

HPL&R

Hosken Passenger Logistics & Rail



2019 INTEGRATED ANNUAL REPORT

CONTENTS

01	ABOUT THIS REPORT	2	07	REPORT OF THE AUDIT AND RISK COMMITTEE	20
	Scope of Integrated Annual Report and assurance	2			
	Statement of the Board of Directors on the 2019 Integrated Report	3	08	REPORT OF THE REMUNERATION COMMITTEE	23
02	GROUP OVERVIEW	4		Implementation Report of the Remuneration Policy	25
	Introduction	4	09	REPORT OF THE SOCIAL AND ETHICS COMMITTEE	28
	Group history	4			
	Group structure	5	10	CORPORATE RESPONSIBILITY	29
	Investments	6		Introduction	29
	Key statistics	6		Environment	29
	Board of Directors	8		Corporate Social Investment	30
	Analysis of shareholders	10		Broad-Based Black Economic Empowerment	31
03	STAKEHOLDERS	11		Our people	31
04	STRATEGY	12	11	SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS	32
05	CHAIRPERSON AND CHIEF EXECUTIVE OFFICER'S REPORT	14			
06	CORPORATE GOVERNANCE	16	12	CORPORATE INFORMATION	Inside back cover
	Approach to Corporate Governance	16			
	The Board	16			
	Company Secretary	19			
	Committees of the Board	19			

ABOUT THIS REPORT

SCOPE OF INTEGRATED ANNUAL REPORT AND ASSURANCE

Hosken Passenger Logistics and Rail Limited (“HPL&R” or “the Group”) is pleased to present its Integrated Report for the year ended 31 March 2019 (“2019 Integrated Report” or “Report”).

This Report provides a review of the Group’s financial, social and sustainability performance for the year.

The Report aims to provide a well-balanced and succinct overview of the Group’s financial and non-financial performance and insight into the Group’s value creation strategies.

The Board and executive management team have been guided by the principles of integrated reporting throughout this Report, which has been prepared in accordance with:

- the Company’s memorandum of incorporation (“MOI”);
- requirements of the Companies Act, 71 of 2008, as amended (“the Companies Act”);
- International Financial Reporting Standards (“IFRS”);
- G4 Sustainability Reporting Guidelines by the Global Reporting Initiative (“GRI G4”);
- the Listings Requirements of the JSE Limited (“JSE” and “JSE Listings Requirements”); and
- recommendations of the King IV Report on Corporate Governance™ for South Africa, 2016 (“King IV”).

HPL&R is an investment holding company with shareholdings in a number of companies that are involved in the commuter transport sector. As an investment holding company, the business focus of HPL&R differs from that of an operating company, and is accordingly reflected in the content of the Integrated Annual Report.

The Group strives to grow shareholder value through applying sound business principles and by engaging in ethical commercial practices to create a secure platform for the sustainable management of its investment interests.

Hosken Consolidated Investments Limited (“HCI”), a premier listed black empowerment investment company, owns approximately 75.07% of HPL&R and publishes its own integrated annual report, which is available at www.hci.co.za.

In accordance with the stated objectives of integrated reporting, this Report focuses on those issues that have a material impact on the Group to create and sustain value for its shareholders. This Report should be read in conjunction with the following supporting reports available on HPL&R’s website at www.hplr.co.za:

- King IV application register
- 2019 consolidated annual financial statements

FINANCIAL STATEMENTS

This Report contains summarised audited consolidated annual financial statements. The full set of audited consolidated annual financial statements, are available online at www.hplr.co.za or can be requested directly from the Company at info@hplr.co.za

MATERIALITY

In assessing the relative materiality of issues that are pertinent to the Group, consideration was in the main accorded to those that hold the biggest sway on the Group’s strategic intent and business model. In this regard, the impact of the regulatory environment, risk profile and expectations of its stakeholder grouping were taken into account. The following was taken into account in developing our understanding of the most material issues:

- The finalisation of regulatory instruments as outlined in the National Land and Transport Act (NLTA) of 2009.
- The expectations, views, concerns and interests articulated by stakeholders.
- The strategic mission and associated values pursued by the Group.

FORWARD-LOOKING STATEMENTS

This Report may contain certain statements about the Group that may constitute forward-looking statements. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. The Board cautions users that forward-looking statements are not a guarantee of future performance. These forward-looking statements have not been reviewed or reported on by the Group's independent auditors.

STATEMENT BY THE BOARD OF DIRECTORS ON THE 2019 INTEGRATED REPORT

The 2019 Integrated Report was compiled through collaboration with all of the subsidiaries and associates of HPL&R.

The quality assurance and accuracy of the information contained in the Report was underpinned by executive management scrutiny, interrogation by the Audit and Risk Committee and ultimately Board oversight. The external auditor, BDO Cape Incorporated, provides assurance on the consolidated annual financial statements, which are available on the HPL&R website. No independent third-party assurance has been obtained on the non-financial data included in this Integrated Annual Report.

EmpowerBEE independently verifies Broad-Based Black Economic Empowerment ("B-BBEE") data in order to issue the annual B-BBEE scorecards and rating certificates to the HCI Group and its subsidiaries. The

Group's carbon footprint is independently measured and reported by Ibis Consulting Proprietary Limited.

The Group's Audit and Risk Committee reviewed the 2019 Integrated Report and consolidated annual financial statements and recommended them to the Board for approval. The Board acknowledges its responsibility to ensure the integrity of the 2019 Integrated Report, and believes that it addresses all material issues, and fairly represents the integrated performance of the Group.

The summarised consolidated annual financial statements were prepared in accordance with IFRS, JSE Listing Requirements and the Companies Act, while the 2019 Integrated Report was prepared using the guidelines of the GRI G4 and recommended principles of King IV.

In our opinion the 2019 Integrated Report and summarised consolidated annual financial statements fairly represent the financial position of the Group as at 31 March 2019 and its operations for the year ended 31 March 2019.

On behalf of the Board



FE Meyer
Chief Executive Officer
24 July 2019

GROUP OVERVIEW

INTRODUCTION

HPL&R is an investment entity tailored to consolidate and expand opportunities in the mobility and logistics sectors. The current portfolio is rooted in the commuter bus and luxury coach segments.

Through its major subsidiary, Golden Arrow Bus Services Proprietary Limited with over 158 years of proven operational expertise, the Company aims to harness its combined institutional knowledge and skills sets to pursue further prospects in bus and coach operations and potential entrées into freight, rail and logistics operations.

GROUP HISTORY

1861

The Greenpoint Tramway Company Act is passed in parliament, which gives rise to Cape Town's first horse-drawn tram service. After a series of mergers and acquisitions this will become Golden Arrow in its present form.

1929

Original Golden Arrow Bus Services Company is established

1956

In a noteworthy reverse take-over, Golden Arrow Bus Services takes over the much larger (in terms of vehicles) Cape Tramways

1972

All services in Cape Town, including those of Golden Arrow, are consolidated under the City Tramways banner

1984

Arrowgate Depot is commissioned, the largest bus depot in the Southern Hemisphere at the time

1992

Management buys City Tramways and the Golden Arrow Bus Services name is resurrected

1994

The Golden Arrow Foundation is launched. Shareholders donate 50% of their shares in Golden Arrow to the Foundation

2001

Creation of empowerment partnership Sibanye Bus Services to service Atlantis routes

2003

Golden Arrow Bus Services peak bus operation increases to 800

2004

Hosken Consolidated Investments (HCI) acquires Golden Arrow and the Golden Arrow Foundation is renamed the HCI Foundation

2006

Golden Arrow Bus Services carries 50 million passengers per annum and operates 900 peak buses

2008

Golden Arrow Bus Services peak bus operation increases to 1 000

2013

Table Bay Area Rapid Transit signs 12-year contract as Vehicle Operating Company for MyCiTi phase 1A services

2014

N2 Express Joint Venture is formed to operate MyCiTi services from Khayelitsha and Mitchells Plain

2016

Golden Arrow acquires 76% shareholding in ElJoSa

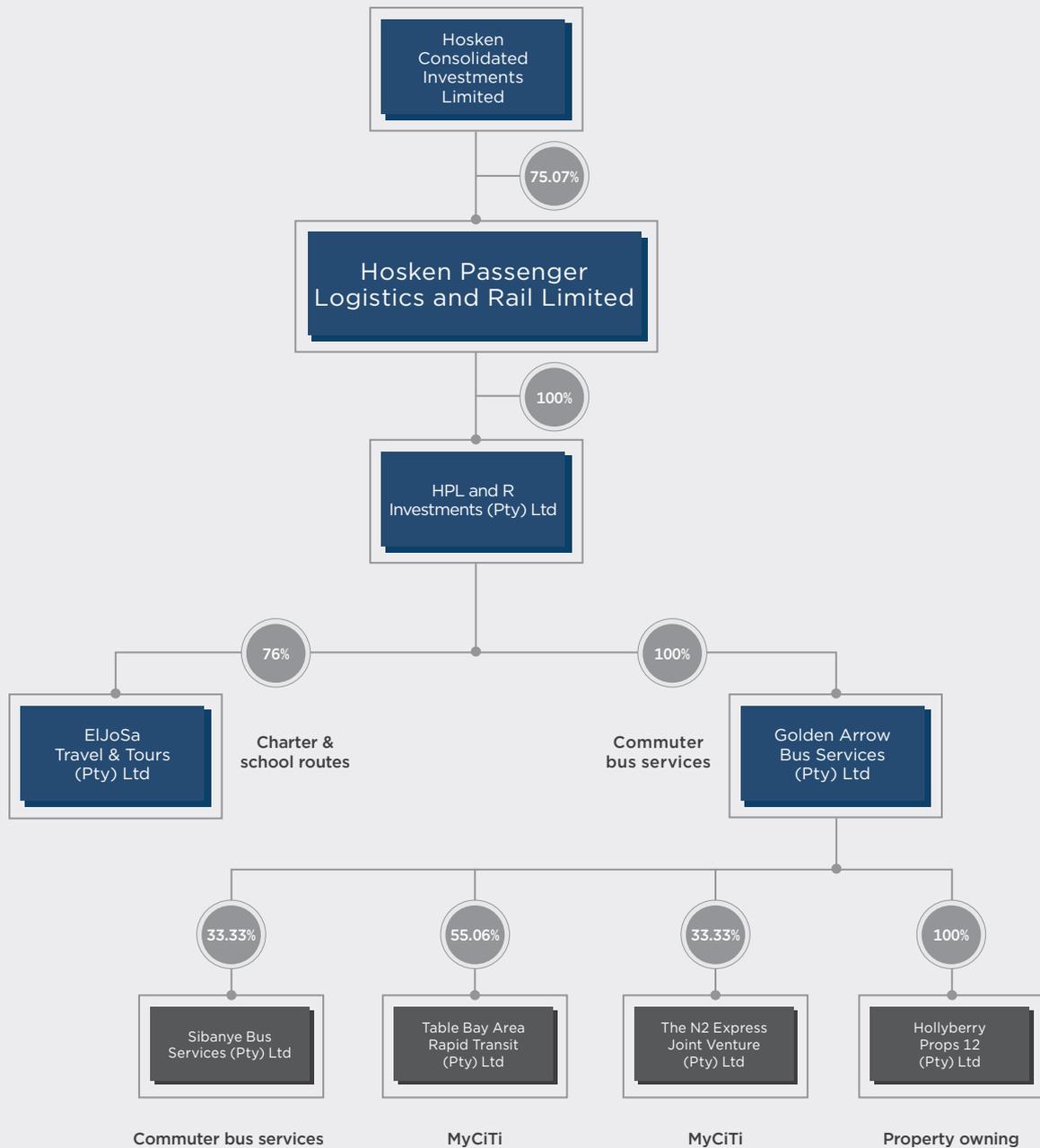
2018

Hosken Passenger Logistics & Rail, with Golden Arrow as its major subsidiary, is formed and listed on the JSE

GROUP STRUCTURE

HPL&R GROUP STRUCTURE

At 31 March 2019, the structure of the Group was as follows:



* Subsequent to year end, Golden Arrow Bus Services acquired the remaining shares in Sibanye Bus Services and Table Bay Area Rapid Transit. Refer to the notes to the summarised annual financial statements on page 45 for further details.

INVESTMENTS

INVESTMENTS

Golden Arrow Bus Services

Established in 1861, Golden Arrow Bus Services has a fleet of 1 147 buses, serving more than 3 100 routes in metropolitan Cape Town, covering a total area of approximately 2 460 km². The fleet travels 60 million kilometres, conveying 56 million passengers annually, at a rate of approximately 220 000 per week day.

For more information on Golden Arrow, please go to www.gabs.co.za

ElJoSa Travel and Tours

ElJoSa Travel and Tours was established in 2004 and operates 48 luxury and semi-luxury coaches in the schools and luxury tours markets with depots in Cape Town and Gauteng.

For more information on ElJoSa, please go to www.eljosa.co.za

Sibanye Bus Services

Sibanye Bus Services was established in 2001 and operates 59 buses providing services from Atlantis to the Cape Metropole.

It was established as a joint venture between Golden Arrow, Abahlobo Transport Services and Siyakhula Bus Services.

Table Bay Area Rapid Transit (TBRT)

Table Bay Rapid Area Transit (TBRT) is a vehicle operating company for the City of Cape Town's MyCiTi brand. It operates the trunk service along the Atlantic corridor from Table View to the CBD, as well as services from the CBD to Sea Point and Camps Bay and has a fleet of 78 vehicles.

The company was formed as a joint venture with Abahlobo and Siyakhulu Bus Services.

N2 Express

N2 Express is a joint venture between Golden Arrow and two minibus-taxi associations. In terms of its previous contract, the company operated 45 buses providing MyCiTi services from Khayelitsha and Mitchells Plain to the City. The contract expired at the end of May 2019.

Subsequent to year end Golden Arrow acquired the shares held by Abahlobo and Siyakhula in both TBRT and Sibanye respectively, increasing its shareholding in both these companies to 100% (refer to the notes to the summarised annual financial statements for further details).

KEY STATISTICS

Golden Arrow Customer Satisfaction Survey 2018

Overall satisfaction

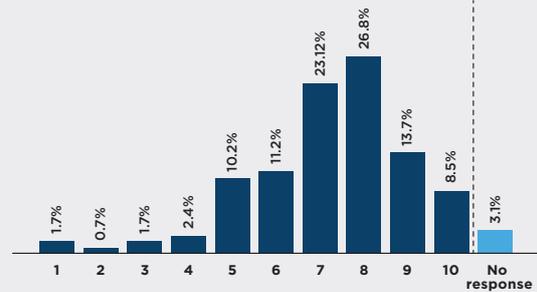


Figure 1 Direct Measurement of Overall Satisfaction

Customers were asked about their overall satisfaction with the Golden Arrow service. About 60% of respondents gave a score of 7 or 8; the mean overall satisfaction score was 7.2.

Would you recommend Golden Arrow Bus Services to a relative, friend or colleague?

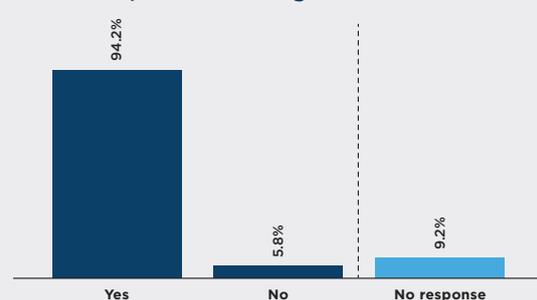


Figure 2 Willingness to Recommend Golden Arrow Bus Services

Shows that an estimated 94.2% of Golden Arrow customers would be prepared to recommend the service to a relative, friend, or colleague.

Will you continue using Golden Arrow Bus Services in the future?

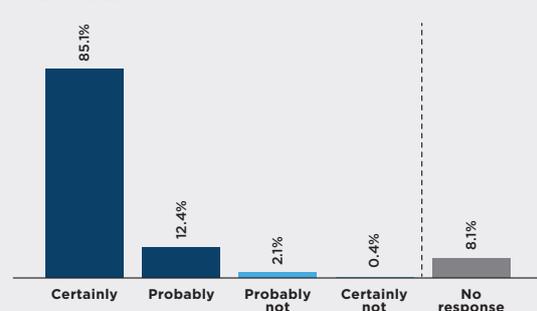


Figure 3 Intended Future Use of Golden Arrow Bus Services

Based on customers' intended future use of Golden Arrow services over 97% of respondents indicated their intention to probably or certainly continue using Golden Arrow. Customer demand is strong.

Golden Arrow measures breakdowns as a ratio of breakdowns per 100 000 km travelled and the last three years are displayed in the matrix below:

Breakdowns per 100 000 km

Year	F2017	F2018	F2019
/100 000 km	3.2	3.1	2.9
year vs year		(4.3%)	(5.9%)

The matrix below shows the average age of the Golden Arrow fleet:

Fleet age (years)

Years	F2017	F2018	F2019
Average	8.8	8.7	8.4
Median	7.0	7.0	7.0

The fuel consumption figures for the last three financial years for the Golden Arrow fleet:

Fuel consumption (kilometres/litres)

	F2017	F2018	F2019
Km/Lt	2.42	2.42	2.45
Year vs Year		0.0%	1.2%

 		Year ended 31 March 2019	Year ended 31 March 2018
	Buses operated during peak	1 105	1 087
	Total annual kilometres travelled	60 million	64 million
	Number of staff employed	2 449	2 407

		Year ended 31 March 2019	Year ended 31 March 2018
	Buses operated during peak	63	61
	Total annual kilometres travelled	3.6 million	4.3 million
	Number of staff employed	229	223

		Year ended 31 March 2019	Year ended 31 March 2018
	Buses operated during peak	13	16
	Total annual kilometres travelled	2.4 million	1.8 million
	Number of staff employed	56	51

BOARD OF DIRECTORS


Yunis Shaik (“Yunis”)

Non-executive Chairperson
B.Proc

Appointed: 1 February 2018

Nationality: South African

Age: 61

Board Committees: Social and Ethics

Expertise and experience: Prior to his appointment at Hosken Consolidated Investments Limited (“HCI”), Yunis was an attorney of the High Court and served as an acting judge in the Labour Court. He is a former Deputy General Secretary of the Southern African Clothing and Textile Workers Union (“SACTWU”) and a director of Workers’ College. He has served as Senior Commissioner of the Commission for Conciliation, Mediation and Arbitration (“CCMA”) in KwaZulu-Natal. He was appointed to the HCI board in August 2005 as a non-executive and appointed as an executive director in 2014. He serves on the boards of Tsogo Sun Gaming Limited, Deneb Investments Limited, eMedia Holdings Limited and Niveus Investments Limited. He has served on the board of Golden Arrow Bus Services Proprietary Limited since 2014 and was appointed to the Board of HPL&R on 1 February 2018.


Francois Eckhard Meyer (“Francois”)

Chief Executive Officer
Dip Trans, B.Comm, MBA

Appointed: 6 March 2018

Nationality: South African

Age: 57

Board Committees: Social and Ethics

Expertise and experience: Francois has been working in the scheduled bus operations industry for the past 30 years and started his career in transport at United Transport’s Western Bus Lines, in the North West, in 1985. He joined Golden Arrow Bus Services Proprietary Limited in 1991 as project manager overseeing the Company’s Mossgas contract. He was appointed operations manager in 1993, assumed the position of general manager in 2004 and became Chief Executive Officer in 2015. He was appointed to the Board of HPL&R as Chief Executive Officer on 6 March 2018. He is a director of the South African Bus Operators Association (SABOA).


Theventheran Govindsamy Govender (“Kevin”)

Non-executive Director
B.Comm (Hons), B.Compt (Hons)

Appointed: 1 February 2018

Nationality: South African

Age: 49

Board Committees: Remuneration

Expertise and experience: Kevin joined the HCI Group in 1997 and held the positions of company secretary and chief financial officer from 2001. He was appointed to the HCI board as an executive director in June 2009, and is the current financial director of HCI. He serves on the boards of Deneb Investments Limited, eMedia Holdings and Montauk Holdings Limited. He has served on the board of Golden Arrow Bus Services Proprietary Limited since 2006 and was appointed to the Board of HPL&R on 1 February 2018.


Mark Llewellyn Wilkin (“Mark”)

Chief Financial Officer
B.Comm, CA (SA)

Appointed: 6 March 2018

Nationality: South African

Age: 65

Board Committees: None

Expertise and experience: Mark worked for Deloitte Haskins and Sells in London, United Kingdom, from 1980 to 1982. He joined City Tramways in 1983 and was appointed Financial Director in 1988. In 1992 he was part of the consortium formed by the management team to buy the business of City Tramways from TGH Limited and formed Golden Arrow Bus Services, where he has been Financial Director since 1992. He was appointed to the Board of HPL&R as Chief Financial Officer on 6 March 2018.



**Loganathan Govender
("Logie")**

Lead Independent non-executive Director
B.Comm, CA (SA)

Appointed: 6 March 2018

Nationality: South African

Age: 71

Board Committees: Remuneration, Audit and Risk
Expertise and experience: Logie is the sole proprietor of the auditing firm, Logie Govender & Co which is the oldest black-owned auditing practice in South Africa. He has over 40 years' experience as a practicing auditor. He also serves on the board of eMedia Holdings Limited. He was appointed to the Board of HPL&R on 6 March 2018.



**Rachel Doreen Watson
("Rachel")**

Independent non-executive Director

Appointed: 17 April 2019

Nationality: South African

Age: 60

Board Committees: Audit and Risk, Social and Ethics
Expertise and experience: Rachel served as a manager at a regional radio broadcaster. Prior to this appointment she was employed for 33 years within the clothing industry, serving as a trade union representative and national media officer. Rachel is an independent non-executive director of eMedia Holdings Limited, Tsogo Investment Holdings, Hospitality Property Fund and HCI. She was appointed to the Board of HPL&R on 17 April 2019.



**Naziema Begum Jappie
("Naziema")**

Independent non-executive Director
B.SocSc (Hons), M.SocSc,
PGDip (HE)

Appointed: 6 March 2018

Nationality: South African

Age: 59

Board Committees: Remuneration, Social and Ethics, Audit and Risk

Expertise and experience: Naziema brings with her a distinguished and varied background in fields including education, labour law, conflict resolution and performance and project management. She has served as SACTWU's National Education Officer, as Executive Director at the Durban University of Technology and Dean of Students at the University of the Witwatersrand. She is currently employed as director of the Centre for Educational Testing for Access & Placement at University of Cape Town. She also holds directorships in Deneb Investments Limited and Montauk Holdings Limited. She has served on the board of Golden Arrow Bus Services from 2013 and was appointed to the Board of HPL&R on 6 March 2018.

ANALYSIS OF SHAREHOLDERS

Listed below is an analysis of shareholdings extracted from the register of ordinary shareholders at 31 March 2019.

DISTRIBUTION OF SHAREHOLDERS

	Number of shareholders	% of shareholders	Number of shares	% of issued capital
1 - 1 000	1 788	48.23%	719 347	0.25%
1 001 - 10 000	1 401	37.79%	5 066 529	1.75%
10 001 - 50 000	406	10.95%	8 201 025	2.83%
50 001 - 100 000	49	1.32%	3 411 685	1.18%
100 001 - 500 000	41	1.11%	8 920 742	3.08%
500 001 - 1 000 000	7	0.19%	5 128 609	1.77%
1 000 001 shares and over	15	0.40%	258 552 063	89.16%
Total	3 707	100.00%	290 000 000	100.00%

TYPE OF SHAREHOLDER

	Number of shareholders	% of shareholders	Number of shares	% of issued capital
Banks	5	0.13%	178 589	0.06%
Broker	1	0.03%	192	0.00%
Close Corporation	42	1.13%	1 505 212	0.52%
Endowment Fund	4	0.11%	27 835	0.01%
Individual	3 170	85.51%	37 533 858	12.94%
Investment Company	49	1.32%	232 534 457	80.18%
Pension Fund	2	0.05%	68 541	0.02%
Private Company	127	3.43%	12 371 830	4.27%
Public Company	11	0.30%	1 477 480	0.51%
Trust	296	7.98%	4 302 006	1.48%
Total	3 707	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	217 703 492	75.07%

SHAREHOLDER SPREAD

To the best of the knowledge of the Directors and after reasonable enquiry, the spread of shareholders at 31 March 2019, was as follows:

	Number of shareholders	% of shareholders	Number of shares	% of issued capital
Public shareholding	3 703	99.89%	71 320 299	24.59%
Non-Public Shareholding	4	0.11%	218 679 701	75.41%
HCI	1	0.03%	217 703 492	75.07%
FE Meyer*	1	0.03%	66 725	0.02%
TG Govender (direct)*	1	0.03%	87 808	0.03%
TG Govender (indirect)*	1	0.03%	821 676	0.28%
Total	3 707	100.00%	290 000 000	100.00%

* Directors

STAKEHOLDERS



Passengers

Delivery of safe and reliable scheduled passenger transport



Suppliers

Long-term planning, contracting and subsequent payment for goods and services



Government

Participation in optimised regulation of industry and lobbying



Regulatory bodies

Long-term engagement with Provincial Regulating Entity to ensure compliance



Industry

Involvement at various levels in the South African Bus Operators Association (SABOA)



Employees/unions

Employment, wages and other employee benefits



Shareholders/investors

Dividends and share price appreciation



Communities

Investment in community projects through transport projects and direct monetary contributions



STRATEGY

STRATEGY

HPL&R's strategy entails:

- Consolidating and maximising the performance of existing investments;
- Identifying and acquiring transport and logistics related businesses in niche markets; and
- Leveraging economies of scale and industry expertise in existing operations as a basis for pursuing investment opportunities with feasible risk/reward profiles.

HPL&R will seek to increase shareholder value through:

- Enhancing the value of established business operations

The Group will seek to enhance the value of its current business operations by improving operating margins and refining operating efficiencies across the full spectrum of the entire business value chain.

- Entrenching best operator status in public transport contracts

The Group will strive to deliver over and above the stipulated mandate in contracts that are subsidy based to entrench the Group's legacy as a proficient public transport service operator.

- Harnessing competencies in logistics-driven operations to gain entrée into niche markets.

We aim to identify opportunities across the entire logistics value chain that have synergies with existing businesses which can be effectively integrated to deliver organic growth.

Strategic activities

Emphasis has been given to a number of focus areas which include:

- Improved operating margins through use of an Automated Fare Collection system, savings of unproductive kilometres and on-going fleet recapitalisation;
- Use of existing diverse skill sets of management to identify and pursue future acquisitions;
- Expansion of existing operations into new areas;
- Use of custom-built Training and Recruitment Centre to supply services to external clients; and
- Optimisation of benefits offered by sustainable technologies throughout the operations.





CHAIRPERSON AND CHIEF EXECUTIVE OFFICER'S REPORT

While the year under review has been testing in a number of ways, the Group has nonetheless posted steady results which augur well for the future. In the face of economic recession, the Group was able to draw on its legacy of a century and a half's operational experience when dealing with an increasingly challenging operating environment.

These challenges included a national five-week protected strike, an additional illegal strike related to in-sourcing which affected the MyCiTi operations and unusually high fuel price increases. In addition to this, the run up to the elections was marred by the disruption of services and an upsurge in vandalism and arson.

Group revenue reflected a nominal decrease of 1.6% from the prior year.

Operating expenses were marginally up by 1.7% compared to the previous year, which were mitigated by improved operating efficiencies. The nett effect for the review period is the reduction in operating profit of 9.3% from the prior year.

Golden Arrow Bus Services

In spite of the tough operating environment Golden Arrow managed to produce steady results. Notwithstanding the five-week national strike and increased wage and fuel costs, the company nonetheless reflected a 3% rise in revenue while maintaining an increase in costs at a marginal 2% increase through stringent cost containment measures.

Contract revenue from government increased by a modest 3.2% and this combined with the fares increase of 14.5% offset the above inflation wage increases and fuel price increases. These costs were further offset by the installation of fuel-saving electronics and the continued reduction of unproductive kilometres.

In an attempt to contain increasing wage costs, the company filed an exemption application with the South African Road Passenger Bargaining Council to limit the effect of the negotiated wage increases and should have clarity in this regard towards the end of 2019.

Despite the volatile operating environment, the company was able to maintain a 96% operating efficiency ratio in terms of scheduled trips. This consistency in terms of service provision was reflected in the results of the biennial customer satisfaction survey, which was conducted by the Cape Peninsula University of Technology's Mathematics and Physics Department. Key findings of the survey included that 94% of customers would recommend Golden Arrow's services to others and 95% of respondents plan to continue making use of the company's services.

Breakdowns in the company reached an all-time low with a 7% reduction recorded during the review period. The low breakdown rate bears testimony to the rigorous planned maintenance schedules and consistent fleet recapitalisation sustained over the past 15 years. In the reporting period 71 MAN HB2 Lion Explorer Buses were acquired at a cost of R146 million.

The Automated Fare Collection (AFC) system was implemented according to project timelines and the data derived from the system has been mined using Business Intelligence Tools. This has provided unique insights into passenger travel patterns and other key variables. The knowledge garnered from the AFC system will provide an empirical basis for sound operational decision-making that will optimise the utilisation of the fleet and tailor services to suit passenger demands.

Free Wi-Fi has been installed on a significant portion of the fleet and it is anticipated that the roll-out will be completed within the current year. Wi-Fi will not only improve overall passenger experience but can be used as a tool to gain further valuable insights into passenger behaviour and preferences.

Following the success of the solar installation pilot projects, solar electricity panels have been installed at three facilities at a cost of R5.3m. The panels have a combined capacity of 616 kWp which produced 89 000 kWh during the review period. The target is to achieve production of 990 000 kWh by 2020, which is projected to realise savings of R1.1m per annum.

CHAIRPERSON AND CHIEF EXECUTIVE OFFICER'S REPORT

In the wake of the drought experienced during the previous financial year, well points were sunk at key depot facilities to maintain a steady bus washing regime through the utilisation of an alternate water source. This water-saving initiative was complemented by the installation of automated bus washing machines at two depots. A high percentage of the water used in the machines is recycled, which has reduced the overall bus washing costs across the company. Installation at two further facilities is earmarked for 2020.

Subsequent to year end, Golden Arrow Bus Services acquired the remaining shares in Sibanye Bus Services and Table Bay Area Rapid Transit (refer to the notes to the summarised annual financial statements for further details).

Table Bay Area Rapid Transit

Due to two strikes and higher maintenance costs associated with an ageing fleet, the company posted a 3.5% reduction in earnings and 17% drop in profit after tax (PAT).

The company's operational performance record stands it in good stead to increase its footprint in future service roll-outs in the Phase 1 MyCiTi area.

Sibanye Bus Services

During the year under review, revenue remained flat, with PAT reducing by 6%. This is largely attributable to a decrease in cash fare income and an increase in general expenses.

The acquisition of eight new buses will improve efficiency gains and the feasibility of deploying articulated buses on the longer Atlantic seaboard routes is under investigation.

N2 Express

The company recorded a 20% increase in NPAT as a result of a larger service offering and a decrease in general expenses.

The N2 Express operating contract expired at the end of May 2019. In the absence of a new contract, passenger demand is being met by Golden Arrow and taxi operators.

EIJoSa Travel & Tours

It acquired 11 new buses over the review period to bring its fleet up to 48 buses. During the review period, the company grew its revenue by 32%.

Looking forward, the Group remains confident that with increasing urbanisation and the spatial development initiatives associated with it, the demand for safe and reliable road-based public transport will continue to increase.

The Group is poised to take advantage of expanded bus rapid transit initiatives, and pursuing opportunities in the broad transport value chain, whilst continuing to build on the finesse of providing conventional bus transport through its contractual engagements with government.



Y Shaik
Chairperson



FE Meyer
Chief Executive Officer

CORPORATE GOVERNANCE

The report below outlines the Board's approach to corporate governance and the structures put in place to meet the Board's objectives in relation to good corporate governance.

APPROACH TO CORPORATE GOVERNANCE

The Board is fully committed to good corporate governance and is guided by the values of ethical behaviour throughout the business and plays a pivotal role in overseeing the delivery of the strategy; supporting effective decision-making and ensuring key risks are identified and properly managed.

The Board endorses the principles of fairness, responsibility, transparency and accountability and is committed to unwavering standards of business integrity and ethics in its business activities. The Board fully recognises the fact that robust corporate governance practices enhance both shareholder value and the long-term sustainability of the business, and as such, endeavours to implement and review the Group's governance structures and processes to make certain that they support effective and ethical leadership, good corporate citizenship and sustainable development.

As a corporate citizen, HPL&R has a responsibility to conduct its affairs with diligence and responsibility, and to safeguard the interests of all stakeholders. The Board is accountable for the strategy, direction and corporate behaviour of the Company. This includes oversight of policies and procedures that promote Company conduct in accordance with the Group's code of ethics.

The Board endorses and is satisfied that HPL&R, in all material aspects, complies with the major recommendations of the King IV code to ensure sound corporate governance structures are applied within the Group. Readers are referred to the HPL&R King IV application register available on the Company's website at www.hplr.co.za for more detail on the application of King IV and the corporate governance structure instituted by the Group.

THE BOARD

The Board is responsible for leading and controlling the strategic and governance direction of the Group and is regulated by a formal charter that sets out the roles and responsibilities of the directors. The charter clearly specifies the division of responsibilities, and sets out the practices and processes the Board follows to discharge its responsibilities. The charter specifically sets a description of roles, functions, responsibilities and powers of the Board, the shareholders, the Chairperson, individual directors, the company secretary and any prescribed officers and executives of the Company.

The directors have determined the decision-making authority given to management as well as those matters reserved for decision-making by the directors. The Board charter provides a clear balance of power and authority at Board level, such that no one individual or block of individuals can dominate the Board's decision-making.

The independent non-executive directors bring independent judgement to issues tabled at director meetings including Group strategy, performance and standards of conduct. Where appropriate, they constructively challenge the executives and ensure that the obligations towards the Company's shareholders are met. Executive directors contribute insight into daily operations.

The boards of the Company's major subsidiaries and operating divisions similarly constitute the necessary mix of skills, experience and diversity.

The Board has also delegated powers and responsibilities to the elected Committees to execute the strategy and ensure that the objectives, as determined by the individual charters, are met. This ensures that there is a clear division of responsibilities at Board level, which safeguards against an individual exercising an unfettered power of decision-making.

CORPORATE GOVERNANCE

The Board has unrestricted access to the external auditors, professional advisors, the services of the company secretary, the executives and the staff of the Company at any given time. Should a director require independent professional advice on any matter, the Board has agreed that this can be taken at the Company's expense.

The Board is evaluated annually on a collective basis, and the CEO is evaluated on an individual basis. Such evaluation is based on a performance benchmark set by the Board in its charter. In turn, the Board evaluates the performance and effectiveness of the Board sub-committees.

CHAIRPERSON AND CEO

The Chairperson leads the Board and is responsible for the governance of the Board and also is poised to facilitate constructive relations between the executive and the non-executive directors. It should be noted that the current Chairperson, Y Shaik, is not an independent director due to his directorship of HCI. In this regard, HPL&R has appointed L Govender as lead independent director to act as Chairperson where the independence of the Chairperson may be compromised. Given the Chairperson's knowledge of the business and his commercial experience, the Board deems this arrangement appropriate and essential in achieving HPL&R's business objectives.

The division of responsibilities of the Chairperson and CEO has been documented and approved by the Board to ensure a balance of power. There is a clear division between the role of the Chairperson and the CEO who is fully responsible and accountable for the operations of the Company, and whose role and function is formalised.

The Board has delegated the power to manage the daily operations of the Group to the CEO, who may delegate some of these powers. The CEO is supported by the executive management team of the individual subsidiary companies.

BOARD COMPOSITION AND GENDER AND RACE DIVERSITY

The Board of directors comprises five non-executive directors, three of which are independent, and two executive directors. The Company's ultimate controlling shareholder is HCI and is represented on the Board by Y Shaik and TG Govender, executive directors of HCI.

The Board has adopted and approved a gender and race diversity policy and will, in identifying suitable candidates for appointment as directors, consider candidates on merit against objective criteria with due regard for the potential benefits of gender and race diversity. Aspects of diversity encompassed in the policy, include, but are not limited to, making good use of differences in skills, geographical and industry experience, background, race, gender and other distinctions between members of the Board. The Board's aim is to ensure that at all times the Company has at least one female director. In addition, the Board's aim is to ensure that at least two of the directors are black as defined in the Broad-Based Economic Empowerment Act, 2003, as amended.

The composition of the Board is regularly reviewed to ensure balance of power and authority, negate individual dominance in decision-making processes and to promote race and gender diversity per the gender and race diversity policy.

CORPORATE GOVERNANCE

MEETINGS OF THE BOARD

The Board of directors are scheduled to meet at least four times in a financial year, with additional meetings being held, if necessary, to deal with matters that require the Board's attention between the regular quarterly meetings. Directors are provided with substantive board papers adequately in advance to the scheduled meetings, to enable them to consider issues on which they are requested to make decisions. The following table details each director's attendance during the year under review:

	May 2018	August 2018
FE Meyer	✓	✓
L Govender	✓	✓
TG Govender	✓	x
NB Jappie	x	✓
KF Mahloma	✓	✓
Y Shaik	✓	✓
M Wilkin	✓	✓

	November 2018	February 2019
FE Meyer	✓	✓
L Govender	✓	✓
TG Govender	✓	x
NB Jappie	✓	✓
KF Mahloma	✓	✓
Y Shaik	✓	✓
M Wilkin	✓	✓

✓ Attendance
x Apologies

CONFLICTS OF INTEREST

The company secretary keeps a register of declarations of interest for all directors. Directors are not disqualified from contracting with the Group by virtue of their office. However, full disclosure of the nature of a director's interest is made at every Board meeting. Should a matter arise in which a director has an interest, the director is disqualified from voting and is required to recuse him/herself from any meeting where the matter is discussed. During the course of the year there were no matters requiring recusal by any of the directors.

Executive directors must distinguish between their role as director and that of manager. Should they be unable to reconcile the two roles, they are required to withdraw from the discussion and the voting.

DEALING IN THE COMPANY'S SECURITIES

HPL&R has adopted a Group-wide share dealing policy to ensure compliance with the continuing obligations of the JSE Listings Requirements. This policy prohibits all directors and employees who have access to financial results and other price-sensitive information from dealing in HPL&R's shares during certain prescribed prohibited periods, as defined by the JSE or when the Company is operating under a cautionary announcement.

The company secretary is charged with disseminating written notices to inform these employees of the insider trading legislation and to advise on closed periods. Details of share dealings by HPL&R's directors or their subsidiaries are required to be disclosed to the Board and the JSE through the Stock Exchange News Service ("SENS"). Written requests by directors and their associates, officers and senior personnel to trade in shares and the requisite approval to trade in HPL&R's shares, outside of closed periods, are kept on record at HPL&R's office.

WHISTLE-BLOWER HOTLINE

HPL&R is committed to conducting healthy business practices with honesty and integrity. For this reason, HPL&R subscribes to a whistle-blowing service that enables all stakeholders to report anonymously on suspected dishonest behaviour. This service is administered independently by a professional services firm, and enables all stakeholders to anonymously report environmental, safety, ethics, accounting, auditing and control issues or other concerns. Awareness is created by advertising on staff notice forums and subsidiary company websites. The follow-up on all reported matters is co-ordinated by internal audit and reported to the Audit and Risk Committee.

CORPORATE GOVERNANCE

COMPANY SECRETARY

HCI Managerial Services Proprietary Limited, a juristic person, is the appointed company secretary of the Group and is appointed by the Board in terms of the Companies Act and in accordance with JSE Listings Requirements.

The Board has assessed, through discussion and assessment, the directors and the designated staff of the Company fulfilling the role of company secretary and is satisfied that they have the competence, qualifications and experience to effectively fulfil the role of company secretary. The company secretary provides support and guidance to the Board in matters relating to governance, ethical conduct and fiduciary duties.

Where required, the secretary facilitates induction and training for directors and coordinates the annual Board evaluation process. Directors have unrestricted access to the advice and services of the company secretary while maintaining an arm's-length relationship between the Board and the company secretary.

The company secretary attends all Board, Audit and Risk Committee and Social and Ethics Committee meetings.

The certificate that the company secretary is required to issue in terms of section 88(2)(e) of the Companies Act of South Africa, is included on page 32 of this Annual Report.

COMMITTEES OF THE BOARD

The Board of directors has delegated certain specific responsibilities to the following Committees:

- Audit and Risk Committee
- Remuneration Committee
- Social and Ethics Committee

Whilst overall responsibility remains with the Board, the Committees assist the Board in discharging its responsibilities and duties. Full transparency and disclosure of Committee deliberations is encouraged and the minutes of all Committee meetings are included in the agendas of subsequent Board meetings with the Chairperson of the sub-committees giving feedback to the Board.

All Committees are empowered to obtain such external or other independent professional advice as they consider necessary to carry out their duties. These Committees play an important role in enhancing good corporate governance and improving internal controls and, as a result, the Company's performance. Each sub-committee acts according to its charter or mandate, approved by the Board and reviewed annually, which sets out its purpose, membership requirements, and duties and reporting procedures.

Notwithstanding the delegation of functions to the sub-committees, the Board remains ultimately responsible for the proper fulfilment of such functions, except in the case of the Audit and Risk Committee functions relating to the appointment, fees and terms of engagement of the external auditor.

REPORT OF THE AUDIT AND RISK COMMITTEE

The Audit and Risk Committee (“the Committee”) submits this report for the financial year ended 31 March 2019, as required by section 94 of the Companies Act.

The Audit and Risk Committee has the following members, all of whom are Independent non-executive directors:

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

The Committee is a formal committee of the Board appointed by the shareholders and functions within its documented terms of reference. All members of the Committee are independent non-executive directors who act independently and are suitably skilled and experienced.

The overall objective of the Committee is to assist the directors to discharge their responsibilities relating to the safeguarding of assets, the operation of adequate and effective systems and internal and financial control processes, the preparation of materially accurate financial reporting information and statements in compliance with all applicable legal and regulatory requirements and accounting standards and the oversight of the external and internal audit appointments and functions. This will be achieved by ensuring that consideration is given to the following:

- the accounting policies of the Group and any proposed revisions thereto;
- the effectiveness of the Group’s information systems and internal financial controls;
- monitoring of the Group’s risk management, exposure and internal controls;
- the appointment and monitoring of the effectiveness of the external auditors;
- the appropriateness, expertise and experience of the CFO;

- setting the principles for recommending the use of external auditors for non-audit services and recommending that these be kept to a minimum;
- the Integrated Annual Report and specifically the annual financial statements included therein;
- oversight of the internal audit and external audit, and IT systems;
- evaluation of the performance of the internal audit function;
- the Group’s going concern status; and
- compliance with relevant laws, regulations, rules, codes of conduct and standards.

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 four times during the year under review and held one meeting via teleconference. 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	4
KF Mahloma	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.

REPORT OF THE AUDIT AND RISK COMMITTEE

The Committee fulfils an independent oversight role regarding the Group's Integrated Annual Report, financial statements in addition to 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. In connection with the above, the Committee has:

- satisfied itself that the external auditor is independent of HPL&R, 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 Listings 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 2019 financial year;
- considered the nature and extent of non-audit services provided by the external auditor for the financial year ended 31 March 2019 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 2019 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 Listings Requirements;
- satisfied itself in terms of paragraph 3.84(g)(i) of the JSE Listings 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, comply 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 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.

REPORT OF THE AUDIT AND RISK COMMITTEE

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.

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 HPL&R finance function, the effectiveness of the internal financial controls and the experience of the senior members of management responsible for the finance function.

The Committee has reviewed the stand-alone and consolidated annual financial statements of the Company 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 continue as a going concern in the foreseeable future.

RECOMMENDATION OF THE INTEGRATED ANNUAL REPORT

The Committee has evaluated the 2019 Integrated Annual Report, as well as the complete consolidated annual financial statements of the HPL&R Group for the year ended 31 March 2019, and based on the information provided, has recommended them for approval by the Board.



L Govender
Chairperson
Audit and Risk Committee

REPORT OF THE REMUNERATION COMMITTEE

The Group's Remuneration Committee has the following members:

- TG Govender (Chairperson);
- L Govender; and
- NB Jappie

Y Shaik resigned as Chairperson of the Remuneration Committee effective 12 June 2018 and was succeeded by TG Govender.

The majority of the members of the Remuneration Committee are independent non-executive directors. The Chairperson of the Remuneration Committee is not independent, the Board however, deems this necessary to align the Company's Remuneration Policy with that of the larger HCI Group. The Chief Executive Officer attends the meetings of the Committee at the request of the Committee, but recuses himself from the meeting before any decisions are made.

The Committee held one formal meeting during the financial year ended 31 March 2019, which was attended by both non-executive Directors constituting a quorum. The Chairperson was briefed on the contents of the meeting and provided his recommendations, which were in line with the Committee meeting, directly to the Board. Informal meetings were conducted during the year to approve executive directors' salary increases and incentive bonuses, which were approved by the Group's major shareholder, HCI, and endorsed by the Remuneration Committee and Board. The Committee is scheduled to hold two meetings per financial year.

The Group's Remuneration Policy and the Implementation Report is tabled at each annual general meeting of the Group for a separate non-binding advisory vote by shareholders. Such policy will record the measures that the Board will adopt should either the Remuneration Policy or the Implementation Report, or both, be voted against by 25% or more of the votes exercised at such annual general meeting. In this regard, should 25% or more of the votes exercised on this resolution at the annual general meeting be against such Policy or Report, HPL&R will in its voting results announcement include an invitation to dissenting shareholders to engage with HPL&R and the Board, as well as the manner and timing of such engagement.

REMUNERATION POLICY

The Remuneration Committee is primarily responsible for reviewing and approving the remuneration and incentives of the executive directors and approving and awarding share incentives to executives and the Group's key management. It takes cognisance of local best practice relating to remuneration in order to ensure that such total remuneration is fair and reasonable to both the employee and the Company. In addition, the Remuneration Committee assists the Board in reviewing non-executive directors' remuneration recommendations, which are voted on at each annual general meeting of shareholders.

The Remuneration Committee focuses on ensuring that the Company's Remuneration Policy and framework is appropriate and relevant based on key principles including:

- the alignment of executive's remuneration and incentives with the Group's strategy to enhance and protect shareholder value;
- to determine and monitor the criteria necessary to measure the performance of executive directors in discharging their functions and responsibilities. The level of remuneration should be directly linked to corporate and individual performance; and
- remuneration packages should be designed to attract and retain people of the required calibre.

EXECUTIVE DIRECTORS REMUNERATION

The Remuneration Committee is satisfied that the Remuneration Policy is aligned with the Company's remuneration philosophy. The executives' remuneration is reviewed annually by the Remuneration Committee, who seek to ensure a balance between the executives' base salary, which is fixed, and the variable elements of their remuneration such as bonuses and share options. The salary increases of the executives are usually similar to the average employees' salary increase, for non-union staff members.

As part of achieving and maintaining reasonable, acceptable levels of remuneration, the Remuneration Committee focuses on the following strategic components to remuneration:

- Fixed: representing basic salaries and benefits commensurate with market levels and with the goal of attracting and retaining suitable executives.

REPORT OF THE REMUNERATION COMMITTEE

- Annual incentive awards: an incentive bonus linked to performance of the Group.
- Long-term incentives: The Company has introduced a share incentive scheme, which is discussed in more detail below. Awards are linked to corporate performance measures and subject to holding periods.

The remuneration and incentive bonuses of the executive directors are paid by the Group's major subsidiary, Golden Arrow Bus Services, however are subject to approval by the Remuneration Committee.

NON-EXECUTIVE DIRECTORS' REMUNERATION

Non-executive directors receive fixed fees for their services as directors of the Board and as members of Board sub-committees. These fees are reviewed annually by the Remuneration Committee and are recommended by the Board to shareholders for approval at the annual general meeting.

The proposed fee structure, subject to shareholder approval, effective from 1 October 2019 to the 2020 annual general meeting of shareholders is set out in the table below:

Type of fee	Current fee (excl VAT)	New proposed fee (excl VAT)
Board members – annual fee	R110 240	R116 850
Board committee members – annual fee*	R45 580	R48 310

* Where a non-executive director is a member of more than one Board Committee of the Company, the annual Board Committee fee is limited to R48 310.

These fees are comparable with those of similarly sized companies. Non-executive directors do not receive short-term incentives and do not participate in the Group share option scheme.

The Group pays all reasonable travelling and accommodation expenses incurred to attend Board and Committee meetings.

HPL&R GROUP EMPLOYEE OPTION SCHEME

During the 2018 financial year end, the Group implemented a share option scheme, known as the HPL&R 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, whereafter the options lapse. Options vest over a period of three to five years. The maximum number of shares that may be utilised for the purposes of the Scheme is 21 750 000 shares.

In terms of the Scheme, share options, other than the first grant, are awarded to eligible participants at a 10% discount to the 20-business-day volume weighted average middle-market price, as at the grant date. The number of share options granted is determined using a multiple of the participant's salary, divided by the discounted market price.

On 22 March 2019, the Remuneration Committee awarded a total of 2 544 126 options at an option price of R3.70 (2018: 6 572 422 options at an option price of R6.98). Refer to the Implementation Report below for details of the share options awarded to executive directors.

REPORT OF THE REMUNERATION COMMITTEE

IMPLEMENTATION REPORT OF THE REMUNERATION POLICY

The Remuneration Committee is satisfied that the Group complied with the Remuneration Policy for the 2019 financial year. The Board endorses the Committee's position that the Group's Remuneration Policy appropriately takes into account the remuneration and employment conditions of employees in the Group as well as relevant external factors.

REMUNERATION

The executive directors' remuneration and incentive bonuses were approved by the Group's major shareholder, HCI and endorsed by the Remuneration Committee and Board. Salary increases were in line with inflation and average increases applied to non-unionised staff across the Group.

The following sets out the remuneration paid to directors for the years ended 31 March 2019 and 31 March 2018.

Year ended 31 March 2019	HPL&R Group Directors' fees R'000s	Directors' fees R'000s	Salary R'000s	Fringe benefits including medical aid R'000s	Pension contributions R'000s	Bonus R'000s	Gain from share schemes R'000s	Total R'000s
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 HPL&R Group	-	(612)	(5 695)	(67)	-	(2 406)	(4 000)	(12 780)
	746	-	5 241	1 193	490	6 424	-	14 094

FE Meyer and ML Wilkin were remunerated by Golden Arrow Bus Services Proprietary Limited as executive directors for the years ended 31 March 2019 and 31 March 2018.

Y Shaik was remunerated by HCI as executive director for the years ended 31 March 2019 and 31 March 2018. Y Shaik was also remunerated as non-executive director by Deneb Investments Limited (subsidiary of HCI) for the years ended 31 March 2019 and 31 March 2018.

TG Govender was remunerated by HCI as executive director for the years ended 31 March 2019 and 31 March 2018. TG Govender was also remunerated by Deneb Investments Limited as non-executive director for the years ended 31 March 2019 and 31 March 2018.

L Govender was remunerated by eMedia Holdings Limited (subsidiary of HCI) as non-executive director for the year ended 31 March 2019 and by Deneb Investments Limited and eMedia Holdings Limited for the year ended 31 March 2018.

NB Jappie was remunerated by Deneb Investments Limited and Golden Arrow Bus Services Proprietary Limited as non-executive director for the years ended 31 March 2019 and 31 March 2018.

REPORT OF THE REMUNERATION COMMITTEE

IMPLEMENTATION REPORT OF THE REMUNERATION POLICY (continued)

REMUNERATION (continued)

Year ended 31 March 2018	HPL&R Group Directors' fees R'000s	Directors' fees R'000s	Salary R'000s	Fringe benefit including medical aid R'000s	Pension contributions R'000s	Bonus R'000s	Gain from share schemes R'000s	Total R'000s
<i>Executive Directors</i>								
FE Meyer	-	-	2 761	703	258	3 000	-	6 722
ML Wilkin	-	-	2 162	494	202	2 329	-	5 187
	-	-	4 923	1 197	460	5 329	-	11 909
<i>Non-executive Directors</i>								
Y Shaik	23	250	3 609	-	-	1 758	1 371	7 011
TG Govender	17	123	2 271	425	-	1 107	1 715	5 658
L Govender	8	371	-	-	-	-	-	379
NB Jappie	76	173	-	-	-	-	-	249
KF Mahloma	8	-	-	-	-	-	-	8
Paid by HCI subsidiaries not in the HPL&R Group	-	(917)	(5 880)	(425)	-	(2 865)	(3 086)	(13 173)
	132	-	4 923	1 197	460	5 329	-	12 041

REPORT OF THE REMUNERATION COMMITTEE

IMPLEMENTATION REPORT OF THE REMUNERATION POLICY (continued)

HPL&R GROUP EMPLOYEE SHARE SCHEME

The following share options have been awarded to executive directors:

	2019		2018	
	Number of share options	Weighted average exercise price R	Number of share options	Weighted average exercise price R
FE Meyer				
Balance at the beginning of the year	2 016 344	6.98	-	-
Options granted	210 900	3.70	2 016 344	6.98
Balance at the end of the year	2 227 244	6.67	2 016 344	6.98
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	-	-
Between 31 March 2022 and 30 September 2022	672 115	6.98	672 115	6.98
Between 22 March 2023 and 22 September 2023	70 300	3.70	-	-
Between 31 March 2023 and 30 September 2023	672 115	6.98	672 115	6.98
Between 22 March 2024 and 22 September 2024	70 300	3.70	-	-
ML Wilkin				
Balance at the beginning of the year	1 263 484	6.98	-	-
Options granted	132 240	3.70	1 263 484	6.98
Balance at the end of the year	1 395 724	6.67	1 263 484	6.98
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	-	-
Between 31 March 2022 and 30 September 2022	421 161	6.98	421 161	6.98
Between 22 March 2023 and 22 September 2023	44 080	3.70	-	-
Between 31 March 2023 and 30 September 2023	421 161	6.98	421 161	6.98
Between 22 March 2024 and 22 September 2024	44 080	3.70	-	-

No additional share options have been awarded to directors from year end to the date of this report. As these are the first two tranches of share options to be awarded and the first tranche only vests in 2021, there are no long-term incentive outcomes to report for the year ended 31 March 2019.



TG Govender
Chairperson
Remuneration Committee

REPORT OF THE SOCIAL AND ETHICS COMMITTEE

The Group's Social and Ethics Committee comprises the following members:

- NB Jappie (Chairperson)
- KF Mahloma (resigned 17 April 2019)
- FE Meyer
- Y Shaik
- RD Watson (appointed 17 April 2019)

Y Shaik resigned as Chairperson of the Committee at the first meeting of the Committee and was succeeded by NB Jappie.

The Social and Ethics Committee assists the Board in monitoring the Company's performance as a responsible corporate citizen. The Committee comprises executive and non-executive directors with the majority being non-executive directors and the Chairperson being an independent non-executive director.

The Social and Ethics Committee is responsible for monitoring the Group's activities, having regard to any relevant legislation, other legal requirements and prevailing codes of best practice, in respect of social and economic development, good corporate citizenship (including the promotion of equality, prevention of unfair discrimination, the environment, health and public safety, including the impact of the Group's activities and of its products or services), stakeholder and consumer relationships and labour and employment issues.

In discharging its duties, the Social and Ethics Committee gives regard to:

- the 10 principles set out in the United Nations Global Compact;
- the OECD recommendations regarding corruption;
- the Employment Equity Act;
- the Broad-Based Black Economic Empowerment Act, 53 of 2003;
- good corporate citizenship;
- environment, health and public safety; and
- labour and employment.

The Social and Ethics Committee draws to the attention of the Board, matters within its mandate as occasion requires and will report to the shareholders at the Group's annual general meeting on such matters. In order to carry out its functions, the Social and Ethics Committee is entitled to request information from any directors or employees of the Group, attend and be heard at general shareholders' meetings, and receive notices in respect of such meetings.

The Social and Ethics Committee held one meeting for the period under review which was attended by all members. From the next financial year, the Social and Ethics Committee has committed to meet at least twice per financial year.

Please refer to the Corporate Responsibility report on pages 29 to 31 which details the various aspects overseen by the Social and Ethics Committee, and encompasses the Report of the Social and Ethics Committee.



NB Jappie
Chairperson
Social and Ethics Committee

CORPORATE RESPONSIBILITY

INTRODUCTION

HPL&R prioritises its role as a responsible corporate citizen through a number of initiatives related to environmental sustainability, corporate social investment, Broad-Based Black Economic Empowerment and a progressive approach to developing human capital.

ENVIRONMENT

HPL&R's approach to the environment and sustainability is underpinned by a sincere desire to effect positive change and ensure that the Company's ecological footprint is minimised. This is achieved through innovation and a constant monitoring of international best practices.

Group policy includes:

- The promotion of sustainable development and ensuring that the actions of the Group meet the needs of the present, while minimising the cost to future generations.
- Monitoring of compliance with environmental legislation, regulations, and other requirements and observance of the standards propagated by appropriate local or international authorities where no such legislation exists.
- Detailed reporting on environmental and recycling initiatives.
- Encouraging and motivating all Group employees to adhere to environmental protection and pollution prevention policies in order to meet environmental objectives.

- Auditing, monitoring and reviewing subsidiary progress and compliance and communicating this to all interested parties.

Environmental Sustainability

Environmental management programmes, sustainability and energy-efficiency strategies are implemented within the Group's environmental management policy.

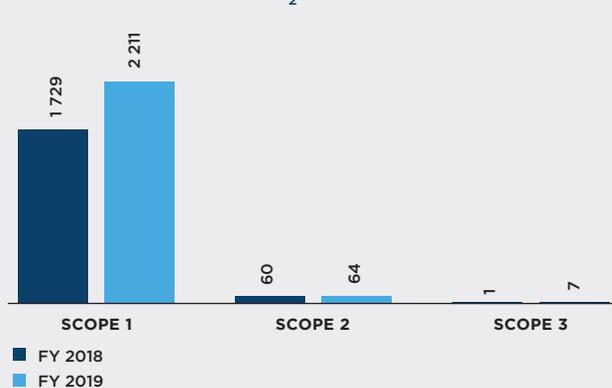
Methodology

IBIS calculated the carbon footprint for GABS for FY 2019. The carbon footprint was calculated according to the WRI/WBCSD's GHG Protocol, a widely used corporate GHG accounting and reporting standard. Last year and this year, conversion factors were sourced from the Intergovernmental Panel on Climate Change (IPCC) 2006 Guidelines and the South African Department of Environmental Affairs' Technical Guidelines for Monitoring, Reporting and Verification of GHG Emissions by Industry. Some emission factors, such as those for travel, were sourced from DEFRA.

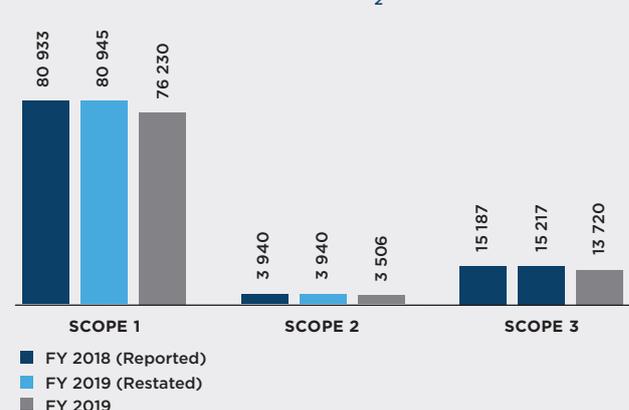
Emissions Summary

Scope 1: Diesel consumption decreased by 6%, from 25 611 691 litres in FY 2018 to 24 128 445 litres in FY 2019. This was due to a decrease in distance travelled. There was a 5% decrease in distance travelled from 62 016 798 km in FY 2018 to 59 137 342 km in FY 2019. The fuel consumed by GABS per 100 km decreased and a 1.2% increase in fuel efficiency was achieved due to ongoing recapitalisation of the fleet and the installation of fuel-saving electronics.

ELJoSa Emissions (tCO₂/annum)



Golden Arrow Emissions (tCO₂/annum)



CORPORATE RESPONSIBILITY

Scope 2: Scope 2 emissions decreased by 11% (-434 tCO₂e) between FY 2018 and FY 2019. This was due to decreases in electricity consumption at the Philippi Depot (-82 tCO₂e), the Epping Depot (-253 tCO₂e) and the Arrowgate Depot (-75 tCO₂e). A 534 kW solar power plant was installed at the Epping Depot in October 2018. At the Philippi Depot, the decrease is attributed to the installation of LED lighting and increased awareness of energy efficiency. At the Arrowgate Depot, 25 kW solar power plant was installed in January 2018.

Scope 3: Scope 3 emissions are largely attributable to diesel consumed in MyCiTi and associate buses. There was an 10% decrease in Scope 3 emissions due to a 10% decrease in diesel consumed in MyCiTi and associate buses, from 4 530 629 litres in FY 2018 to 4 077 818 litres in FY 2019. The decrease in diesel consumption is attributed a 13% decrease in the total distance travelled. There was also an illegal strike by the drivers of MyCiTi buses from mid-October 2018 to mid-December 2018.

Water Usage

Golden Arrow's water withdrawals increased by approximately 27% relative to FY 2018. Discharges from the Arrowgate and Philippi Depots and the Epping Head Office decreased by 53% overall. The variances can largely be attributed to water restriction measures that were implemented by the City of Cape Town during the drought in 2018.

CORPORATE SOCIAL INVESTMENT

GABS has made significant contributions to social economic development through a variety of projects and programmes which span the last 158 years. This was achieved though informal social initiatives before the company's efforts were formalised into the Golden Arrow Foundation which was later incorporated into the HCI Foundation.

The Foundation is responsible for administering the majority of the Group's Corporate Social Investment (CSI) initiatives, excluding ElJoSa who are responsible for their own initiatives.

PROJECTS AND PROGRAMMES COMMUNITY TRANSPORT PROGRAMME

The Community Transport Programme is an extension of the Golden Arrow Foundation Grassroots Programme, which through the HCI Foundation has extended its reach from seven beneficiaries in 2005 to 34 beneficiaries in 2019.

The Programme has a current annual budget allocation of R3.3 million and benefits more than 110 000 children on an annual basis.

Beneficiaries include, amongst others, the Amy Foundation, Applauz Arts Initiative, the Artscape, the Baxter Theatre, Bridgetown Theatre Company, Cape Town Opera, Cape Whalers Field Band, the College of Magic, the Cape Town Science Centre, Grassroots, the Junior Traffic Training Centre (JTTC), Ithemba Labantu, Iziko Museums, The Magnet Theatre, Sisanda FunDaytion and the Zip Zap Circus School.

The Grassroots Adventure Bus Programme

The Adventure Bus Programme was officially started in 1974 by Golden Arrow's predecessor City Tramways with what was to become Grassroots. It is estimated that since then more than 600 000 children have benefited from this partnership.

Golden Arrow through the HCI Foundation (incorporating the Golden Arrow Foundation) contributes towards the actual transport costs for educational outings for some 385 pre-schools. As a further contribution, a core group of Golden Arrow drivers volunteer their services three days a week while they are off shift. The drivers donate their time and skills free of charge in order to give thousands of historically-disadvantaged children the opportunity to benefit from educational outings and experiences.

Sisanda FunDaytion

Sisanda FunDaytion is one of the projects supported by the Community Transport Programme. Golden Arrow assists primarily in providing transportation for the organisation's fun day, which happens once a month and have thus far made a difference in the lives of thousands of children. These Fun Days are run in collaboration with children's charities in impoverished areas, which include HIV Clinics, convalescent hospitals, community centres and children's homes.

These outings can be described as "experiential days in areas of natural beauty or at locations that are generally difficult for many children to access; including visits to cultural events and unique places of interest". The aim is to inspire, educate and entertain.

ElJoSa's CSI Initiatives

ElJoSa's primary market is scholar transport and as such their CSI initiatives tend to focus on providing transport for youth-based organisations and initiatives. Beneficiaries over the last year include Teahmo, Ray of Sunshine, Reach for a Dream Foundation, Paarl School, Hoërskool Laborie, House of Faith and CBC St Johns.

CORPORATE RESPONSIBILITY

BROAD-BASED BLACK ECONOMIC EMPOWERMENT

HPL&R's B-BBEE contribution is consolidated as part of the HCI's group B-BBEE certification process. Over the course of the reporting period, the HCI group achieved a creditable Level 2 B-BBEE rating which makes it one of the largest empowered entities listed on the JSE. In terms of HPL&R's specific contribution to the level 2 rating; two areas were particularly notable.

The Training and Recruitment Centre accommodates Golden Arrow's recruitment department and acts as a hub for driving excellence, as well as promoting and developing skills and competencies that are allied to the commuter bus industry. During the year, the Centre ran various learnership, internship and apprenticeship programmes, across the Group, as well as a number of programmes for unemployed people.

The second area of contribution, preferential procurement, is underpinned by an ongoing process of identifying suitable B-BBEE suppliers across the Group's supply chain.

Going forward HPL&R is committed to furthering its empowerment efforts through partnerships and socio-economic initiatives.

A copy of the full B-BBEE certificate can be viewed on the Company's website at www.hplr.co.za.

OUR PEOPLE

HPL&R recognises the need to retain and develop its most valuable asset - its employees. Human capital is a key focus and training and development for the Group is predominantly situated at Golden Arrow's custom-built Training and Recruitment Centre.

The Group's human capital strategy is driven by two central tenets:

- Continuous development of existing employees starting at learnership and apprenticeship levels and extending as far as senior management levels.
- Creation of training and employment opportunities through innovative partnerships.

TRAINING AND DEVELOPMENT ACHIEVEMENTS

- Golden Arrow has a registered bus driver skills programme, the completion of which sees participants awarded with credits towards the National Certificate in Professional Driving.

- Recruitment procedures have been refined via an electronic screening process, which complements the Recruitment Centre's walk-in policy.
- Staff bursaries to the value of R890 000 have been awarded for the 2019 academic year.
- 10 Golden Arrow employees are currently working towards their National Certificate in Automotive Repair and Maintenance.
- 11 Golden Arrow apprentices passed their trade assessments and qualified in their respective trades.
- 25 new apprentices were recruited in various trades and Golden Arrow had 46 registered apprentices at the end of the 2019 financial year.
- Golden Arrow was awarded four Discretionary Grant contracts from the Transport Education Training Authority (TETA) for the following:
 - National certificate in professional driving for 20 learners
 - Eight diesel mechanic apprenticeships
 - Four Road Transport Management Diploma bursaries
 - Four internships
- ElJoSa provided Pastel and Geotab training for four staff members, Truck Fuel Network software training for four staff members and Scania training for five drivers.

OCCUPATIONAL HEALTH AND SAFETY

The Group complies with the Occupational Health and Safety Act (OHS Act), as well as the National Environmental Management Act (NEMA).

INCIDENCE OF DISCRIMINATION

The Group's ethos is rooted in fairness and this is championed through its code of ethics. There is a zero tolerance approach to any form of discrimination and this is made concrete through formalised grievance and disciplinary procedures. A confidential whistle-blowing hotline is also available.

FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

Employees throughout the Group are guaranteed freedom of association and are free to join the unions of their choosing. The Group actively seeks to foster positive and transparent relationships with unions throughout its subsidiaries.

SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

STATEMENT OF RESPONSIBILITY OF THE BOARD OF DIRECTORS

The directors of Hosken Passenger Logistics and Rail Limited (“HPL&R” or “the Group”) 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 herein.

The summarised consolidated annual financial statements, set out on pages 37 to 45, and the consolidated annual financial statements for the year ended 31 March 2019, available on HPL&R’s website, 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 summarised information included in this report has been extracted from the audited consolidated annual financial statements.

The consolidated annual financial statements are based upon appropriate accounting policies and supported by reasonable and prudent judgements and estimates. The consolidated 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 consolidated 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 consolidated 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 consolidated annual financial statements were audited by the independent auditor, BDO Cape Incorporated, to whom unrestricted access was given to all financial records and related information. The report of the independent auditor is presented on page 36.

The consolidated annual financial statements for the year ended 31 March 2019 were approved by the Board of directors on 24 July 2019 and are signed on its behalf by:



FE Meyer
Chief Executive Officer



ML Wilkin
Chief Financial Officer

Cape Town
24 July 2019

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 2019, 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
24 July 2019

SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

DIRECTORS' REPORT

NATURE OF BUSINESS AND OPERATIONS

The Company serves as an investment holding company. Its interests consist mainly of investments in the transport sector. The Company holds 100% of HPL and R Investments Proprietary Limited, which holds 100% of Golden Arrow Bus Services Proprietary Limited (which in turn, has various subsidiaries) and 76% of ElJosa Travel and Tours Proprietary Limited.

OPERATING RESULTS

Refer to the Chairperson and CEO's Report on pages 14 to 15 for an overview of the performance of the Group for the period under review.

DIVIDENDS

During the course of the year the Company declared and paid an interim dividend of 14 cents per share on 18 December 2018, and two special dividends, one of 75 cents per share paid on 18 December 2018 and another of 80 cents per share paid on 18 February 2019. The Board declared a final dividend in respect of the year ended 31 March 2019 of 28 cents per share on 23 May 2019 which was paid on 18 June 2019.

SHARE CAPITAL

There was no change in the authorised or issued share capital of the Company during the period under review. At 31 March 2019, the total shares in issue was 290 000 000.

MAJORITY SHAREHOLDER

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

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 Listings Requirements, one-third of non-executive directors will retire at the forthcoming annual general meeting. In terms of which Mr Y Shaik and Mr TG Govender, being the retiring directors, and being eligible, offer themselves for re-election.

SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

DIRECTORS' REPORT (continued)

DIRECTORS' EMOLUMENTS

Details of directors' emoluments and share options awarded to executive directors are included in the Remuneration Policy Implementation Report on pages 25 to 27.

SHAREHOLDINGS OF DIRECTORS

At year end the following directors held shares in the Company:

Director	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%	66 725	0.0%
TG Govender	87 808	0.0%	821 676	0.3%	909 484	0.3%
	154 533	0.1%	821 676	0.3%	976 209	0.3%

In addition, to the holdings reflected above, subsequent to year end and to the date of this report the following director acquired an additional interest in the shares of the Company as follows:

Director	Total additional direct number of shares acquired	Total additional direct % of shares in issue held
FE Meyer	28 588	0.0%

COMPANY SECRETARY

The secretary of the Company is HCI Managerial Services Proprietary Limited, whose details are set out on the Corporate Information page.

INVESTMENTS

Company	Nature of business	Holding
HPL and R Investments Proprietary Limited	Investment holding	100%
Golden Arrow Bus Services Proprietary Limited	Transport services	100%
ElJosa Travel & Tours Proprietary Limited	Transport services	76%
Table Bay Area Rapid Transit Proprietary Limited	Transport services	50.06%
Sibanye Bus Services Proprietary Limited	Transport services	33.33%
N2 Express Joint Venture Proprietary Limited	Transport services	33.33%

Subsequent to year end, the Group's major subsidiary Golden Arrow Bus Services acquired the remaining shares in Sibanye Bus Services and Table Bay Area Rapid Transit, details of which are set out further in the notes to the summarised annual financial statements.

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

The directors are not aware of any new 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.

SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

DIRECTORS' REPORT (continued)

AUDITORS

BDO Cape 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 2019.

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 2019.

SPECIAL RESOLUTIONS

The following special resolutions were passed by the Company's shareholders at the annual general meeting held on 22 October 2018:

- 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 Listings 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 November 2018 until the next annual general meeting of the Company;
- Granting the Company and the subsidiaries of the Company a general authority contemplated in terms of the JSE Listings Requirement paragraph 5.72, for the acquisition by the Company, or a subsidiary of the Company, of ordinary issued shares issued by the Company; and
- Granting the Company authorisation to provide financial assistance to subsidiaries in accordance with sections 44 and 45 of the Companies Act.

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

The N2 Express MyCiTi contract expired on 31 May 2019.

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 Company or the Group significantly. Refer to the notes to the summarised annual financial statements detailing the acquisition of the remaining shares in Sibanye Bus Services and Table Bay Area Rapid Transit subsequent to year end.

PREPARER

These annual financial statements were prepared under the supervision of the Chief Financial Officer, Mr ML Wilkin CA(SA).

SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT ON THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

TO THE SHAREHOLDERS OF HOSKEN PASSENGER LOGISTICS AND RAIL LIMITED

OPINION

The summarised consolidated annual financial statements of Hosken Passenger Logistics and Rail Limited, which comprise the summarised consolidated statement of financial position as at 31 March 2019, the summarised consolidated statement of profit or loss, the statement of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated annual financial statements of Hosken Passenger Logistics and Rail Limited for the year ended 31 March 2019.

In our opinion, the accompanying summarised consolidated annual financial statements are consistent, in all material respects, with the audited consolidated annual financial statements of Hosken Passenger Logistics and Rail Limited, with the requirements of International Accounting Standard 34: Interim Financial Reporting and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

The summarised consolidated annual financial statements do not contain all the disclosures required by the International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to financial statements. Reading the summarised annual consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated annual financial statements and the auditor's report thereon. The summarised consolidated annual financial statements and the audited consolidated annual financial statements do not reflect the effects of events that occurred subsequent to the date of our report on those consolidated annual financial statements.

THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS AND OUR REPORT THEREON

We expressed an unmodified audit opinion on the audited consolidated annual financial statements in our report dated 24 July 2019. That report also includes our communication of key audit matters.

DIRECTORS' RESPONSIBILITY FOR THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the summarised consolidated annual financial statements in accordance with International Accounting Standard 34: Interim Financial Reporting 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 the summarised consolidated annual financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on whether the summarised consolidated annual financial statements are consistent, in all material respects, with the audited consolidated annual financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing 810 (Revised), Engagements to Report on Summary Financial Statements.

BDO Cape Incorporated

BDO Cape Incorporated
Registered Auditors

Stephan Cillié
Director
Registered Auditor

24 July 2019

119-123 Hertzog Boulevard
Foreshore
Cape Town, 8001

SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2019

	2019 R'000	2018 R'000
ASSETS		
<i>Non-current assets</i>	1 610 505	1 709 120
Property, plant and equipment	1 579 256	1 462 937
Goodwill	8 451	8 451
Intangible assets	57	78
Investments in associates	22 342	18 343
Other financial asset	-	218 897
Deferred taxation	399	414
<i>Current assets</i>	609 825	630 598
Other financial asset	-	237 503
Inventories	17 559	15 714
Trade and other receivables	68 933	67 816
Taxation	2 376	1 435
Cash and cash equivalents	520 957	308 130
Total assets	2 220 330	2 339 718
EQUITY AND LIABILITIES		
<i>Equity</i>	1 158 702	1 406 308
Equity attributable to equity holders of the parent	1 115 079	1 373 693
Non-controlling interest	43 623	32 615
<i>Non-current liabilities</i>	633 272	557 397
Borrowings	341 182	300 887
Post-employment medical benefit liability	64 675	58 928
Deferred taxation	227 415	197 582
<i>Current liabilities</i>	428 356	376 013
Trade and other payables	159 867	124 720
Current portion of borrowings	166 901	149 323
Taxation	5 653	4 340
Provisions	95 935	97 630
Total equity and liabilities	2 220 330	2 339 718

SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 MARCH 2019

	2019 R'000	2018 R'000
Revenue	1 779 849	1 808 406
Other income	14 541	4 501
Operating expenses	(1 382 392)	(1 358 793)
Operating profit	411 998	454 114
Depreciation and amortisation	(81 471)	(112 076)
Investment income	48 810	22 310
Income from equity accounted investments	10 999	7 283
Finance costs	(45 014)	(39 618)
Profit before taxation	345 322	332 013
Taxation	(100 406)	(86 619)
Profit for the year	244 916	245 394
Profit attributable to:		
Equity holders of the parent	233 908	235 947
Non-controlling interest	11 008	9 447
	244 916	245 394

RECONCILIATION OF HEADLINE EARNINGS

FOR THE YEAR ENDED 31 MARCH 2019

	2019 R'000		2018 R'000	
	Gross	Net	Gross	Net
Earnings attributable to equity holders of the parent		233 908		235 947
Profit on disposal of plant and equipment	(913)	(657)	(860)	(619)
Impairment of property, plant and equipment	10 903	7 850	-	-
Insurance claim for capital assets	(9 492)	(6 834)	-	-
Headline earnings		234 267		235 328
Earnings per share (cents)				
Basic		80.66		81.36
Diluted*		80.66		81.36
Headline earnings per share (cents)				
Basic		80.78		81.15
Diluted*		80.78		81.15
Weighted average number of shares in issue ('000)				
Basic		290 000		290 000
Diluted*		290 000		290 000
Actual number of shares in issue ('000)		290 000		290 000

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

SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2019

	2019 R'000	2018 R'000
Profit for the year	244 916	245 394
Other comprehensive income:		
<i>Items that will be reclassified subsequently to profit or loss</i>		
Cash flow hedging – current year losses	-	(343)
Cash flow hedging – amount capitalised to property, plant and equipment	-	6 633
Taxation relating to cash flow hedging	-	(1 761)
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Actuarial (losses)/gains on defined benefit plans	(2 730)	16 863
Taxation relating to actuarial (losses)/gains on defined benefit plans	764	(4 722)
Total comprehensive income for the year	242 950	262 064
Total comprehensive income attributable to:		
Equity holders of the parent	231 942	252 617
Non-controlling interest	11 008	9 447
	242 950	262 064

SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2019

	2019 R'000	2018 R'000
Balance at the beginning of the year	1 406 308	829 570
Prior period restatements - adoption of IFRS 15	(4 272)	-
Shares issued	-	2 900 000
Share issue costs	-	(3 538)
Total comprehensive income	242 950	262 064
Equity settled share-based payments	3 816	-
Effects of changes in shareholding	-	(1 800 000)
Dividends	(40 600)	(131 986)
Special dividends/distribution to shareholders	(449 500)	(649 802)
Balance at the end of the year	1 158 702	1 406 308

SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2019

	2019 R'000	2018 R'000
Cash flows from operating activities	356 795	249 763
Cash generated from operations	456 820	467 333
Investment income	55 012	15 132
Finance cost	(45 014)	(36 940)
Taxation paid	(69 423)	(63 776)
Dividends paid	(40 600)	(131 986)
Cash flows from investing activities	404 038	(97 117)
Dividends received	7 000	5 000
Acquisition of property, plant and equipment ¹	(56 348)	(104 079)
Proceeds from settlement of financial asset	448 417	-
Proceeds from sale of property, plant and equipment	4 969	1 962
Cash flows from financing activities	(548 006)	(132 913)
Ordinary shares issued	-	649 802
Other liabilities raised	-	(3 538)
Funding raised ¹	60 000	30 000
Funding repaid	(158 506)	(159 375)
Special dividends/distribution to shareholders	(449 500)	(649 802)
Increase in cash and cash equivalents	212 827	19 733
Cash and cash equivalents		
At the beginning of the year	308 130	288 397
At the end of the year	520 957	308 130

¹ R156.4 million (2018: R155.9 million) of debt raised in the period relates to instalment sale agreements used to finance bus acquisitions, and have therefore not been included in the cash flow statement as a cash flow amount.

SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

BASIS OF PREPARATION AND ACCOUNTING POLICIES

The summarised consolidated annual financial statements are prepared in accordance with the requirements of the JSE Listings Requirements and the Companies Act. The Listings Requirements require summarised consolidated annual financial statements to be prepared in accordance with the framework concepts, the measurement and recognition requirements of International Financial Reporting Standards ("IFRS"), the SAICA Financial Reporting Guides (as issued by the Accounting Practices Committee), and Financial Pronouncements (as issued by the Financial Reporting Standards Council) and to also, as a minimum, contain the information required by IAS 34 - Interim Financial Reporting.

The accounting policies applied in the preparation of the annual financial statements from which the summarised consolidated annual financial statements were derived, are compliant in terms of IFRS and are consistent with those applied in the previous annual financial statements, other than the adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers. The adoption of IFRS 9 had no material impact on prior year figures presented and consequently no adjustments were made to opening retained earnings. IFRS 15 was adopted using the modified retrospective approach whereby no comparative figures were restated, but instead a cumulative catch-up adjustment was recognised in opening retained earnings. The adjustment was to recognise deferred revenue on the sale of multi journey tickets which expire subsequent to year end. In prior years, revenue was recognised on the date of sale of these tickets. Details of the standards adopted are provided in the annual financial statements. As required by the Listings Requirements of the JSE Limited, the Group reports headline earnings in accordance with Circular 4/2018 - Headline Earnings, as issued by the South African Institute of Chartered Accountants.

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.

SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2019

PROPERTY PLANT AND EQUIPMENT

	2019			2018		
	Cost R'000	Accumulated depreciation R'000	Carrying value R'000	Cost R'000	Accumulated depreciation R'000	Carrying value R'000
Buses	1 898 561	(717 595)	1 180 966	1 748 454	(679 911)	1 068 543
Computer, ticket and radio equipment	96 458	(33 316)	63 142	96 262	(27 168)	69 094
Land and buildings and leasehold improvements	327 002	(40)	326 962	313 273	(14)	313 259
Motor vehicles	21 474	(18 007)	3 467	23 750	(18 081)	5 669
Plant and machinery	28 611	(24 897)	3 714	27 974	(23 037)	4 937
Furniture and fixtures	5 996	(4 991)	1 005	6 566	(5 131)	1 435
	2 378 102	(798 846)	1 579 256	2 216 279	(753 342)	1 462 937

Reconciliation of Property, plant and equipment – 31 March 2019

	Opening balance R'000	Additions R'000	Disposals/ Transfers R'000	Depreciation 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, ticket and radio equipment	69 094	1 736	(1 520)	(6 168)	-	63 142
Land and buildings and leasehold improvements	313 259	12 666	1 063	(26)	-	326 962
Motor vehicles	5 669	754	(607)	(2 349)	-	3 467
Plant and machinery	4 937	637	-	(1 860)	-	3 714
Furniture and fixtures	1 435	760	(1 063)	(127)	-	1 005
	1 462 937	216 527	(7 855)	(81 450)	(10 903)	1 579 256

R156 379 000 (2018: 155 909 000) of bus acquisitions for the year were financed through instalment sale agreements, and as such additions reflected in the cash flow statement are shown net of the instalment sale agreements utilised to finance these bus acquisitions.

The impairment loss relates to the destruction of Golden Arrow buses, of which R9 492 000 is recoverable from insurance proceeds, and is included in the reconciliation of headline earnings as insurance claims from capital assets.

CHANGE IN ACCOUNTING ESTIMATE OF RESIDUAL VALUES

As a result of the re-capitalisation of the commuter bus fleet in Golden Arrow Bus Services over the last 15 years, the make-up of the fleet has changed leading management to re-estimate the residual values of commuter buses during the year, the impact of which is considered significant. The net effect of the changes in the current financial year was a decrease in depreciation of R42 240 000.

SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 MARCH 2019

OTHER FINANCIAL ASSET

On 1 October 2018, R237 503 000 was received as part settlement of the promissory notes ceded to HPL&R on the restructure of the Group. On 21 December 2018, the remaining instalment of the promissory note was sold for R240 248 000, which reflected a discount of R1 781 000 on the carrying value of the financial asset at the date of sale.

Included in Investment income in the statement of profit and loss is interest earned on the financial asset for the year ended 31 March 2019 of R23 132 000 (2018: R6 202 000).

The statement of cash flows reflects the total proceeds realised from this financial asset as cash flows from investing activities. The equivalent interest received on this financial asset is included as Investment income in the statement of cash flows. Summarised as follows:

	R'000
Proceeds from part settlement of financial asset	237 503
Proceeds from sale of financial asset	240 248
Total proceeds from 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

BORROWINGS

Group borrowings at year end are made up as follows:

	2019			2018		
	Non-current	Current	Total	Non-current	Current	Total
Term loans	48 188	21 586	69 774	17 109	6 934	24 043
Instalment sale agreements	292 994	145 315	438 309	283 778	142 389	426 167
Total borrowings	341 182	166 901	508 083	300 887	149 323	450 210

Instalment sale agreements are entered into with financial institutions to finance the acquisitions of buses by the major subsidiary, Golden Arrow Bus Services Proprietary Limited. Interest was charged for the year at a weighted average effective rate of 9.09% (2018: 9.04%) and monthly instalments are repayable over a period of five years. These instalment sales are secured over the cost of the vehicles financed, however this security is limited to the outstanding balance owing on the instalment sale agreement.

The term loans are unsecured, bear interest at prime less 0.5% and are repayable in monthly instalments over the four-year term of the individual loans maturing in 2021 to 2022. In the current year Golden Arrow Bus Services Proprietary Limited financed the acquisition of the Automated Fare Collection system by raising R60 000 000 in term loans.

SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 MARCH 2019

REVENUE

Group revenue at year end is made up as follows:

	2019 R'000	2018 R'000
Revenue from bus services provided		
Operational contract carrying revenue risk	896 809	867 557
Operational contracts with no revenue risk	113 916	192 829
Sale of single journey tickets	209 290	181 587
Sale of multi-journey tickets	472 682	471 999
Charter hire services	69 943	67 175
Total revenue from bus services	1 762 640	1 781 147
Revenue from automotive repair services		
Bus and vehicle repair and maintenance	7 982	10 606
Other income	9 227	16 653
Total Revenue	1 779 849	1 808 406

BUSINESS COMBINATION SUBSEQUENT TO YEAR END

At year-end Golden Arrow Bus Service Proprietary Limited ("Golden Arrow") held 33.33% of the issued share capital of Sibanye Bus Services Proprietary Limited ("Sibanye") and 50.06% of the issued share capital of Table Bay Area Rapid Transit Proprietary Limited ("TBRT").

On 1 April 2019, Golden Arrow acquired an additional 33.33% of the issued share capital of Sibanye for a purchase consideration of R26 583 000 and an additional 24.97% of the issued share capital of TBRT for a purchase consideration of R39 240 000. In addition, Golden Arrow has entered into sale of share agreements, which will be effective 31 July 2019, to acquire the remaining 33.33% of the issued share capital of Sibanye for a purchase consideration of R26 583 000 and the remaining 24.97% of the issued share capital of TBRT for a purchase consideration of R39 240 000. Following these transactions Golden Arrow will increase its holdings in both these companies to 100%.

The fair value of net assets acquired in Sibanye on 1 April 2019, for which the acquisition accounting in respect of this business combination is provisional, is as follows:

	2019 R'000
Property, plant and equipment	59 050
Current assets	48 069
Non-current liabilities	(34 626)
Current liabilities	(20 226)
Net assets	52 267
Calculation of Goodwill	
Aggregate of consideration transferred	26 583
Non-controlling interest	17 421
Fair value of previously held interest	17 421
	61 425
Acquisition date fair value of assets and liabilities	(52 267)
Goodwill	9 158

CORPORATE INFORMATION

SHAREHOLDERS' DIARY

Financial year end	31 March 2019
Annual general meeting	12 September 2019
Reports	
• Interim report to 30 September 2019	November 2019
• 2019 Integrated Annual Report	July 2019

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)

Company name and registration

HOSKEN PASSENGER LOGISTICS AND RAIL LIMITED
("the Company" or "the Group" or "HPL&R")
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 Cape Incorporated
6th Floor, 123 Hertzog Boulevard, Foreshore, Cape Town, 8001
(PO Box 3883, Cape Town, 8000)

Transfer Secretaries

Computershare Investor Services Proprietary Limited
Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196
(PO Box 61051, Marshalltown, 2107)

Sponsor

Investec Bank Limited
100 Grayston Drive, Sandown, Sandton, 2196
(PO Box 785700, Sandton, 2146)

Website address

www.hplr.co.za

