4 190
Plant and machinery	2 778	140	(739)	–	–	2 179
Furniture and fixtures	844	23	(121)	–	–	746
<b>Total</b>	<b>1 730 134</b>	<b>24 323</b>	<b>(46 411)</b>	<b>(740)</b>	<b>(4 790)</b>	<b>1 702 516</b>

The Group acquired ten commuter buses totaling R23 million which were committed prior to lockdown (six months to Sept 2019: acquired 30 commuter buses totaling R65.9 million and four luxury coaches totaling R16.9 million).

### 2. CHANGE IN ACCOUNTING ESTIMATE OF RESIDUAL VALUES

In line with the Group's accounting policies, management reassessed the residual values of buses during the year, revising the residual value of commuter buses at the end of their useful life from R200 000 to R250 000. The net effect of the changes in the current interim period was a decrease in depreciation of R3.2 million.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS (continued)

### 3. REVENUE

Group revenue for the period is made up as follows:

	Unaudited 6 months ended 30 September 2020 R'000	Unaudited 6 months ended 30 September 2019 R'000	Audited year ended 31 March 2020 R'000
<b>Revenue from bus services provided</b>			
<i>Revenue recognised over time</i>			
Operational contract carrying revenue risk	527 817	500 834	1 006 182
Operational contract with no revenue risk	63 201	69 241	136 433
Sale of multi-journey tickets	102 711	275 220	545 728
<i>Revenue recognised at a point in time</i>			
Sale of single journey tickets	50 368	128 116	263 244
Charter hire services	3 842	43 107	84 562
<b>Total revenue from bus services</b>	<b>747 939</b>	<b>1 016 518</b>	<b>2 036 149</b>
<b>Revenue from automotive repair services</b>			
<i>Revenue recognised at a point in time</i>			
Bus and vehicle repair and maintenance	134	3 833	1 332
<b>Other revenue</b>			
<i>Revenue recognised over time</i>	348	1 511	3 649
<i>Revenue recognised at a point in time</i>	833	682	7 272
	1 181	2 193	10 921
<b>Total revenue</b>	<b>749 254</b>	<b>1 022 544</b>	<b>2 048 402</b>

### 4. BORROWINGS ARISING FROM FINANCING ACTIVITIES

Movements in the carrying value of borrowings are as follows:

	Unaudited 30 September 2020 R'000	Unaudited 30 September 2019 R'000	Audited 31 March 2020 R'000
Carrying value at the beginning of the period	517 530	508 083	508 083
Cash-flows:			
Raising of new debt	5 000	–	–
Debt repayments	(93 492)	(97 619)	(192 487)
Non-cash:			
Raising of instalment sales obligations	22 565	64 536	160 272
Arising on business combination	–	41 662	41 662
<b>Carrying value at the end of the period</b>	<b>451 603</b>	<b>516 662</b>	<b>517 530</b>

R22.5 million (September 2019: R64.5 million, March 2020: R160.2 million) of debt raised in the period relates to instalment sale agreements used to finance bus acquisitions, and therefore has not been included in the cash flow statement as a cash flow amount.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS (continued)

### 5. COMMITMENTS

	Unaudited 30 September 2020 R'000	Unaudited 30 September 2019 R'000	Audited 31 March 2020 R'000
Capital expenditure			
Property, plant and equipment authorised but not yet contracted	3 720	–	7 521
Property, plant and equipment authorised and contracted to be expended	7 021	71 451	109 008

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

### 6. RELATED PARTY TRANSACTIONS

Related party transactions similar to those disclosed in the Group's 2020 annual financial statements took place for the period under review.

### 7. EVENTS AFTER THE REPORTING PERIOD

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

## CORPORATE INFORMATION

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### 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

### HOSKEN PASSENGER LOGISTICS AND RAIL LIMITED

("HPLR" or "the Company" or "the Group")

Incorporated in the Republic of South Africa

Registration number: 2015/250356/06

JSE share code: HPR

ISIN: ZAE000255907

#### Registered office

103 Bofors Circle, Epping Industria, Cape Town, 7460

(PO Box 115, Cape Town, 8000)

#### Company Secretary

HCI Managerial Services Proprietary Limited

Suite 801, 76 Regent Road, Sea Point, Cape Town, 8005

(PO Box 5251, Cape Town, 8000)

#### Auditors

BDO South Africa Incorporated

6th Floor, 123 Hertzog Boulevard, Foreshore, Cape Town, 8001

(PO Box 3883, Cape Town, 8000)

#### Transfer Secretaries

Computershare Investor Services Proprietary Limited

Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196

(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](http://www.hplr.co.za)

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