CMH GROUP

2016 COMBINED MOTOR HOLDINGS LIMITED
INTEGRATED ANNUAL REPORT

OUR MISSION

CUSTOMERS

to provide a total commitment to customer satisfaction in all aspects of business, and to ensure that our customers are treated fairly and equitably by a motivated, well-trained team of specialists.

SUPPLIERS

to conduct our relationship in an ethical and supportive manner conducive to the achievement of mutual long-term profit and market share objectives.

EMPLOYEES

to provide a stable and challenging work environment in which employees are treated on an equal opportunity basis with open lines of communication, are encouraged to participate to the maximum of their ability and are rewarded commensurate with their achievement.

SHAREHOLDERS

to produce a consistent, meaningful growth in earnings and dividends, commensurate with the risks involved, after making adequate provision for future expansion.

IN DOING SO, TO BECOME A VALUED, RESPECTED AND COMMITTED CONTRIBUTOR TO THE SOCIETY IN WHICH WE ALL COEXIST.

SCOPE OF THIS REPORT

This integrated annual report is a holistic and integrated representation of the Group's performance, in terms of both finances and sustainability, for the year ended 29 February 2016. It contains information about the operations of the Group and the opportunities, risks and other material issues it faces in the normal course of business.

This integrated annual report has been approved by the Board. In its opinion the report is a complete, timely, relevant and accurate disclosure of information on a basis comparable with that of previous years.

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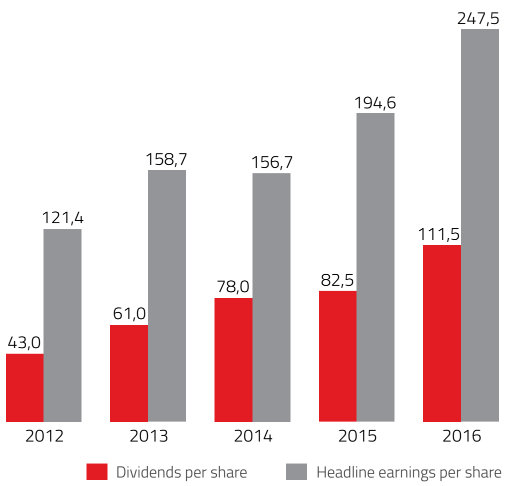
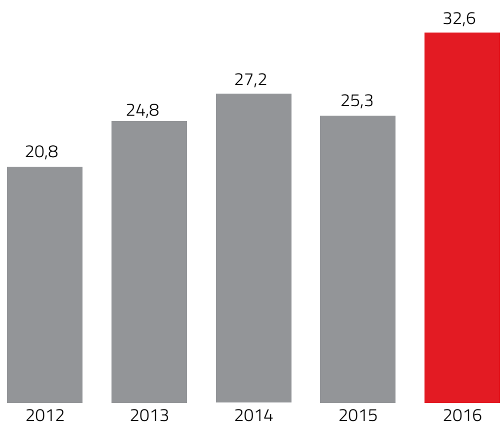
GROUP FINANCIAL HIGHLIGHTS

		2016	2015	% Change
Total assets	(R'000)	2 783 469	2 693 315	3,3
Net asset value per share	(cents)	643	684	(6,0)
Revenue	(R'000)	11 016 150	10 737 862	2,6
Operating profit	(R'000)	372 905	326 158	14,3
Net profit attributable to ordinary shareholders	(R'000)	182 502	152 387	19,8
Cash generated from operations	(R'000)	596 122	439 873	35,5
Return on shareholders' funds	(%)	32,6	25,3	28,9
Basic earnings per share	(cents)	223,5	162,7	37,4
Headline earnings per share	(cents)	247,5	194,6	27,2
Dividends paid per share	(cents)	111,5	82,5	35,2
Dividend declared – payable June 2016	(cents)	85,0	65,0	30,8

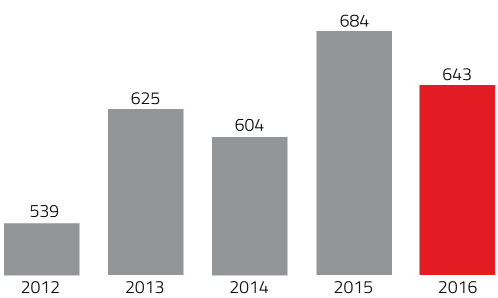
Headline earnings and dividends per share (cents)



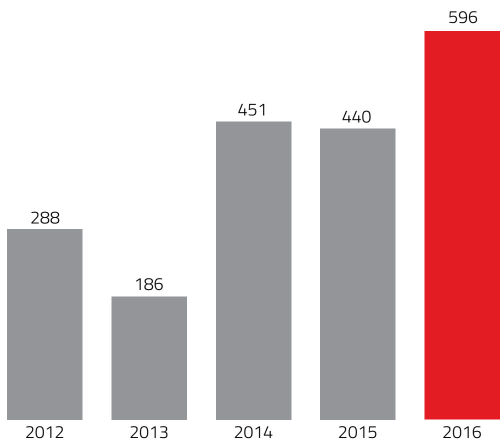
Return on shareholders' funds (%)



Net asset value per share (cents)



Cash generated from operations (R'million)



BOARD OF DIRECTORS

JOHN EDWARDS

CA (SA)

Independent non-executive chairman

Age: 80

Board appointment: 2002

Member of remuneration committee

JEBB McINTOSH

CA (SA)

Chief executive officer

Age: 70

Board appointment: 1976

Member of social, ethics and transformation committee

ZEE CELE

BCom, Postgrad Dip Tax, MAcc (Tax)

Independent non-executive

Age: 63

Board appointment: 2007

Chairman of remuneration committee

Chairman of social, ethics and transformation committee

JAMES DIXON

CA (SA)

Independent non-executive

Age: 64

Board appointment: 2010

Chairman of audit and risk assessment committee

STUART JACKSON

BCom (Hons) (Tax Law), CA (SA)

Financial director

Age: 63

Board appointment: 1986

MIKE JONES

CA (SA)

Independent non-executive

Age: 63

Board appointment: 2015

Member of audit and risk assessment committee

JERRY MABENA

BCom

Independent non-executive

Age: 46

Board appointment: 2014

Member of remuneration committee

Member of social, ethics and transformation committee

REFILOE NKADIMENG

CA (SA)

Independent non-executive

Age: 34

Board appointment: 2015

Member of audit and risk assessment committee

GROUP FIVE-YEAR STATISTICAL REVIEW

		2016	2015	2014	2013	2012
STATEMENT OF FINANCIAL POSITION						
Borrowings to total assets	(%)	**26,1**	24,8	24,2	22,6	23,2
Borrowings to total equity	(%)	**151,0**	104,2	110,1	82,7	90,2
Current ratio	(ratio)	**1,1**	1,3	1,2	1,3	1,3
Net asset value per share	(cents)	**643**	684	604	625	539
Total assets per employee	(R'000)	**1 042**	935	877	878	832

		2016	2015	2014	2013	2012
STATEMENT OF COMPREHENSIVE INCOME						
Weighted average number of shares in issue	('000)	**81 653**	93 673	108 057	108 531	108 179
Headline earnings per share	(cents)	**247,5**	194,6	156,7	158,7	121,4
Basic earnings per share	(cents)	**223,5**	162,7	156,8	144,5	121,4
Dividends per share	(cents)	**111,5**	82,5	78,0	61,0	43,0
Dividend cover	(times)	**2,2**	2,4	2,0	2,6	2,8
Net interest cover	(times)	**3,6**	3,6	4,2	4,3	11,4
Number of employees		**2 671**	2 881	2 935	2 840	2 728
Revenue per employee	(R'000)	**4 124**	3 727	3 690	3 454	3 040
Operating profit on average total equity	(%)	**66,5**	52,8	51,4	45,9	34,7
Return on shareholders' funds	(%)	**32,6**	25,3	27,2	24,8	20,8

DEFINITIONS

Basic earnings per share
Total profit attributable to equity holders divided by the weighted average number of shares in issue.

Current ratio
Current assets divided by current liabilities including short-term loans.

Dividend cover
Headline earnings per share divided by dividends paid per share.

Dividend yield
Dividends paid divided by the year-end share price on the JSE Limited.

Earnings yield
Headline earnings per share divided by the year-end share price on the JSE Limited.

Net interest cover
Operating profit before net finance costs divided by net finance costs.

Headline earnings per share
Total profit attributable to equity holders after excluding the impact, net of taxation, of goodwill impaired and profit/losses on disposal of plant and equipment, divided by the weighted average number of shares in issue.

Net asset value per share
Total equity divided by the number of shares in issue at year-end.

Return on shareholders' funds
Total profit attributable to equity holders of the Company divided by the average ordinary shareholders' equity during the year.

Revenue per employee
Revenue divided by the number of employees in service at year-end.

Weighted average number of shares in issue
The number of shares in issue at the beginning of the year adjusted for shares issued/repurchased during the year weighted on a time basis for the period during which the shares are in issue.

GROUP FIVE-YEAR FINANCIAL REVIEW

	2016 R'000	2015 R'000	2014 R'000	2013 R'000	2012 R'000
STATEMENT OF FINANCIAL POSITION					
ASSETS					
Plant and equipment	71 715	74 846	74 803	68 803	58 537
Insurance receivable	30 032	20 418	18 039	1 074	2 445
Deferred taxation	39 934	51 224	46 643	45 707	49 964
Goodwill	27 078	44 972	74 972	74 972	89 972
Current assets*	2 614 710	2 501 855	2 359 653	2 304 068	2 067 552
Total assets	2 783 469	2 693 315	2 574 110	2 494 624	2 268 470
EQUITY AND LIABILITIES					
Ordinary shareholders' equity	480 091	640 348	565 614	680 551	582 863
Non-controlling interest	722	275	112	120	266
Borrowings	726 137	667 561	622 962	563 116	525 768
Advance from non-controlling shareholder of subsidiary	255	255	4 193	11 193	15 952
Insurance payable	–	1 680	2 156	2 608	2 746
Lease liabilities	51 158	89 530	99 003	106 573	111 167
Provisions	3 900	4 231	–	–	–
Other current liabilities	1 521 206	1 289 435	1 280 070	1 130 463	1 029 708
Total equity and liabilities	2 783 469	2 693 315	2 574 110	2 494 624	2 268 470

** Includes assets of disposal group classified as held for sale.*

	2016 R'000	2015 R'000	2014 R'000	2013 R'000	2012 R'000
STATEMENT OF COMPREHENSIVE INCOME					
Continuing operations					
Revenue	11 016 150	10 737 862	10 703 616	9 808 733	8 293 728
Operating profit to revenue (%)	3,4	3,0	3,0	3,0	2,6
Operating profit	372 905	326 158	317 223	289 827	217 124
Net finance costs	(102 738)	(88 534)	(75 291)	(67 333)	(19 110)
Profit before taxation	270 167	237 624	241 932	222 494	198 014
Tax expense	(87 218)	(77 074)	(75 245)	(65 680)	(53 868)
Total profit from continuing operations	182 949	160 550	166 687	156 814	144 146
(Loss)/profit from discontinued operation	–	(8 000)	2 745	–	–
Total profit	182 949	152 550	169 432	156 814	144 146
Non-controlling interest	(447)	(163)	8	(4)	(12 849)
Attributable profit	182 502	152 387	169 440	156 810	131 297
Dividends	(97 140)	(77 281)	(85 026)	(66 202)	(46 513)
Attributable profit after dividends	85 362	75 106	84 414	90 608	84 784

Note: Figures presented for years prior to 2014 do not separately disclose the results of the operations discontinued during 2015.

GROUP OPERATIONS

RETAIL MOTOR DEALERSHIPS

DEALERSHIP	FRANCHISE	LOCATIONS	EMPLOYEES	MANAGEMENT
	Volvo	Bryanston, Cape Town, Hatfield, Pretoria East, Umhlanga Rocks, West Rand	219	W Edgar, O Fourie, D Gray, N Kelly, M Macpherson, C Pienaar, O Robertse, C Walters, S Atkinson (franchise manager)
	Land Rover	Cape Town, Pretoria, Pretoria East, Umhlanga Rocks	130	D Gray, P van Niekerk, E Vorster, C Walters, S Atkinson (franchise manager)
	Jaguar	Cape Town, Pretoria East, Umhlanga Rocks	40	D Gray, P van Niekerk, C Walters, S Atkinson (franchise manager)
	Mitsubishi	Hatfield, The Glen, Menlyn, West Rand	59	N Kelly, D Pepperell, C Pienaar, P Voges, S Atkinson (franchise manager)
	Honda	Hatfield, The Glen Menlyn, Pinetown	131	D Pepperell, P Gething, D Schlanders, C Thirion, R van der Walt, S Singleton (franchise manager)
	Ford	Durban, Durban South, Umhlanga Rocks, Pretoria, Hatfield, Pretoria North, Randburg	392	M Buck, P Gething, K Kruger, R Nortje, P Ras, C Thirion, Z van Greuning, C Wainwright, T Wessels, T Morey (franchise manager)
	General Motors	Boksburg, Umhlanga Rocks	125	G Aspden, P Gething, A Hughes, C McHaffie, S Singleton (franchise manager)
	Mazda	Durban, Hatfield, Menlyn, Randburg, Umhlanga Rocks	141	B Cole, N Grobler, D McCulloch, A Sumares, P Voges, T Morey (franchise manager)

RETAIL MOTOR DEALERSHIPS

DEALERSHIP	FRANCHISE	LOCATIONS	EMPLOYEES	MANAGEMENT
	Nissan	Ballito, Durban, Hillcrest, Midrand, Pietermaritzburg, Pinetown, Sandton	320	R Downs, C Drummond, B Faulds, D Govender, A Hughes, H Louw, M Mansoor, M Nunes, S Singleton, C Webber (franchise manager)
	Datsun	Ballito, Durban, Midrand, Pietermaritzburg, Pinetown, Sandton	40	R Downs, C Drummond, D Govender, A Hughes, M Mansoor, M Nunes, S Singleton, C Webber (franchise manager)
	Infiniti	Pinetown	7	R Downs, C Webber (franchise manager)
	Iveco	Pinetown	16	D Bishop, S Singleton (franchise manager)
	UD Trucks	Pinetown, Pietermaritzburg	70	R Byng, S Singleton (franchise manager)
	BMW, Mini	Menlyn	121	W van Zyl, T Morey (franchise manager)
	Toyota	Alberton, Melrose Arch, Umhlanga Rocks	194	P Boyce, P de Villiers, A Hughes, M van Heerden, C Webber (franchise manager)
	Lexus	Umhlanga Rocks	17	M van Heerden, C Webber (franchise manager)

GROUP OPERATIONS CONTINUED

RETAIL MOTOR DEALERSHIPS

DEALERSHIP	FRANCHISE	LOCATIONS	EMPLOYEES	MANAGEMENT
	Volkswagen	Cape Town	54	W Edgar, M Haf, S Atkinson (franchise manager)
SUZUKI	**Suzuki**	Pinetown, Umhlanga Rocks	19	W Clark, D McCulloch, C Webber (franchise manager)
Investment Cars	**Investment Cars**	Bryanston	9	M Nunes, C Webber (franchise manager)
RENAULT	**Renault**	Midrand	10	C Drummond, C Webber (franchise manager)
MORRIS GARAGES	**Morris Garages**	East Rand	11	S McHaffie

FINANCIAL AND SUPPORT SERVICES

OPERATION	FRANCHISE	LOCATIONS	EMPLOYEES	MANAGEMENT
CMH GROUP	**CMH Finance** **CMH Insurance** **CMH IT** **CMH Carshop** **CMH Fleet**	All Group operations	85	JP de Bruyn, C Downs, S Eloff, K Fonseca, A Julius, G Liebenberg, JP Liebenberg, R Margach, C Massey-Hicks, R Minnaar, V Naidoo
ROKKIT	**Rokkit Digital Agency**			

CAR HIRE

OPERATION	FRANCHISE	LOCATIONS	EMPLOYEES	MANAGEMENT
	First Car Rental	**Airports** OR Tambo (Johannesburg), King Shaka International (Durban), Port Elizabeth, East London, George, Cape Town, Bloemfontein, Nelspruit, Kimberley, Upington, Richards Bay, Lanseria, Pietermaritzburg, Mthatha **Other** Durban, Cape Town central, Pomona, Randburg, Braamfontein, Sandton, Centurion, Midrand, Polokwane, Pretoria, Stellenbosch, Rustenburg, Boksburg, Pinetown, Bellville, Roodepoort, Menlyn, Umhlanga Ridge, Witbank, Rondebosch, Southbroom, Klerksdorp, Piet Retief, Standerton, Potchefstroom	416	**Executive committee** B Barritt (managing director) U Crouse, R McKay, A Nel, M Storey, B Troeberg **Other senior management** C Ault, S Duriex, V Govender, L Hall, J Ramcharan, C McWilliams, C Reid, C Saayman, M Voges, K Werth

DISTRIBUTION AND FRANCHISE

OPERATION	FRANCHISE	LOCATIONS	EMPLOYEES	MANAGEMENT
	National Workshop Equipment	Pinetown	16	R Margach, V Thomas
	CMH Green	Countrywide	24	S McCulloch
	British Motor Distributors	Durban, Randburg	5	D Bishop

REPORT OF THE CHIEF EXECUTIVE OFFICER

I am proud to report on the financial results of CMH Group for the year ended 29 February 2016. I believe that the performance was excellent bearing in mind the challenging trading and economic conditions the Group faced during the year under review. Despite a 5,2% decline in national new vehicle sales, the Group recorded a 27% increase in headline earnings per share. The Group learnt harsh lessons during the global and local recession of 2009: most importantly, the need to manage costs and cash flow in a shrinking market.

Applying these principles has enabled modest growth in both the new and used car sectors. This growth, together with improved operating margins, has propelled the Group to a return on shareholders' funds of 32,6%. The recommended dividend of 85 cents per share is 30,8% above that paid last year.

FINANCIAL OVERVIEW

Despite a revenue loss of some R360 million, following the closure of two large dealerships during the year, the Group recorded an increase of 2,6% in total revenue. This was principally due to an increase in vehicle sales volumes. The gross margin declined from 16,3% to 15,8% as a result of pricing pressure, but this was offset by a 2,6% reduction in selling and administration expenses. The result was that operating profit, before goodwill impairment, increased 10,9%, to R395 million. The goodwill impairment charge of R22 million related to the closed dealerships. After eliminating the goodwill impairment, the operating margin improved from 3,3% to 3,6%.

During the year the Group effected a repurchase of 21,1 million shares at a price of R11,83 per share. The total outlay of R251 million was expended from existing cash resources. Despite this cash outflow, an additional R34 million invested in the car hire fleet, and R96 million in new vehicle inventory, the net finance cost increased only 15,9%. The tax rate remained constant, and the net result was a 19,9% improvement in total profit and comprehensive income.

Headline earnings increased 10,8% to R202 million. Adjusting for the lower average number of shares in issue, this translates into a 27,2% improvement in headline earnings per share. The proposed dividend of 85 cents per share, coupled with the 46,5 cents paid in December 2015, reflects an increase of 34,9% over the comparative period.

Within the statement of financial position, the only noteworthy movements were the increase in the car hire fleet, to cater for its higher sales, and a temporary increase in new vehicle inventory, ahead of expected price increases. The decrease in total equity has resulted from the share repurchase. Borrowings have increased in line with the car hire fleet.

Despite the investment of R251 million on the share repurchase, and the payment of R97 million in dividends, the Group ended the year with cash resources of R498 million, up R48 million on the previous year.

OPERATIONAL OVERVIEW

Vehicle sales are affected by a number of factors, which include consumers' disposable incomes, interest rates, currency strength and fuel prices. A measure which includes all these factors is GDP growth. Research over many years has shown a close correlation between national vehicle sales and GDP. During calendar 2015, South Africa recorded a fall in GDP growth to 1,4%, and vehicle sales declined 5%. Whilst interest rates remained stable for most of the year, the depreciation in the rand forced manufacturers to hike prices by an average 6,5%.

Increases in the price of basic essentials such as electricity, water and fuel, exacerbated by the severe ongoing drought, saw sales volumes taper off during the last quarter of calendar 2015, and the downward trend has continued in early 2016.

The Group's management style remained unchanged: decentralised operating and marketing control, complemented by centralised cash flow processes, accounting standards and internal audit. Remuneration remains linked to performance benchmarks all of which are closely monitored using internally-generated measurements and externally-sourced peer group comparisons.

Internet and electronic marketing remains an area of focus, and is producing an increasing level of awareness and response for both the retail motor and car hire divisions. The Group's developments in these areas, which include generating the initial leads, concluding sales, customer follow-up and retention, have generated a threefold increase in sales leads over the past eighteen months. Whilst it is recognised that the majority of these "leads" are the result of internet "surfing", sales management and staff are continuously trained in the difficult task of converting them into closed sales.

Staff training remains a priority. During the year, 1 519 staff members completed 4 695 training modules in sales, deal closing, provision of financial services, customer service and follow up. Learnerships and accelerated development programmes are in place in the dealerships and the car hire division to facilitate the accelerated training and qualification of staff from previously disadvantaged backgrounds. This training is funded by the Group with the assistance of grants from Merseta.

The Group as a whole has retained its status as a level 4 contributor, whilst the car hire division, measured separately, is a level 2 contributor. These ratings have been completed under the old scorecard methodology and the new scorecard will adversely affect the Group's future ratings. Continued effort will be made to ensure that the car hire and fleet services divisions, which are more dependent on B-BBEE ratings, are kept in line with competitors. A big challenge in this regard is that the motor manufacturers, from which these divisions source the vast majority of their purchases, do not have favourable ratings, and this adversely affects the Group's score.

Motor Retail

Despite the weakening economy and the 5,2% decline in national new vehicle sales, the Group recorded flat unit sales levels in total, but a 5,1% increase if the discontinued dealerships are discounted. In the used car market, unit sales were up 7,1% in total, and 12,3% in respect of continuing operations. Five sub-performing dealerships, and the Group's vehicle salvage business, Bonerts, were closed or sold during the year. Included in these was one BMW/Mini outlet in Lyndhurst which was closed at considerable expense because of its size, particularly in terms of staff and long term leases. I am pleased that the Group was able to relocate the majority of staff, with fewer than 10% having to be retrenched. All the costs of closure have been absorbed in the year under review.

On the positive side, the 10 new dealerships which were opened last year have all proved profitable and made bottom line contributions. An additional Nissan and Renault dealership in Ballito was acquired midyear and is expected to produce profit in the year ahead. Two additional Mazda and Mitsubishi outlets were opened alongside existing operations, and their contribution to overheads will be beneficial. The pragmatic approach by various smaller manufacturers, which permits the combination of "front-end" sales areas with shared "back-end" service and parts departments, is beneficial to both them and the dealerships. The Datcentre Nissan/Datsun branch in Durban recently moved from temporary premises into its new purpose-built facility which offers a 50% increase in trading area. This dealership is a flagship operation for both the Group and Nissan/Datsun.

The continuing decline in the rand has forced the Group to discontinue the importation and sales of the Chinese-manufactured MG and Maxus vehicle ranges. The inventory of these vehicles has been sold, but the Group will continue to offer facilities to support customers and the brand in terms of parts supply, warranty and service backup.

The Group's workshops and parts departments, which are the backbone of the dealerships' profitability, continued to produce steady, pleasing results. Extended warranty periods offered by manufacturers, which are underpinned by regular service requirements, do assist dealerships to retain customers for longer periods.

Car Hire

First Car Rental's continued excellent performance was made possible by a 9,7% increase in hire days, improved fleet utilisation, and control over fleet and overhead costs. Revenue increased 14,8%, and operating profit rose 16,8% to R91 million. Within the declining general economy, the tourism sector, driven by the weakening rand, has shown growth, and First Car Rental has enjoyed its share of this windfall.

The recently-launched venture into the longer-term truck and van hire market has recorded slow, but steady, progress. This operation shares facilities and staff with the short-term division, so the majority of gross profit becomes operating profit.

The division has made increasing use of web marketing and web-based bookings. Not only does this save commission expenses, but flexible pricing parameters enable improved utilisation during off-peak periods.

Historically, approximately 30% of the retired fleet has been sold through Group used car outlets. With the expected scarcity of quality used vehicle inventory during the year ahead, it is planned to increase this level to around 75%. This will benefit both the car hire and retail motor divisions.

Financial Services

This division delivered a steady 4,8% increase in profit before taxation, off revenue which grew 11,2%. The insurance and

REPORT OF THE CHIEF EXECUTIVE OFFICER

warranty cells, which provide life, disability, retrenchment, and vehicle warranty cover, delivered a pleasing 43,5% increase. Premium income increased 11,2% and, being of a medium-term nature, this augurs well for the years ahead, even if the number of new policies sold declines in the short-term. The finance joint ventures were impacted by deteriorating debtors' ageing, and prudent accounting required higher levels of doubtful debt provisioning. This is an area of concern and credit-granting criteria will remain a focal point during what is expected to be a difficult year ahead for consumers.

Marine and Leisure

The Board's decision last year to discontinue this division was prompted by substandard returns. The Group's investment of R34,0 million in inventory and receivables at the end of last year has been reduced to receivables of R1,9 million, which are due for repayment in June 2016.

SHARE REPURCHASE OFFER

Following shareholder approval in May last year, the Group effected the repurchase of 21,1 million shares at R11,83 per share. The offer to shareholders to voluntarily submit shares for repurchase was fully subscribed following the tender by the Zimmerman family of its total shareholding of 28,4 million shares. The repurchase and related costs, amounting to R251,6 million, was financed from the Group's existing cash resources.

CHANGES IN DIRECTORATE

A number of changes in the Group's board of directors took place during the year under review, and these, together with the consequential changes in the board subcommittees are recorded in the Directors' and Corporate Governance Reports. Of note, is the retirement of Issy Zimmerman, son of the Group's founding chairman, Maldwyn Zimmerman, for it represents the first time in the Group's history that a family member has not been represented on the board. Issy resigned following the sale by the family of its remaining shareholding. I thank both,and particularly Maldwyn, for their support.

I also acknowledge and thank Mark Conway for his contribution during the fifteen years he served as an executive director.

PROSPECTS

The year ahead is expected to be extremely challenging, and dominated by higher interest rates, a further rise in unemployment levels, and political uncertainty. The political spectrum has been rocked in recent months by allegations of indecisive leadership, infighting, and undue influence by members of the private sector, all of which have a negative influence on business sentiment. Social tension, driven by perceived inequalities, is high. The likely downward adjustment in the country's sovereign credit rating, which will mean higher interest rates for the country and consumers, will only be averted by tangible signs of fiscal discipline. A positive is that the government has recommitted to the implementation of the National Development Plan, which will encourage investment growth and employment.

Within the motor industry, I believe there will be a number of changes. Motor manufacturers will benefit from the depreciating rand to boost export sales and offset their rapidly rising import costs. However, last year manufacturers overestimated the market size and built more vehicles than needed. As a result, they and the dealer networks offered generous incentives to boost volumes and clear inventory. This helped to shield the market from price increases that should have followed the currency decline. It is unlikely that these special deals will be repeated to the same extent in 2016, and the result will be average price increases of the order of 12-15%, compared with 6,5% in 2015. Price increases, coupled with expected interest rates hike, have led both economists and the National Association of Motor Manufacturers to predict a fall of 9% in national new vehicle sales.

At Group level, the pain of closing sub-performing operations over the past two years will enable strengthened focus on the viable outlets. The closure of the BMW dealerships will reduce the Group's representation in the high value market sector which is expected to decline more sharply than the middle and entry level sectors, where the Group is strongly positioned.

Experience has taught us that new vehicle sales are not the only source of revenue in a motor dealership. As the pricing gap between new and used vehicles grows, so does the demand for quality used vehicles. A focus on this area during the past three months has led to a 20% year-on-year increase in sales volumes. Parts and service levels continue to rise, and the Group has strong follow-up systems to retain customers after their warranties expire and they are no longer tied to the manufacturers' dealer networks.

First Car Rental is well positioned for growth, both in the local business and leisure sectors, and will take advantage of the expected increase in the foreign inbound market. Continued steady improvement is expected from the financial services segment. Together, these segments contribute 32% of the Group's profit before taxation.

The Group has a healthy balance sheet, capable and experienced management team, and is a strong cash generator. The principal manufacturers represented are sound long-term operators in the South African market, and we have a mutually-beneficial relationship with them.

On this basis I believe the Group will emerge favourably from a difficult year.

ACKNOWLEDGMENTS

The growth in earnings is testimony to the Group's dedicated staff, led by a strong and experienced executive committee. I take this opportunity to congratulate them and thank them for their untiring efforts and support during a challenging year. I appreciate the support of the Group's business partners, particularly the motor manufacturers, insurers and banks, and acknowledge the role played by the motor finance houses which fund our customers.

To my fellow board members, led by chairman John Edwards, I thank you for your collective support and experience during the year. As always, it is valued and appreciated.

JD McIntosh
Chief Executive Officer

14 April 2016

CORPORATE GOVERNANCE

KING III: AN OVERVIEW

KEY	✔ Compliant	# Partially compliant
1		**ETHICAL LEADERSHIP AND CORPORATE CITIZENSHIP**
1.1	✔	Effective leadership based on an ethical foundation
1.2	✔	Responsible corporate citizen
1.3	✔	Effective management of Group's ethics
2.		**BOARDS AND DIRECTORS**
2.1	✔	The Board is the focal point for and custodian of corporate governance
2.2	✔	Strategy, risk, performance and sustainability are inseparable
2.3	✔	Effective leadership based on an ethical foundation
2.4	✔	Responsible corporate citizen
2.5	✔	Effective management of Group's ethics
2.6	✔	Effective and independent audit committee
2.7	✔	The Board is responsible for the governance of risk and setting levels of risk tolerance
2.8	✔	The Board is responsible for information technology (IT) governance
2.9	✔	The Board ensures that the Group complies with relevant laws
2.10	✔	Effective risk-based internal audit
2.11	✔	Appreciation that stakeholders' perceptions affect the Group's reputation
2.12	✔	Ensures the integrity of the Group's integrated annual report
2.13	✔	Assessment of the effectiveness of the Group's system of internal controls
2.14	✔	Directors act in the best interests of the Group
2.15	✔	Consideration of business rescue proceedings and other turnaround mechanisms
2.16	✔	The chairman of the Board is an independent non-executive director
2.17	✔	Appoints chief executive officer and establishes framework for the delegation of authority
2.18	✔	The Board comprises a balance of power, with a majority of non-executive directors who are independent
2.19	✔	Directors are appointed through a formal process
2.20	#	Formal induction and ongoing training of directors is conducted (note 1)
2.21	✔	The Board is assisted by a competent, suitably qualified and experienced company secretary
2.22	✔	Annual performance evaluations of the Board, its committees and the individual directors
2.23	✔	Appointment and delegation of certain functions to well-structured committees
2.24	✔	An agreed governance framework between the Group and its subsidiary Boards is in place
2.25	✔	Directors and executives are fairly and responsibly remunerated
2.26	#	Remuneration of directors and senior executives is disclosed (note 2)
2.27	✔	The Group's remuneration policy is approved by its shareholders
3.		**AUDIT COMMITTEE**
3.1	✔	Effective and independent
3.2	✔	Suitably skilled and experienced independent non-executive directors
3.3	✔	Chaired by an independent non-executive director
3.4	✔	Oversees integrated reporting
3.5	✔	A combined assurance model is applied to provide a co-ordinated approach
3.6	✔	Satisfies itself of the expertise, resources and experience of the Group's finance function
3.7	✔	Oversees internal audit
3.8	✔	Integral to the risk management process
3.9	✔	Recommends the appointment of the external auditor and oversees the external audit process
3.10	✔	Reports to the Board and shareholders on how it has discharged its duties

KING III: AN OVERVIEW continued

4.	**GOVERNANCE OF RISK**	
4.1	✔	The Board is responsible for the governance of risk
4.2	✔	The Board is responsible for determining the levels of risk tolerance
4.3	✔	The audit and risk assessment committee assists the Board in carrying out its risk responsibilities
4.4	✔	The Board delegates the risk management plan to management
4.5	✔	The Board ensures that risk assessments are performed on a continual basis
4.6	✔	Frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks
4.7	✔	Management considers and implements appropriate risk responses
4.8	✔	The Board ensures continual risk monitoring by management
4.9	✔	The Board receives assurance of the effectiveness of the risk management process
4.10	✔	Complete, timely, relevant, accurate and accessible risk disclosure to stakeholders
5.	**THE GOVERNANCE OF INFORMATION TECHNOLOGY**	
5.1	✔	The Board is responsible for information technology (IT) governance
5.2	✔	IT is aligned with the performance and sustainability objectives of the Group
5.3	✔	Management is responsible for the implementation of an IT governance framework
5.4	✔	The Board monitors and evaluates significant IT investments and expenditure
5.5	✔	IT is an integral part of the Group's risk management
5.6	✔	IT assets are managed effectively
5.7	✔	The audit and risk assessment committee assists the Board in carrying out its IT responsibilities
6.	**COMPLIANCE WITH LAWS, RULES, CODES AND STANDARDS**	
6.1	✔	The Board ensures that the Group complies with relevant laws
6.2	✔	The Board and each individual director has a working understanding of the effect of applicable laws, rules, codes and standards on the Group
6.3	✔	Compliance risk forms an integral part of the Group's risk management process
6.4	✔	The Board has delegated to management the implementation of an effective framework and processes
7.	**INTERNAL AUDIT**	
7.1	✔	Effective risk-based internal audit
7.2	✔	Internal audit follows a risk-based approach to its plan
7.3	✔	Written assessment of the effectiveness of the Group's system of internal controls and risk management
7.4	#	Audit and risk assessment committee is responsible for overseeing internal audit (note 3)
7.5	✔	Internal audit is strategically positioned to achieve its objectives
8.	**GOVERNING STAKEHOLDER RELATIONSHIPS**	
8.1	✔	Appreciation that stakeholders' perceptions affect the Group's reputation
8.2	✔	Management proactively deals with stakeholder relationships
8.3	✔	There is an appropriate balance amongst the Group's various stakeholder groupings
8.4	✔	Equitable treatment of stakeholders
8.5	✔	Transparent and effective communication to stakeholders to build their trust and confidence
8.6	✔	Disputes are resolved as effectively, efficiently and expeditiously as possible
9.	**INTEGRATED REPORTING AND DISCLOSURE**	
9.1	✔	The Board ensures the integrity of the Group's integrated annual report
9.2	✔	Sustainability reporting and disclosure is integrated with the Group's financial reporting
9.3	#	Sustainability reporting and disclosure is independently assured (note 4)

1. *Limited induction of directors new to the Group's industry is conducted. Induction related to generic director responsibilities and legislation has not been necessary to date as new appointees are experienced directors who are familiar with their roles and responsibilities as directors. Specific induction requirements will be considered for future appointees.*
2. *The remuneration of the three most highly-paid employees who are not directors has not been disclosed. The Board believes that such information is private to the individuals concerned, sensitive to peer review, and adds no value to stakeholders. The Board confirms that no such employee earns in excess of the executive directors.*
3. *The internal audit function is not subjected to an independent quality review as the Board does not believe this will add value.*
4. *Systems for the measurement and monitoring of various sustainability issues have been implemented. Sustainability reporting is not independently assured as the Board does not believe this will add value.*

BACKGROUND

The King Code of Governance for South Africa 2009 ("King III") became effective on 1 March 2010. In terms of the JSE Limited Listings Requirements, the Group is required to report in line with the principles of King III.

The Board of directors ("the Board") of Combined Motor Holdings Limited ("CMH") is fully committed to business integrity, fairness, transparency and accountability in all its activities. To this end the Board subscribes to high standards of corporate governance in all aspects of the business and to the ongoing development and implementation of best business practices.

King III has adopted the "apply or explain" approach, which encourages consideration of how and whether the principles and recommendations can be applied. It is the duty of the Board to act in the best interests of CMH and its subsidiaries ("the Group") and, in following the "apply or explain" approach, the Board may decide that to follow a particular principle would not be in such best interests. The Group may apply an alternative practice, or decide that the principle adds no value due to the nature, size and scope of its operations, and still achieve the objective of the overreaching corporate governance principles. Where the cost of compliance is burdensome in terms of both time and direct cost, and there is a concern that the Board and management become focused on compliance issues at the expense of entrepreneurship, the Board has strived to achieve a balance which is appropriate to the Group. It is the duty of the Board to undertake risk for reward in order to increase the economic value of the Group. If the Board has an undue focus on compliance, the attention towards financial performance may be diluted.

The Board recognises that the ultimate compliance officers are the various stakeholders of the Group. They will, by their continued support or lack thereof, let the Board know whether they accept the Group's departure from a recommended practice. The Group aims to provide accurate, complete and reliable information in respect of financial and non-financial reporting through the strengthening of its overall control environment.

ETHICAL LEADERSHIP AND CORPORATE CITIZENSHIP

The Board recognises that good corporate governance emanates from effective, responsible leadership, which is characterised by the ethical values of responsibility, accountability, fairness and transparency.

To this end the Board has:

- accepted responsibility for ensuring that management activity cultivates a culture of ethical conduct and that the highest level of integrity permeates all aspects of the Group's business; and
- developed a Code of Ethics to provide guidance to all employees to ensure they act with uncompromising honesty and integrity. The Code is communicated to each employee at time of engagement, is reinforced at meetings of the executive committee ("Exco"), dealer principals and staff, and is posted on the Group's internal website. The Code aims to guide every level of the business in terms of expected behaviour and practices with reference to interaction with all material stakeholders. The Group's performance in this area is monitored by reference to the number of instances of unethical behaviour detected by management and the internal audit department, or reported via the outsourced, anonymous, toll-free hotline.

BOARDS AND DIRECTORS

Role

The role and responsibilities of the Board are set out in a charter which has been adopted and signed by each director. The Board recognises that its paramount responsibility is the positive performance of the Group in creating value. This value creation is designed to satisfy the legitimate interests and expectations of all stakeholders.

Function

King III imposes various specific responsibilities on the Board. The directors embrace these and acknowledge that the Board has primary responsibility for ensuring that:

- Group strategy, risk, performance and sustainability are inseparable;

  The Board plays a prominent role in the strategy development process and ensures that it is aligned with the purpose of the Group and its value drivers. Key performance indicators are identified in areas of finance and sustainability. Such indicators are clear and measurable and, if attained, result in profitable and sustainable results.

- it provides effective leadership based on an ethical foundation of responsibility, accountability, fairness and transparency;

  The Board takes active measures to ensure that the Group's code of conduct is adhered to in all aspects of business.

- the Group is and is seen to be a responsible corporate citizen;

  The Board is not merely responsible for the Group's financial bottom line, but for its performance within the triple context in which it operates: economic, social and environmental.

- the Group has an effective and independent audit and risk assessment committee;

  Full details of the audit and risk assessment committee are provided on pages 20 and 21.

- the Board has an effective system for the governance of risk;

Whilst management has responsibility for the implementation of the risk management plan and for providing assurance to the Board in this regard, the Board ensures, through the audit and risk assessment committee, that risk monitoring is a continual process and that risk assessments are performed on an ongoing basis with appropriate risk responses.

In addition, the Board ensures that the frameworks are such that they increase the probability of anticipating unpredictable risks, and that appropriate risk disclosure is made to stakeholders.

- the Board understands and manages the risks, benefits and constraints of the information technology ("IT") department. These include the relevant structures, processes and mechanisms to enable IT to facilitate the achievement of the Group's strategic objectives;

  Full details on IT governance are provided on page 23.

- the Group complies with applicable laws and considers adherence to non-binding rules, codes and standards;
- there is an effective risk-based internal audit function and an adequate system of internal controls;

  Full details are provided on pages 23 and 24.

- there is an appreciation that stakeholders' perceptions affect the Group's reputation;

  Whilst Exco is tasked with managing stakeholder relationships, the Board gives due consideration to the effect of stakeholder perceptions on the Group's reputation and strives to optimise the impact on various stakeholder groupings in its decision-making processes.

- the Board underpins the integrity of the Group's integrated report; and
- the Board and its members act in the best interests of the Group.

Leadership

The position of chairman is held by an independent non-executive director, JTM Edwards, whose role is clearly defined and separate from that of the chief executive officer ("CEO"), JD McIntosh.

Both the chairman and CEO provide leadership and guidance to the Board, encouraging deliberation on all matters requiring the Board's attention, and obtaining optimum input from the other directors.

Composition

In line with the requirements of King III, the Board comprises a majority of independent non-executive directors. The current Board structure consists of eight directors, six of whom are independent non-executive, and two executive. The executive directors are full-time salaried employees of the Group.

Three sub-committees, viz. audit and risk assessment, remuneration, and social, ethics and transformation, have been appointed to assist the Board in the discharge of its duties. The Board and its committees are currently constituted as follows:

MAIN BOARD

Independent non-executive directors

JTM Edwards (chairman)
LCZ Cele
JS Dixon
ME Jones (appointed April 2015)
JA Mabena
MR Nkadimeng (appointed August 2015)

Executive directors

JD McIntosh (chief executive officer)
SK Jackson (financial)

Directors

The non-executive directors come from diverse backgrounds in commerce and industry. They bring with them a wide range of experience, insight and independent judgement on issues of strategy, performance, resources, marketing and standards of conduct. Collectively they are ultimately responsible for the performance of the Group, its long-term sustainable growth and enhancement of shareholder value.

The Board is responsible for the appointment of the CEO and for providing input on the appointment of the financial director and other senior executives. The collective responsibilities of management vest in the CEO who bears ultimate responsibility for all management functions and duties.

All directors have unrestricted access to the chairman, CEO, financial director and company secretary. Directors are encouraged, at the reasonable cost of the Group, to seek independent, professional advice on all matters which they consider necessary. Meetings of the Board and its sub-committees are held at varying intervals during the year. The chairman and CEO encourage full and proper deliberation on all matters requiring the Board's attention and obtain optimum participation and input from all directors.

Attendance at meetings during the year under review, is provided on page 17.

Director appointment and tenure

Newly-appointed directors hold office until the next annual general meeting, at which time they retire and become eligible for re-election. After three years each of the non-executive directors is subject to retirement by rotation. The Board recommends re-election by the shareholders after due consideration is given to the individual director's past attendance and performance.

Where the Board believes that it will benefit from the appointment of a new director with skills and expertise that will complement those of existing members, an *ad hoc*

ATTENDANCE AT MEETINGS DURING THE YEAR UNDER REVIEW					
Director	**Full Board**	**Audit and risk assessment committee**	**Remuneration committee**	**Social, ethics and transformation committee**	**Executive committee**
LCZ Cele	3/3	1/1	2/2	2/2	
MPD Conway	2/2			1/1	3/3
JS Dixon	3/3	2/2			
JTM Edwards	3/3	2/2*	2/2	2/2*	
SK Jackson	3/3	2/2*	2/2*		5/5
ME Jones	2/2	1/1			
JA Mabena	3/3		1/1	1/1	
JD McIntosh	3/3	2/2*	2/2*	2/2	5/5
MR Nkadimeng	1/1	1/1			
N Siyotula	2/2	1/1		1/1	
II Zimmerman	2/2				

** By invitation.*

nominations committee will be formed. The committee will consider proposals and input from all directors before making a recommendation for approval by the Board. Non-executive directors have no fixed term of employment.

New directors are provided with basic induction, the objective of which is to maximise their understanding of the Group and its industry, enabling immediate input and decision-making. To date new appointees have been experienced directors and are thus familiar with the general business environment, sustainability issues and legislative duties and responsibilities of directors. Accordingly, induction in these areas has not been necessary. Specific induction requirements will be considered for future appointees.

There are no long-term contracts of service between the Group and any of the executive directors, and both are terminable after one month's written notice.

Independence assessment

Independent directors are those who are independent in fact and in the perception of a reasonably informed outsider. Independence reduces the possibility of conflict of interest and promotes objectivity. An evaluation of the independence of directors is conducted each year.

Each of the non-executive directors meets the independence criteria. Despite being nominees of Thebe Investment Corporation ("TIC"), the Group's empowerment partner, JA Mabena and MR Nkadimeng do meet the independence criteria in terms of King III. TIC does not have the ability to control or significantly influence the Board, the directors' personal interest in the Group is less than 5% of issued shares, and is not material to their respective personal wealth.

Of the independent non-executive directors, JTM Edwards is approaching his fourteenth year in office, having been appointed in 2002. The Board has rigorously examined his position and, after due consideration and discussion with him, concluded that his long association with the Group has not impaired his independence.

Board charter

The Board is governed by a formal charter supported by relevant authority limits. The charter has been reviewed and amended where necessary to align with the King III requirements, and is updated periodically to incorporate developing best practice.

Board meetings

The Board has three scheduled meetings each year, and these are augmented when necessary with meetings held at short notice. Proceedings at meetings are directed by a formal agenda. The proposed agenda is circulated prior to the meeting to allow Board members sufficient opportunity to request additional agenda items.

In addition, a comprehensive board pack is distributed to all directors in advance of meetings to ensure they are properly informed and enable them to undertake meaningful discussion and effectively discharge their duties. These packs typically include:

- agenda;
- previous meeting minutes;
- documentation in support of all matters on the agenda;
- update on matters arising since the last Board meeting; and
- governance update to assist directors in remaining abreast of relevant legislation.

Performance assessment

In line with the requirements of King III the Group conducts a formal annual appraisal of the Board and its committees. Where deficiencies are identified, plans are immediately developed and implemented for the director concerned to acquire the necessary skills and/or to develop appropriate behavioural patterns.

Subsidiary boards of directors

When deliberating on matters pertaining to CMH, the Board is always mindful of the impact that decisions may have on subsidiaries. The Board recognises the fiduciary duties of the directors of subsidiaries who are not directors of CMH.

Directors' share dealings

The Board complies with the JSE Limited Listings Requirements in relation to restrictions on the trading of CMH's shares by directors and Exco members during the defined closed periods. Restrictions may also be placed on share dealings at other times if the Group is involved in corporate activity or sensitive negotiations. The company secretary notifies all directors and Exco members prior to the commencement of the closed trading periods, which commence 15 days before the half-year and year-end, and end on the date the respective results are published. Details of directors' share dealings are disclosed to the listings division of the JSE Limited and communicated through its electronic news service, SENS. There is a process in place in terms of the JSE Limited Listings Requirements for directors to obtain prior clearance before dealing in the Company's shares. All transactions, except those arising from a Group share incentive scheme, are conducted at the ruling market price on the JSE Limited.

Directors' interests in contracts

In addition to a formal annual disclosure process, directors are required to make ongoing disclosures of any interests in contracts. The interests of directors in contracts is disclosed in note 32 to the attached financial statements.

Executive directors are not permitted to hold non-executive directorships in any outside companies, except personal interest companies and non-profit companies.

Directors' shareholdings are recorded on page 70.

Succession

The Board holds the responsibility to ensure adequate succession planning for all main Board directors, committees and members of Exco. It is appreciated that advanced planning is the key to succession, and due consideration is given to this on an ongoing basis.

COMPANY SECRETARY

The company secretary is appointed by the Board in compliance with the Companies Act and the JSE Limited Listings Requirements. The appointee is not a director of the Company, but provides the Board with guidance on discharging its responsibilities, and advice on matters of ethics and corporate governance. All dealings between the Board and the company secretary are on an arm's-length basis.

The Board considers, on an annual basis, the competence, qualifications and experience of the company secretary.

K Fonseca CA (SA) was appointed company secretary in 2010. She is a qualified chartered accountant with 16 years' post-graduate experience, of which ten years have been with the Group. The Board considers her to be suitably qualified and experienced.

In considering her level of competence the Board has reviewed the:

- timing and frequency of meetings of the Board and its various sub-committees;
- timing and content of agendas and supplementary information provided for each meeting;
- timeous distribution and accurate content of minutes of meetings;
- dissemination of financial, share trading and other information to the JSE Limited for release on SENS;
- update of statutory information in the Company's records and submission to the Companies and Intellectual Property Commission; and
- quality and frequency of interaction with Board and executive committee members.

The Board has concluded that she has executed her responsibilities with the required level of competency. The Certification by the Company Secretary is recorded on page 28.

MAIN BOARD COMMITTEES

The main Board has delegated specific responsibilities to Board committees, each with its own charter that defines its powers and duties. The committees review their charters on an annual basis. All committees are chaired by an independent non-executive director.

The Board committees meet independently and provide feedback to the main Board through their chairpersons. In addition, the minutes of all committee meetings are included in the main board packs and all directors are given the opportunity to raise any questions or concerns arising from these minutes.

The composition of these committees as well as changes thereto during the current year are reflected later in this report.

Remuneration committee

Members:

- LCZ Cele (independent non-executive) – chairman
- JTM Edwards (independent non-executive)
- JA Mabena (independent non-executive) (appointed May 2015)

In May 2015, JTM Edwards stood down as chairman of the Committee and was replaced by LCZ Cele, who has been a member of the committee since 2014. When appointing a chairman to the committee, the following factors are taken into account:

- knowledge of remuneration practices and processes;
- general experience as a business leader;
- understanding of the retail motor industry; and
- understanding of CMH's culture and business.

Against these criteria, it was considered appropriate that LCZ Cele be appointed as Chairman of the remuneration committee. The Board is satisfied that the committee, as presently constituted, is adequate to perform its functions.

Attendance at meetings is recorded on page 17. The committee is charged with the responsibility of ensuring that the Group has a transparent procedure for developing policies on executive remuneration and determining remuneration packages of individual directors and senior executives within agreed terms of reference and within the framework of good corporate governance. Such packages are designed to ensure that executives are fairly and appropriately remunerated for their contribution to the operating and financial performance of the Group, and the value created over the long term. The committee aims to promote a culture that supports enterprise and innovation with an appropriate mix of short-term and long-term performance-related rewards that are fair and challenging.

Remuneration report

The Group's remuneration report, as recorded below, will be tabled at the annual general meeting for a non-binding advisory vote. This vote will enable shareholders to express their views on the Group's remuneration policies adopted, and on their implementation.

Elements of executive remuneration

The remuneration of executive directors and Exco members comprises the following four principal elements:

- base salary;
- annual performance-related awards;
- share incentive awards; and
- other benefits.

The committee seeks to ensure an appropriate balance between the fixed and performance-related elements of remuneration, and between those aspects of the package aligned to short-term financial performance and those linked to longer-term shareholder value creation. The policy relating to each component of remuneration is summarised below:

Base salary

The base salary of each executive is subject to annual review and is set to be responsible and competitive with reference to external market practice in similar companies which are comparable in terms of size, market sector and business complexity. Group performance, individual performance and changes in responsibilities are also taken into account when determining annual base salaries.

Annual performance-related awards

All executives are eligible to receive a performance-related annual award. The award is partly contractual and partly non-contractual, and is not pensionable. The committee reviews awards annually and determines the level of the award based on performance criteria set at the start of the performance period. In respect of executive directors, the criteria are based on overall Group performance in terms of earnings growth, return on shareholders' funds, attainment of Black Economic Empowerment targets and cash flow generation. At Exco level the criteria are closely aligned to those areas which each member has the ability to affect and control. These include divisional operating profit, working capital management and performance against manufacturer targets, and take into account the overall level of accountability assigned to each Exco member.

Share incentive schemes

Two long-term incentive plans have been approved by shareholders. Participation in the schemes by executives is based on criteria set by the committee. The schemes embody the following elements:

Share Appreciation Rights ("SAR") Scheme

Selected participants receive periodic grants of SARs, which are conditional rights to receive CMH shares equal in value to the difference between the exercise price and the grant price. Vesting of rights is subject to performance conditions. The performance conditions and performance period are determined by the committee in respect of each new grant of rights.

The targets and measuring terms relating to each issue are detailed in the letter of grant. After vesting, the rights will become exercisable. Upon exercise by a participant, the relevant employer subsidiary will settle the value representing the difference between the exercise price and the grant price by delivering CMH shares that will constitute a fresh issue or be purchased on the open market or, as a fall-back provision only, by settling the value in cash.

Details of SARs granted to employees to date are reflected in note 14 to the financial statements. During the year under review 1 650 000 new SARs were issued. The total number awarded to date is 7 320 000. These may be exercised in equal instalments over three, four and five years of service. During the current year 1 380 000 rights vested and were exercised by employees. 120 000 rights were forfeited and cancelled.

Forfeitable Share Plan ("FSP")

A FSP entails the free award of CMH shares subject to forfeiture and disposal restrictions until the expiry of the vesting period, intended to be over three to five years. Participants will have all shareholder rights (including voting and dividend rights) from the award date.

No FSP awards have been made.

Retirement and medical aid
Executives participate in contributory retirement schemes, which provide retirement, death and disability benefits, and medical aid schemes.

Other benefits
Executives are entitled to a car allowance or the use of a fully-expensed vehicle, and reimbursement of reasonable business expenses.

Non-executive directors' fees
Directors' fees take into account the estimated time which a director is expected to dedicate to Group affairs, and the personal responsibility which the position entails. Fees are proposed by the remuneration committee in conjunction with the executive directors, and recommended by the Board for approval by shareholders.

Directors' emoluments
Directors' emoluments and participation in long-term incentive plans are recorded on pages 69 and 70.

Contrary to the requirements of King III, the emoluments of the three most highly-paid employees who are not directors of CMH have not been disclosed. The Board believes that this information is confidential to the employees concerned and adds no value to stakeholders. However, it confirms that no employee earned in excess of the executive directors.

Audit and risk assessment committee

Members:

- JS Dixon (independent non-executive) - chairman
- ME Jones (independent non-executive) (appointed May 2015)
- MR Nkadimeng (independent non-executive) (appointed August 2015)

The committee is vital to ensure, *inter alia,* the integrity of integrated reporting and internal controls, and identify and manage business risks. The members of the committee are elected annually at the annual general meeting from a list of suitable candidates presented by the Board. The committee performs its functions in terms of a written charter, which is reviewed annually and approved by the Board.

The committee meets formally twice a year. Attendance details are recorded on page 17. In addition, the members meet at least twice annually with the external and internal auditors, without management's presence.

The qualifications of the committee members are disclosed on the inside back cover. The Board is satisfied that collectively the committee members have a sound knowledge and understanding of integrated reporting, internal financial controls, the external and internal audit process, corporate law, risk management and IT governance, and sustainability issues. Subject to approval by shareholders, the Board nominates the committee and its chairman, who is a person able to lead constructive dialogue with Group executives, the internal and external auditors, and Board members. The chairman is present at the annual general meeting to answer questions on the committee's activities and matters within the scope of its responsibilities.

The role and functions of the committee, and the manner in which it has discharged its responsibilities, are as follows:

Oversee integrated reporting

- evaluate significant judgements and reporting decisions made by management, including changes in accounting policies and decisions requiring a significant element of judgement;
- be informed of any monitoring or enforcement actions and involved in management's response thereto;
- consider any evidence that comes to its attention that brings into question any previously-published Group information;
- review forward-looking statements of financial or sustainable information to ensure their credibility;
- review and comment on the annual and interim financial statements, accounting practices and internal financial controls; and
- review management's statement regarding the going-concern status of the Group.

The committee has discharged this function by:

- taking appropriate steps to ensure that the financial statements are prepared in accordance with International Financial Reporting Standards, the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee, the Financial Pronouncements, as issued by the Financial Reporting Standards Council, and the Companies Act, 2008;
- considering and, when appropriate, making recommendations on internal financial control;
- dealing with concerns or complaints relating to accounting policies, internal audit and internal financial controls; and
- recommending to the Board that the financial statements and integrated report be approved, and that the Group's status as a going concern be confirmed.

Ensure that a combined assurance model is applied to promote a co-ordinated approach to assurance activities
The committee has satisfied itself that the combined assurance provided by internal and external assurance providers and management is sufficient to address significant risk areas within the Group and to ensure that suitable controls exist to mitigate and reduce these risks.

Satisfy itself of the expertise, resources and experience of the Group's finance function
The committee has evaluated and satisfied itself of the suitability of the expertise and experience of the financial director, SK Jackson, and the adequacy of resources and expertise of the finance department and its senior management.

Accept responsibility for overseeing of internal audit
The committee has satisfied itself that the Group's internal audit function is independent and has the necessary resources, budget, standing and authority within the Group to enable it to discharge its functions. The internal audit plan has been considered and approved, and areas of overlap between internal and external audit identified so as to optimise the combined assurance model. There is regular communication between the committee chairman and the chief audit executive who also reports on its activities for the period at each committee meeting.

Accept responsibility for the Group's risk management function
Full details of the committee's role and function in this area are provided on page 22.

Oversee the appointment of the external auditor and the external audit process

- recommend to shareholders the appointment, reappointment and removal of the external auditor;
- approve the external auditor's terms of engagement and remuneration;
- review, monitor and report on the external auditor's independence and objectivity;
- define, for Board approval, a policy addressing the nature, extent and terms under which the external auditor may perform non-audit services; and
- develop a process in terms of which the committee receives, and communicates to the Board, any notices of reportable irregularities reported by the external auditor.

The committee reviewed and approved the external audit plan and the external auditor's terms of engagement and remuneration. It is satisfied, after due consideration, that the external auditor is independent of the Group, and able to express an objective opinion. The reappointment of PricewaterhouseCoopers, and the lead partner, SF Randelhoff, were reviewed and recommended for approval by shareholders at the forthcoming annual general meeting.

A formal report to shareholders by the chairman of the committee is set out on page 28.

Social, ethics and transformation committee

Members:

- LCZ Cele (independent non-executive) – chairman
- JA Mabena (independent non-executive) (appointed October 2015)
- JD McIntosh (chief executive officer)

The committee's charter contains terms of reference that ensure that the Group performs its duties in terms of the Companies Act, 2008, and King III.

In compliance with these regulations, the committee has endeavoured to monitor the Group's activities and level of compliance with relevant legislation and codes of best practice with regards to those issues recorded in Regulation 43(5) of the Companies Act Regulations, 2011. Attendance at meetings is reflected on page 17.

The committee is satisfied with the Group's progress during the year, and its plans for the year ahead. There were no matters of a material nature which the committee deemed necessary to bring to the attention of the Board.

A formal report to shareholders by the chairman of the committee is set out on page 28.

Executive committee

Assisting the CEO in the discharge of his overall responsibility for the day-to-day management of the Group is the Exco. Exco is comprised of the executive directors, JD McIntosh (CEO) and SK Jackson (finance director), and the members listed below.

Exco member	Function	Age	Years of service
SL Atkinson	Motor retail	55	21
BWJ Barritt	Car hire	57	16
JP de Bruyn	Customer finance and insurance	61	35
K Fonseca	Company secretary, chief audit executive	41	10
RJ Minnaar	Information technology	52	26
TH Morey	Motor retail	48	20
S Singleton	Motor retail	52	13
CG Webber	Motor retail	47	16

The Exco members represent the key management of the Group. Their wide range of complementary skills, together with their years of experience in their particular fields of expertise, justify their selection to Exco. None of the members of Exco (other than the executive directors) has the individual authority to exercise executive control over and management of the whole, or a significant portion, of the business and activities of the Company or the Group. Consequently the Board considers that they do not meet the Companies Act definition of "prescribed officers" and their remuneration is not individually recorded in this report. The Board confirms that no Exco member earns in excess of the executive directors.

THE GOVERNANCE OF RISK

The Board recognises the critical role of risk management in the Group and accepts responsibility for the governance of risk through formal processes which include the total system and process of risk management. The Group operates within an effective risk management framework in the normal course of its business. All material risks are identified, managed and mitigated to within acceptable levels, to enable sustainable growth of the Group.

The Board has assigned oversight of the Group's risk management function to the audit and risk assessment committee. The committee gives due consideration to the effectiveness of the risk management activities, the key risks facing the Group, and the responses identified to address them.

Group management is responsible for designing, implementing and monitoring the risk management plan, and integrating it into the day-to-day activities. Whilst formal accountability to the Board lies with the CEO, it is appreciated that risk management requires an all-inclusive approach for effective operation. A systematic, documented, formal risk assessment is conducted annually. Potential risks are categorised firstly by "likelihood of occurrence" in the short and medium-term future, and then by "level of impact". Where possible, risks are quantified and tolerance levels set.

Risk review

The primary risks identified by the Group, and management's strategies to reduce the impact thereof, are as follows:

Financial risks

- full details of the Group's exposure to a variety of financial risks is disclosed on page 44

Low economic growth

- rapid reduction of working capital assets
- close monitoring of accounts receivable levels and quality
- review of operation overheads and efficiencies
- maximise efforts to retain existing customers and attract new customers by the provision of good service and follow up

Information technology

- appropriate disaster recovery and business continuity plans
- decentralisation of systems
- implementation of access controls and segregation of duties
- emphasis on IT data security and protection of sensitive information

Management succession

- identification of individuals within the Group for training and leadership focus
- mentoring members of Exco to be the Group's leaders of tomorrow
- extensive training programmes for lower management levels and technical staff

Key suppliers

- diversification of product range to reduce dependency on a single supplier
- development of good working relationships with principal suppliers

Business continuity

- diversification of business across many geographically-dispersed operating units
- wide range of key suppliers
- wide range of product offerings
- compliance with B-BBEE legislation

Crime

- continual review of branch security
- strong internal financial controls
- established anti-hijacking measures
- anonymous, toll-free whistle-blowing facility for reporting of irregular activities
- gap analysis, being regular monitoring of actual profitability and working capital levels against budget

Legal compliance

- ongoing review of applicable legislation
- centralisation of selected specialist areas, eg. taxation and contracts, where compliance risk is high
- management awareness seminars on legislation amendments
- liaison with industry bodies on compliance issues

Insurance

The Group has in effect a comprehensive insurance policy administered by a reputable broker and underwritten by financially sound insurers. The principal areas of cover include:

- tangible assets – fire and allied perils;
- business interruption;
- public and employers' liability;
- directors' and officers' liability;
- fidelity;
- business travel;
- motor fleet (subject to limits recorded below); and
- riot, strike and civil commotion.

In all instances, cover is subject to an excess which must be borne by the Group, and which is within the Group's tolerance limits.

Because of the perceived high cost: benefit assessment, the Group has no insurance cover in respect of "on-road" motor vehicle losses such as accident damage and theft. The low aggregation risk and the predictability of these losses mitigates against insurance, but full provision for potential losses is provided internally.

To-date, no material unexpected losses have occurred in respect of these uninsured risks.

THE GOVERNANCE OF INFORMATION TECHNOLOGY

Information technology ("IT") is essential to manage and safeguard the transactions, information and knowledge necessary to initiate and sustain the Group. It is an integral part of the business and fundamental to its support, sustainability and growth. The Board is responsible for IT governance, being the framework that supports effective and efficient management of IT resources to facilitate the achievement of the Group's strategic objectives. The IT strategy is integrated with the Group's strategic and business processes.

Management is responsible for the implementation of the structures, processes and mechanisms to execute the governance framework. This is performed with a view to minimise IT risk, deliver value, ensure business continuity and efficiently and cost-effectively manage IT resources.

The individual responsible for the IT department is appointed by the CEO. He is suitably qualified and experienced and, being a member of Exco, interacts regularly on IT matters with both the Board and executive management.

The Group has a relatively low level of investment in IT hardware, the majority of it related to desktop equipment and communications devices. All software programmes and the hosting thereof are outsourced and used in terms of software licence and operating agreements. The principal programmes utilised by the Group are in respect of:

- retail motor dealer management;
- car hire management;
- payroll;
- emails, SMSs and web-hosting; and
- various marketing initiatives.

Programme updates, amendments and protection are controlled by the outsourced providers. Adequate measures are in place to govern information security management and privacy. A comprehensive disaster recovery programme has been documented.

The audit and risk assessment committee ensures that IT risks are adequately addressed through its risk management, monitoring and assurance processes.

Terms and conditions of use have been formulated and communicated to all users in respect of the Group's website, electronic communications and email messaging.

COMPLIANCE WITH LAWS, RULES, CODES AND STANDARDS

The Board is responsible for the Group's compliance with applicable laws and with any non-binding rules, codes and standards with which the Group has elected to comply. The responsibilities include:

- identifying and advising the Group on existing and new legislation that is applicable to the Group's business;
- facilitating compliance with relevant legislation and assigning responsibility for areas of compliance;
- facilitating compliance with internal policies, rules, guidelines and procedures; and
- monitoring of compliance.

The internal audit department works closely with the Board in monitoring compliance. Where significant deviations are detected, immediate remedial action is taken. The Board is not aware of any material areas of non-compliance during the year under review.

INTERNAL AUDIT

It is the responsibility of the Board to establish and maintain an effective risk-based internal audit function. The key responsibility of internal audit is to perform the following functions:

- evaluate the Group's governance processes, including ethics;
- ensure that the Group's financial processes are designed to minimise the possibility of material misstatement of reported results;
- perform an objective assessment of the effectiveness of risk management and the overall internal control framework;
- analyse business processes and associated controls; and
- provide information regarding instances of fraud, corruption, unethical behaviour and irregularities.

As such the audit process needs to be dynamic and flexible to adapt to ever-changing business operational and assurance needs.

An internal audit charter, considered and recommended by the audit and risk assessment committee, has been defined and approved by the Board.

The Group's internal audit team pursues a risk-based approach rather than a compliance approach. The risk-based approach assesses whether the process intended to serve as a control is an appropriate risk measure, rather than merely evaluating whether procedures have been adhered to.

The internal audit function is independent of management, and the chief audit executive ("CAE") is appointed by and reports directly to the chairman of the audit and risk assessment committee.

Through this committee, internal audit provides assurance to the Board regarding the effectiveness of the Group's systems of internal control and risk management. This assurance covers financial, operational and compliance issues. The CAE attends all audit and risk assessment committee meetings and provides the committee with a written assessment of the effectiveness of the Group's systems of internal control and risk management. The committee evaluates the performance of the internal audit function. However, this function is not subjected to an independent quality review. The Board considers that such review will not add value.

The CAE is a member of Exco and has a standing invitation to attend, as an invitee, any other committee meetings. The audit and risk assessment committee is of the opinion that the CAE and the internal audit team have the appropriate competencies and resources to fulfil their obligations.

GOVERNING STAKEHOLDER RELATIONSHIPS

The Board recognises the important role it has to play as the ultimate custodian of the corporate reputation of the Group and its relationships with stakeholders. Whilst management is responsible for the implementation of the policies and processes relating to stakeholder engagement, the Board performs an oversight role in ensuring that there are no significant gaps between stakeholder perceptions and the performance of the Group.

The Board acknowledges the importance of proactive engagement with all of its stakeholders and, in this connection, strives to foster sound relationships between the Group and each stakeholder grouping. The identified stakeholder groups include:

- employees;
- shareholders and investors;
- banks and other vehicle finance houses;
- customers;
- suppliers; and
- industry bodies.

The Board acknowledges that the main audience of this integrated report is shareholders and investors. Communication with these stakeholder groupings is primarily through formal means via the Group's website, the JSE stock exchange news service, the financial press (where this is required) and through the distribution of annual and interim reports.

Executive directors are accessible to investors, and regular meetings are held with shareholders, both current and prospective. In addition, invitations are extended to members of the Investment Analysts Society to attend results presentations to provide them with timeous and relevant information regarding financial performance and prospects.

A summary of the Group's engagement with its various stakeholders is as follows:

Employees

- regular dialogue and communication sessions
- team-building exercises
- notice boards
- newsletters
- training and development sessions
- internet and email
- branch visits

Shareholders and investors

- presentation of results
- investor relations meetings
- annual and interim reports, SENS and profit announcements
- annual general meeting
- Group website

Banks and other vehicle finance houses

- regular meetings with senior management

Customers

- interaction on dealership floors
- sales follow-up
- email and SMS

Suppliers

- daily communication with dealership staff
- periodic meetings with executive management

Industry bodies

- regular update sessions

Executive management strives to ensure that disputes are resolved expeditiously and effectively in a cost-efficient manner.

INTEGRATED REPORTING AND DISCLOSURE

Integrated reporting means a holistic and integrated representation of performance in terms of both finances and sustainability. Key to the Group's long-term success is providing deliverables to all stakeholders. The starting point is a sustainable return to shareholders. A profitable and cash-generating business is the foundation which underpins the Group's interactions with other stakeholders.

SUSTAINABILITY

Sustainability implies conducting business in such a manner as to meet present needs without compromising the ability of future generations to meet their own needs.

This section provides an overview of the principal focus areas which determine the Group's sustainability programme:

- **contributing positively to the economy by providing stable employment, generating business for local suppliers, paying taxes and supplying quality goods and services at value-driven, competitive prices.**

  Details of the Group's financial results are addressed throughout this report. A summary of pertinent financial information is contained in the table on page 25.

- **providing a safe place of work where employees are treated on an equal opportunity basis with open lines of communication, are trained and encouraged to participate to the maximum of their ability and are rewarded commensurate with their achievement.**

  Realising that there is no formal training school for tomorrow's leaders in the retail motor industry, the Group has invested extensively in skills development programmes for its current and potential departmental and branch managers, and technical staff. Further details are provided in the report on transformation on pages 25 and 26.

- **promoting sound environmental practices in all Group operations.**

  Operating as it does in the retail industry, the Group has a relatively low environmental impact. However, measures are being taken to determine the Group's utilisation of resources and implement steps to effect reductions. Further details are provided in the report on environmental issues on page 27.

TRANSFORMATION AND EMPLOYMENT EQUITY

The Board recognises the role it has to play in the transformation process. The social, ethics and transformation committee is tasked with ensuring that an appropriate strategy exists that aligns with the Broad-based Black Economic Empowerment Act, and that the Group complies with the principles embodied in the Skills Development Act and Employment Equity Act. The Board believes that development of initiatives in these areas will generate long-term benefits for the Group and the country as a whole.

Employment equity

Employment equity policies have been implemented within the Group to create an environment in which employees from previously disadvantaged backgrounds are trained, instructed, promoted and rewarded according to their initiative, loyalty and work ethic. The Group has, during each year since the inception of the Skills Development Act, exceeded its training targets. The Group has timeously submitted its report in terms of Section 21 of the Employment Equity Act and, as a result, has recouped in full its costs in respect of the Skills Development Levy. An extract of the most recent report submitted, as at 31 August 2015, is tabled on page 26 .

The Group continues to move towards an organisational structure which reflects the diverse mix of the population, and supports the principles embodied in the National Skills Development strategy.

The Board's philosophy regarding the appointment of management has been based on the concept of "merit with bias". Where there are a number of candidates who merit promotion to a particular position, then bias will be shown towards those from a disadvantaged background. It is not considered wise to promote managers, from whatever background, beyond their perceived level of competency and training.

During the year, the Group implemented numerous initiatives to accelerate transformation within the workplace. These focus primarily on recruitment, retention and skills development of previously disadvantaged individuals.

Skills development

Continued growth in the retail motor industry has led to a shortage of manpower skills. The Board has realised that there is no "training school" for previously disadvantaged dealership managers other than on-the-job experience and mentoring. Consequently, the Group's thrust has been to develop candidates from lower levels in the expectation that, given time, the "cream" will rise to higher positions.

As the service departments continue to provide a fertile source of dealership managers, significant focus is placed on workshop staff development and skills training. The Group continues to recruit recent matriculants onto the Merseta apprentice programme. The programme allows apprentices to qualify as artisan technicians over a period of two to three years. The Group currently has 85 apprentices employed on this programme. On average, approximately 60% of the apprentices that qualify are retained as artisan technicians within the Group.

KEY SUSTAINABILITY ISSUES AT A GLANCE

		2016	2015
Financial			
Revenue	(R'000)	**11 016 150**	10 832 583
Operating profit	(R'000)	**372 905**	318 252
Headline earnings per share	(cents)	**247,5**	194,6
Dividends paid per share	(cents)	**111,5**	82,5
Cash generated from operations	(R'000)	**596 122**	439 873
Cash resources	(R'000)	**498 254**	450 544
Return on shareholders' funds	(%)	**32,6**	25,3
Employment			
Number of employees		**2 671**	2 881
Revenue per employee	(R'000)	**4 124**	3 760
Total employee costs	(R'000)	**755 998**	754 356

EXTRACT FROM REPORT IN TERMS OF SECTION 21 OF THE EMPLOYMENT EQUITY ACT

	Male				Female				Foreign nationals		
Occupational levels	**A**	**C**	**I**	**W**	**A**	**C**	**I**	**W**	**M**	**F**	**Total**
Top management	1	–	2	57	2	3	2	18	1	–	86
Senior management	9	8	52	128	14	6	24	84	1	–	326
Professionally qualified and experienced specialists	210	53	136	280	82	23	28	108	13	2	935
Skilled technical and academically qualified	42	27	25	19	63	16	31	66	1	1	291
Semi-skilled	365	54	125	61	79	25	52	82	2	2	847
Unskilled	141	19	40	15	107	9	12	11	5	–	359
Total permanent	**768**	**161**	**380**	**560**	**347**	**82**	**149**	**369**	**23**	**5**	**2 844**
Temporary employees	18	–	5	5	5	–	–	8	–	–	41
Total August 2015	**786**	**161**	**385**	**565**	**352**	**82**	**149**	**377**	**23**	**5**	**2 885**
Total August 2014	773	195	422	621	273	92	169	405	17	1	2 968

Key: A = African C = Coloured I = Indian W = White M = Male F = Female

A further 10 Repair Shop Assistants ("RSAs") were identified during the year and placed on an accelerated program, through Merseta, to facilitate them qualifying as artisan technicians, based on their on-the-job experience in the Group, and subject to passing certain exams. All 10 RSAs were successful and are now qualified artisan technicians.

Short-term learnerships, specifically aligned towards the development of workshop front-line and finance and insurance personnel continue to be run. The car hire division also runs a 12-month learnership programme for first-time employees from previously disadvantaged backgrounds, providing them with on-the-job training in all departments. This enables the learners to gain general work experience and select areas in which they would like to specialise. Should the employees not be retained within the Group at the end of their contract, they will be in a position to find further employment having had work experience and operational training. A total of 56 learnerships were run during the year under review. Almost all of the learners are from previously disadvantaged background with a particular focus on African learners.

Broad-based black economic empowerment ("B-BBEE")

The aim of the Board is to achieve sustainable empowerment through alignment with the five elements of the amended B-BBEE codes, being: ownership, management control, skills development, enterprise and supplier development and socio-economic development. Management has assessed the implications of the amended, and considerably more challenging, scorecard on the Group. It has concluded that the Group's ratings will be severely down-rated as the proposed targets will be near impossible to attain in the current business environment in which the Group operates.

The Group's most recent scorecard ratings are recorded in the table following.

B-BBEE SCORECARD RATINGS (independently audited)

	Max	2016	2015
Total Group			
Ownership	20,0	**18,7**	19,2
Management control	10,0	**4,2**	4,6
Employment equity	15,0	**8,0**	7,3
Skills development	15,0	**5,8**	5,8
Preferential procurement	20,0	**13,0**	13,0
Enterprise development	15,0	**15,0**	15,0
Socio-economic development	5,0	**5,0**	5,0
	100,0	**69,7**	69,9
B-BBEE recognition level contributor		**4**	4
Car hire division			
Ownership	20,0	**18,7**	19,2
Management control	10,0	**5,4**	5,7
Employment equity	15,0	**10,5**	10,4
Skills development	15,0	**12,0**	12,0
Preferential procurement	20,0	**18,4**	15,8
Enterprise development	15,0	**15,0**	15,0
Socio-economic development	5,0	**5,0**	5,0
	100,0	**85,0**	83,1
B-BBEE recognition level contributor		**2**	3

HEALTH AND SAFETY

The Group's focus on responsible policies and practices with regards to Health and Safety ('HS') remains high.

A consistent Group-wide policy, approved by the Board, provides the core framework for standard processes. The policy is reviewed regularly, and updated where necessary.

Clear lines of responsibility are communicated to all employees. The dealer principal is the main responsible individual at each dealership for HS matters. He is supported by a Group HS manager, and an independent specialist who conducts monthly site inspections and quarterly audits. The Group HS manager reports to the Board on audit results and improvement recommendations.

ENVIRONMENTAL ISSUES

Operating as it does in the retail business sector, the Group is a relatively low consumer of basic utilities such as water and electricity, and consequently has a small carbon footprint. Nevertheless, the directors are aware of the negative impact which recent and projected steep rises in the cost of these utilities will have on Group profitability.

The Group has made a concerted effort to assess and monitor its energy use and, where practicable, to implement measures designed to reduce the environmental impact. The consumption reductions generated by the use of more efficient lighting and automated timing devices are monitored monthly and the estimated reduction in electricity consumption is in excess of 250 000 kilowatt hours per month.

The "CMH Green" waterless car wash system continues to be used throughout the Group. Through its showrooms and service departments the Group washes more than 2 200 vehicles daily. The resultant saving from the use of this system is estimated at 220 kilolitres of water per day.

At its larger outlets, where car washing and water usage is high, the car hire division has installed water filtration and recycling plants. Combined with rain water capture facilities, these systems have reduced consumption by up to 45%.

SOCIAL ISSUES

Whilst appreciating that long-term financial success is an essential component of stakeholder confidence, the directors recognise that the Group's operations and activities must be such that it is able to support the communities in which it operates, and ensure that its operations do not adversely impact the environment to the detriment of future generations.

The concept of sharing the wealth generated by Group operations has prompted the directors to select and support a wide range of charitable projects. These include:

- Training and Resources in Early Education;
- Kwamakhuta Comprehensive School;
- The Unit for Students with Disabilities at the University of the Free State;
- Teachers Across Borders South Africa;
- Masigcine Children's Home; and
- Wildlands Conservation Trusts's Rhino Aerial Support Project.

The Group also provides free use of vehicles to the following charitable organisations:

- Reach for a Dream;
- Mike Procter Foundation for Development Cricket;
- Children of Fire;
- Wet Nose Animal Rescue Centre; and
- Child Welfare.

REPORT OF THE AUDIT AND RISK ASSESSMENT COMMITTEE

The audit and risk assessment committee was appointed by shareholders in respect of the year ended 29 February 2016. All members are independent non-executive directors of the Company. The committee is satisfied that, in respect of the financial year, it has performed all the functions required to be performed by an audit committee as set out in the Companies Act, 2008, the committee's terms of reference, and as more fully set out in the Corporate Governance Report on pages 20 and 21.

Nothing has come to the attention of the committee that would lead it to believe that the Group's system of internal control is not adequate or effective.

The committee has satisfied itself that the external auditor, PricewaterhouseCoopers Inc., is independent of the Company and the Group having given due consideration to the parameters enumerated in section 94(8) of the Companies Act, 2008, and the principles contained in the King Code of Governance for South Africa 2009. The appointment of SF Randelhoff as the designated auditor is in compliance with the Auditing Profession Act, 2005, and the JSE Limited Listings Requirements.

The committee has recommended the integrated annual report to the Board for approval.

JS Dixon
Chairman

14 April 2016

REPORT OF THE SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE

The social, ethics and transformation committee has performed all the functions required to be performed by the committee as set out in Regulation 43(5) of the Companies Act Regulations, 2011. These functions include monitoring the Group's activities relating to social and economic development, good corporate citizenship, the environment, health and public safety, consumer relationships, and labour and employment.

The committee has satisfied itself that the Group's activities have regard to relevant legislation and prevailing codes of best practice in each of the relevant areas.

LCZ Cele
Chairman

14 April 2016

CERTIFICATION BY THE COMPANY SECRETARY

In my capacity as company secretary, I hereby confirm that, for the year ended 29 February 2016, the Company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Companies Act, 2008, and that all such returns are true, correct and up to date.

K Fonseca
Company secretary

14 April 2016

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

FOR THE YEAR ENDED 29 FEBRUARY 2016

The Board of directors reports with reference to both the Company and the Group.

The directors are responsible for the preparation, integrity and fair presentation of the financial statements. The financial statements presented on pages 33 to 71 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee, Financial Pronouncements, as issued by the Financial Reporting Standards Council, and in the manner required by the Companies Act, 2008, and include amounts based on judgements and estimates made by management.

The directors consider that in preparing the financial statements they have used the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all IFRSs that they consider to be applicable have been followed.

The directors are satisfied that the information contained in the financial statements fairly presents the results of operations for the year and the financial position of the Company and Group at year-end. The directors also prepared the other information included in the integrated annual report and are responsible for both its accuracy and its consistency with the financial statements.

The directors have responsibility for ensuring that accounting records are kept. The accounting records should disclose with reasonable accuracy the financial position of the Company and the Group to enable the directors to ensure that the financial statements comply with the relevant legislation.

The Company and the Group operated in a well-established control environment, which is well documented and regularly reviewed. This incorporates risk management and internal control procedures which are designed to provide reasonable, but not absolute, assurance that assets are safeguarded and the risks facing the business are controlled.

The going-concern basis has been adopted in preparing the financial statements. The directors believe that the Group and the Company will be a going concern in the foreseeable future, based on forecasts and available cash resources. These financial statements support the viability of the Company and the Group.

The Code of Corporate Practices and Conduct has been adhered to.

The financial statements were prepared by SK Jackson, CA (SA). They have been audited by the Group's external auditor, PricewaterhouseCoopers Inc. in compliance with the requirements of the Companies Act, 2008. The financial statements were approved by the Board of directors and are signed on its behalf by:

JD McIntosh
Chief executive officer

JTM Edwards
Chairman

14 April 2016

DIRECTORS' REPORT

FOR THE YEAR ENDED 29 FEBRUARY 2016

Your directors have pleasure in submitting their report on the affairs of the Company and the Group during the year ended 29 February 2016.

NATURE OF BUSINESS

The Company's business is that of an investment holding company, its principal assets being its investment in and loan to CMH Holdings Proprietary Limited, and a preference share investment in Main Street 445 Proprietary Limited.

Through its subsidiaries, the Group has significant interests in retail motor, car hire and financial services. Full details of the Group's operations and operating locations appear on pages 6 to 9.

The Company is listed in the "General Retailers" sector of the JSE Limited.

OPERATING RESULTS

Full details of the operating results of the Company and the Group are set out in the attached financial statements.

SHARE CAPITAL

Details of the authorised and issued share capital are set out in note 13 to the attached financial statements.

DIVIDENDS

The following dividends were declared during the year under review:

	2016 R'000	2015 R'000
Ordinary dividend number 55: 46,5 cents, declared 13 October 2015	34 783	–
Ordinary dividend number 54: 65 cents, declared 16 April 2015	62 357	–
Ordinary dividend number 53: 32,5 cents, declared 17 October 2014	–	30 444
Ordinary dividend number 52: 50 cents, declared 16 April 2014	–	46 837
	97 140	77 281

RESOLUTIONS

The following special resolutions were passed during the year:

At the annual general meeting of shareholders held on 28 May 2015:

- approval of the fees of non-executive directors for their services as directors.

At a general meeting of shareholders held on 28 May 2015:

- approval of the offer by the Company to repurchase from shareholders up to a maximum of 21 133 000 shares at a price of R11,83 per share on a voluntary tender basis .

No other special resolutions were passed by the Company during the year under review.

DIRECTORS AND SECRETARY

The directors in office at the date of this report are:

JTM Edwards (independent non-executive chairman);

JD McIntosh (chief executive officer);

LCZ Cele (independent non-executive);

JS Dixon (independent non-executive);

SK Jackson (executive);

ME Jones (independent non-executive);

JA Mabena (independent non-executive); and

MR Nkadimeng (independent non-executive).

II Zimmerman resigned as a director with effect from 28 May 2015.

MR Nkadimeng replaced N Siyotula as a director with effect from 6 August 2015.

MPD Conway resigned as a director with effect from 19 October 2015.

The executive directors, together with the members of the executive committee reflected on page 21, represent the key management of the Company and the Group.

JS Dixon retires by rotation at the forthcomng annual general meeting but, being eligible, offers himself for re-election. Confirmation of the election of MR Nkadimeng, who was appointed by the Board of directors since the previous annual general meeting, will also be sought at the annual general meeting. Brief curriculum vitae of MR Nkadimeng and JS Dixon appear in the notice of meeting.

The secretary of the Company is K Fonseca, whose business and postal addresses are:

Business	**Postal**
1 Wilton Crescent	PO Box 1033
Umhlanga Ridge	Umhlanga Rocks
4319	4320

DIRECTORS' SHAREHOLDINGS

Details of the directors' direct and indirect shareholdings in the Company are reflected on page 70.

There has been no change in directors' shareholdings between the financial year-end and the date of this report.

SUBSIDIARIES

Full details of the Company's subsidiaries are set out on page 68.

The results of the subsidiaries, so far as concerns the Company, comprise aggregate income and losses for the year, after taxation, of R166 446 000 (2015: R147 079 000) and R7 499 000 (2015: R29 746 000) respectively.

AUDITOR

PricewaterhouseCoopers Inc. will continue in office in accordance with section 90(6) of the Companies Act. At the annual general meeting, shareholders will be requested to appoint PricewaterhouseCoopers Inc. as the Group's auditor for the 2017 financial year. It is noted that SF Randelhoff will be the individual registered auditor who will undertake the audit.

SUBSEQUENT EVENT

Other than that recorded in note 35 to the attached financial statements, no fact or circumstance material to an appreciation of these financial statements has occurred between the financial year-end and the date of this report.

Umhlanga Ridge
14 April 2016

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 29 FEBRUARY 2016

TO THE SHAREHOLDERS OF COMBINED MOTOR HOLDINGS LIMITED

We have audited the consolidated and separate financial statements of Combined Motor Holdings Limited set out on pages 33 to 70, which comprise the statements of financial position as at 29 February 2016, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company's directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatements, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated and separate financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Combined Motor Holdings Limited as at 29 February 2016, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

OTHER REPORTS REQUIRED BY THE COMPANIES ACT

As part of our audit of the consolidated and separate financial statements for the year ended 29 February 2016, we have read the directors' report, the report of the audit and risk assessment committee and the certification by the company secretary for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between them and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the Independent Regulatory Board of Auditors' rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Combined Motor Holdings Limited for 40 years.

PricewaterhouseCoopers Inc.
Director: SF Randelhoff
Registered Auditor

Umhlanga Ridge
14 April 2016

SEGMENT INFORMATION

FOR THE YEAR ENDED 29 FEBRUARY 2016

	TOTAL		RETAIL MOTOR		CAR HIRE		MARINE AND LEISURE*		FINANCIAL SERVICES		CORPORATE SERVICES/OTHER	
	R'000	%	R'000	%	R'000	%	R'000	%	R'000	%	R'000	%
2016												
Segment revenue	**11 086 217**	**100**	**10 493 058**	**94**	**422 932**	**4**	**37 500**	**–**	**67 027**	**1**	**65 700**	**1**
Inter-segment revenue	**(32 567)**	**100**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(32 567)**	**100**
External revenue	**11 053 650**	**100**	**10 493 058**	**95**	**422 932**	**4**	**37 500**	**–**	**67 027**	**1**	**33 133**	**–**
Operating profit	**372 905**	**100**	**253 513**	**68**	**90 973**	**24**	**–**	**–**	**34 554**	**9**	**(6 135)**	**(1)**
Net finance costs	**(102 738)**	**100**	**(75 543)**	**74**	**(41 469)**	**40**	**–**	**–**	**3 150**	**(3)**	**11 124**	**(11)**
Profit before taxation	**270 167**	**100**	**177 970**	**66**	**49 504**	**18**	**–**	**–**	**37 704**	**14**	**4 989**	**2**
After charging												
– employee costs	**755 998**	**100**	**638 379**	**84**	**68 307**	**9**	**–**	**–**	**–**	**–**	**49 312**	**7**
– depreciation charge	**112 603**	**100**	**21 932**	**19**	**88 786**	**79**	**–**	**–**	**–**	**–**	**1 885**	**2**
– impairment of goodwill	**22 000**	**100**	**22 000**	**100**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total assets	**2 783 469**	**100**	**1 502 239**	**54**	**724 231**	**26**	**1 933**	**–**	**30 032**	**1**	**525 034**	**19**
Total liabilities	**2 302 656**	**100**	**1 446 173**	**63**	**803 642**	**35**	**964**	**–**	**–**	**–**	**51 877**	**2**
Goodwill at year-end	**27 078**	**100**	**27 078**	**100**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
2015												
Segment revenue	10 855 688	100	10 282 716	95	368 493	3	94 721	1	60 268	1	49 490	–
Inter-segment revenue	(23 105)	100	–	–	–	–	–	–	–	–	(23 105)	100
External revenue	10 832 583	100	10 282 716	95	368 493	3	94 721	1	60 268	1	26 385	–
Operating profit	318 252	100	225 498	70	77 889	24	(7 906)	(2)	33 683	11	(10 912)	(3)
Net finance costs	(88 628)	100	(68 074)	77	(40 413)	46	(94)	–	2 297	(3)	17 656	(20)
Profit before taxation	229 624	100	157 424	68	37 476	16	(8 000)	(3)	35 980	16	6 744	3
After charging:												
– employee costs	754 356	100	627 590	83	71 468	10	9 462	1	–	–	45 836	6
– depreciation charge	109 390	100	23 294	21	84 107	77	417	–	–	–	1 572	2
– impairment of goodwill	30 000	100	30 000	100	–	–	–	–	–	–	–	–
Total assets	2 693 315	100	1 489 272	55	673 268	25	34 587	1	20 419	1	475 769	18
Total liabilities	2 052 692	100	1 283 403	63	725 351	35	14 198	1	1 680	–	28 060	1
Goodwill at year-end	44 972	100	44 972	100	–	–	–	–	–	–	–	–

** Discontinued.*

The Group's accounting policy for segment reporting is recorded in note 1.15 to the attached financial statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 29 FEBRUARY 2016

	Notes	Group 2016 R'000	Group 2015 R'000	Company 2016 R'000	Company 2015 R'000
ASSETS					
Non-current assets					
Plant and equipment	4	71 715	74 846	–	–
Goodwill	5	27 078	44 972	–	–
Investment	6	–	–	93 856	129 673
Insurance receivable	7	30 032	20 418	–	–
Deferred taxation	8	39 934	51 224	–	–
Investment in subsidiary	9	–	–	140 001	137 571
		168 759	191 460	233 857	267 244
Current assets					
Investment	6	–	–	36 000	30 000
Car hire fleet vehicles	4	643 882	609 811	–	–
Inventories	10	1 118 004	1 175 207	–	–
Trade and other receivables	11	266 680	266 293	–	–
Taxation paid in advance		2 590	–		
Cash and cash equivalents	12	498 254	450 544	242 538	285 370
		2 529 410	2 501 855	278 538	315 370
Assets of disposal group held for sale	31	85 300	–	–	–
Total assets		2 783 469	2 693 315	512 395	582 614
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	13	38 091	27 794	38 091	27 794
Share-based payment reserve	14	5 987	12 011	–	3 325
Retained earnings		436 013	600 543	473 205	549 100
Ordinary shareholders' equity		480 091	640 348	511 296	580 219
Non-controlling interest		722	275	–	–
Total equity		480 813	640 623	511 296	580 219
Non-current liabilities					
Insurance payable	7	–	1 680	–	–
Lease liabilities	15	44 745	74 298	–	–
Provisions	16	–	4 231	–	–
		44 745	80 209	–	–
Current liabilities					
Advance from non-controlling shareholder of subsidiary	17	255	255	–	–
Trade and other payables	18	1 521 268	1 279 367	665	598
Borrowings	19	726 137	667 561	–	–
Lease liabilities	15	6 413	15 232	–	–
Current tax liabilities		3 838	10 068	434	1 797
		2 257 911	1 972 483	1 099	2 395
Total liabilities		2 302 656	2 052 692	1 099	2 395
Total equity and liabilities		2 783 469	2 693 315	512 395	582 614

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 29 FEBRUARY 2016

	Notes	Group 2016 R'000	Restated Group 2015 R'000	Company 2016 R'000	Company 2015 R'000
Continuing operations					
Revenue	20	11 016 150	10 737 862	255 050	17 287
Cost of sales	22	(9 275 592)	(8 986 601)	–	–
Gross profit		1 740 558	1 751 261	255 050	17 287
Other income	21	28 064	14 764	–	–
Impairment of goodwill	5	(22 000)	(30 000)	–	–
Selling and administration expenses	22	(1 373 717)	(1 409 867)	(278)	(241)
Operating profit		372 905	326 158	254 772	17 046
Finance income	23	14 906	14 821	18 703	32 356
Finance costs	23	(117 644)	(103 355)	–	–
Profit before taxation		270 167	237 624	273 475	49 402
Tax expense	24	(87 218)	(77 074)	(5 194)	(9 016)
Profit for the year from continuing operations		182 949	160 550	268 281	40 386
Discontinued operation					
Loss for the year from discontinued operation (attributable to equity holders of the company)	31	–	(8 000)	–	–
Total profit and comprehensive income		182 949	152 550	268 281	40 386
Attributable to:					
Equity holders of the company		182 502	152 387	268 281	40 386
Non-controlling interest		447	163	–	–
		182 949	152 550	268 281	40 386
EARNINGS PER SHARE	25				
Basic earnings per share					
From continuing operations	(cents)	223,5	171,2		
From discontinued operation	(cents)	–	(8,5)		
From total profit and comprehensive income	(cents)	223,5	162,7		
Diluted basic earnings per share					
From continuing operations	(cents)	223,5	168,5		
From discontinued operation	(cents)	–	(8,4)		
From total profit and comprehensive income	(cents)	223,5	160,1		

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 29 FEBRUARY 2016

	Share capital R'000	Share-based payment reserve R'000	Retained earnings R'000	Attributable to equity holders of the company R'000	Non-controlling interest R'000	Total equity R'000
Balance at 28 February 2014	27 794	14 441	523 379	565 614	112	565 726
Total profit and comprehensive income			152 387	152 387	163	152 550
Release following exercise of share appreciation rights		(5 471)		(5 471)		(5 471)
Gain on share appreciation rights exercised			2 058	2 058		2 058
Share-based payment reserve		3 041		3 041		3 041
Dividends paid			(77 281)	(77 281)		(77 281)
Balance at 28 February 2015	27 794	12 011	600 543	640 348	275	640 623
Issue of shares	11 579			11 579		11 579
Shares repurchased	(4 607)		(247 036)	(251 643)		(251 643)
Transfer to share capital	3 325	(3 325)				
Total profit and comprehensive income			182 502	182 502	447	182 949
Release following exercise of share appreciation rights		(5 655)	5 655			
Cost of shares delivered in terms of share appreciation rights scheme			(8 511)	(8 511)		(8 511)
Share-based payment reserve		2 956		2 956		2 956
Dividends paid			(97 140)	(97 140)		(97 140)
Balance at 29 February 2016	38 091	5 987	436 013	480 091	722	480 813

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 29 FEBRUARY 2016

	Share capital R'000	Share-based payment reserve R'000	Retained earnings R'000	Total equity R'000
Balance at 28 February 2014	27 794	3 325	585 995	617 114
Total profit and comprehensive income			40 386	40 386
Dividends paid			(77 281)	(77 281)
Balance at 28 February 2015	27 794	3 325	549 100	580 219
Issue of shares	11 579			11 579
Shares repurchased	(4 607)		(247 036)	(251 643)
Transfer to share capital	3 325	(3 325)		–
Total profit and comprehensive income			268 281	268 281
Dividends paid			(97 140)	(97 140)
Balance at 29 February 2016	38 091	–	473 205	511 296

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 29 FEBRUARY 2016

	Notes	Group 2016 R'000	Group 2015 R'000	Company 2016 R'000	Company 2015 R'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash generated from operations	26	596 122	439 873	239 656	(177)
Finance income received	23	–	–	18 703	32 356
Taxation paid	27	(84 748)	(93 643)	(6 557)	(8 464)
Net cash movement from operating activities		511 374	346 230	251 802	23 715
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of non-current plant and equipment		(37 007)	(32 858)	–	–
Proceeds on disposal of non-current plant and equipment		7 422	4 807	–	–
Investments		–	–	45 000	45 000
Proceeds on disposal of businesses	29	31 205	–	–	–
Purchase of businesses	30	(5 537)	–	–	–
Insurance receivable		(9 614)	(2 379)	–	–
Insurance payable		(1 680)	(476)	–	–
Repayment by subsidiary		–	–	(2 430)	118 522
Net cash movement from investing activities		(15 211)	(30 906)	42 570	163 522
CASH FLOWS FROM FINANCING ACTIVITIES					
Non-controlling shareholders of subsidiaries		–	(3 938)	–	–
Proceeds of issue of shares		11 579	–	11 579	–
Repurchase of shares		(251 643)	–	(251 643)	–
Cost of shares delivered in terms of share appreciation rights scheme		(8 511)	(3 413)	–	–
Finance income received	23	14 906	14 971	–	–
Finance costs paid	23	(117 644)	(103 599)	–	–
Dividends paid	28	(97 140)	(77 281)	(97 140)	(77 281)
Net cash movement from financing activities		(448 453)	(173 260)	(337 204)	(77 281)
Net movement in cash and cash equivalents		47 710	142 064	(42 832)	109 956
Cash and cash equivalents at beginning of year		450 544	308 480	285 370	175 414
Cash and cash equivalents at end of year	12	498 254	450 544	242 538	285 370

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29 FEBRUARY 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of preparation

The financial statements and consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee, Financial Pronouncements, as issued by the Financial Reporting Standards Council, and in the manner required by the Companies Act, 2008 (the "Act"). The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

The policies set out below have been consistently applied to all the years presented unless otherwise stated.

Standards, amendments and interpretations effective in 2016 or early adopted by the Group
The amendment to IFRS 8, 'Operating segments' became effective in the current financial year and has been adopted by the Group. As a consequence, the accounting policy note on segment reporting provides clarity on the basis used to aggregate operating segments into reportable segments. No amendments to figures or disclosure in the segment report arose from the implementation.

Other than the amendment to IFRS 8, there are no standards, amendments or interpretations that became effective in 2016 and are relevant to the Group. No standards, amendments and interpretations not yet effective have been early adopted by the Group.

1.2 Basis of consolidation

Investment in subsidiaries
Subsidiaries are those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are included until the date on which control ceases. The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired, and liabilities and contingent liabilities assumed, in a business combination are measured initially at their fair value at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's net assets.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

1.3 Foreign currency translation

Functional and presentation currency
The consolidated financial statements are presented in South African Rands, which is the Group's presentation currency.

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income within "selling and administration expenses" in the period in which they arise.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

1.4 Plant and equipment

Plant and equipment is recorded at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred. Depreciation is provided using the straight-line method to write off the cost of the assets to their estimated residual values over their estimated useful lives as follows:

Plant and machinery	4 to 5 years
Furniture and office equipment	3 to 10 years
Car hire fleet vehicles	9 to 18 months
Other motor vehicles	4 to 5 years
Leasehold improvements	the period of the lease

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each financial year-end.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are recognised in the statement of comprehensive income within "selling and administration expenses".

As it is the Group's intention to dispose of car hire fleet vehicles within 12 months after the year-end date, such items are disclosed as current assets.

1.5 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets in the business combination at the date of acquisition. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Goodwill arising on business combinations is initially reflected at its original cost. Goodwill is not amortised but is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

1.6 Investments and other financial assets

Financial assets include trade receivables, cash and cash equivalents, and investments, which the Group classifies as loans and receivables. The classification depends on the purpose for which the financial assets were acquired and is determined at initial recognition. Financial assets are initially measured at fair value plus transaction costs. Thereafter they are measured at amortised cost using the effective-interest-rate method, less impairment losses, which are recognised in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred, and the Group has transferred substantially all the risks and rewards of ownership.

The Group assesses at each financial year-end whether there is objective evidence that a financial asset or a group of financial assets is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the impairment is recognised in the statement of comprehensive income within "selling and administration expenses".

Trade receivables

Trade receivables are impaired when there is objective evidence that the Group will not be able to collect all amounts owing according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. Subsequent recoveries of amounts previously written off are credited against "selling and administration expenses".

Cash and cash equivalents

Cash and cash equivalents comprise deposits held at call with banks, net of bank overdrafts. Bank overdrafts are reflected under current liabilities except where they are held at the same bank and branch as favourable balances and there is a legal right of set-off.

1.7 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income. The tax expense is calculated on the basis of the tax laws enacted or substantially enacted at the year-end.

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred taxation is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred taxation is determined using tax rates and laws that have been enacted or substantially enacted by the year-end and are expected to apply when the related deferred taxation asset is realised or the deferred taxation liability is settled.

Deferred tax assets relating to income tax are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

1.8 Inventories

Inventories are stated at the lower of cost and net realisable value, due recognition having been made for obsolescence and redundancy. Movements in the obsolescence provision have been included in "cost of sales" in the statement of comprehensive income. Net realisable value is the estimate of the selling price of inventory in the ordinary course of business, less applicable variable selling expenses. Cost includes all costs incurred that are necessary to bring the goods to saleable condition and location, and is determined on the following basis:

New vehicles	actual cost
Used and demonstration vehicles	actual cost
Parts and accessories	weighted average cost
Petrol, oils and other inventory	actual cost

Vehicles and parts purchased, which are paid for within the short time periods provided for in the manufacturers' standard franchise agreements, are recognised as inventory when received. This policy is applied despite the fact that certain agreements provide that ownership will remain vested in the manufacturer until the purchase price has been paid in full.

1.9 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

1.10 Financial liabilities

The Group has the following financial liabilities:

Trade and other payables: these are initially measured at fair value less transaction costs and subsequently stated at amortised cost. Short-term payables are measured at original invoice amount which approximates fair value; and

Borrowings: these are measured initially at the fair value of proceeds received, net of transaction costs incurred, when the Group becomes party to the contractual provisions. Borrowings are subsequently stated at amortised cost, using the effective-interest-rate method. Any difference between proceeds (net of transaction costs) and the redemption value is recognised as finance cost/income in the statement of comprehensive income over the period of the borrowings.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the year-end.

Financial liabilities are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled, or expires.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

1.11 Employee benefits

Pension

The Group provides retirement benefits for its employees through a number of defined contribution plans. A defined contribution plan is a pension plan under which the Group pays a fixed contribution to a separate entity and has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to their employment service.

Payments to the retirement contribution plans are charged to the statement of comprehensive income as incurred.

Health care

The Group provides health care benefits for its employees through contributions to various independent medical aid schemes. Payments to the medical aid schemes are charged to the statement of comprehensive income as incurred. The Group has no post-retirement obligations to employees.

Remuneration

The cost of all short-term employee remuneration is recognised during the period in which the employee renders the related service. An accrual is made for employee entitlement to salary, bonuses, profit share and leave pay based on contractual obligations at current rates of remuneration.

Equity compensation plans

The Group enters into share-based payment transactions in terms of the employee share appreciation rights scheme. Costs incurred in administering the scheme are expensed as incurred. The charge to profit or loss required by IFRS 2, 'Share-based Payment' is accounted for on the basis that the instruments are equity-settled. The total amount to be expensed over the vesting period is determined by reference to the fair value of the rights determined at the grant date using the Black-Scholes valuation model. Non-market vesting conditions are included in assumptions about the number of rights that are expected to become exercisable and the number of rights that the employee will ultimately receive. The amount determined by the model is charged to the statement of comprehensive income over the vesting period, with a corresponding credit to 'Share-based payment reserve'. The reserve is released proportionately when the rights are exercised.

1.12 Provisions

Provisions are recognised when the Group has a present or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be established.

The Group recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

1.13 Revenue recognition

Group revenue comprises revenue from trading activities after eliminating sales within the Group. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and, in respect of the sale of vehicles, parts and accessories, the risks and rewards of ownership have been transferred to the customer. Revenue relating to services is recognised on a straight-line basis over the service period. Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of business, net of discounts allowed and value added tax.

Interest income is recognised as it accrues, taking into account the effective yield on the asset. Dividends are recognised when the right to receive payment is established.

1.14 Dividends

Dividends paid are recorded in the financial statements during the period in which they are approved by the Board of directors.

1.15 Segment reporting

Operating segments are reported in a manner consistent with that used for internal reporting provided to the chief executive officer, and used for making strategic decisions. The chief executive officer is responsible for allocating resources and assessing performance of the operating segments based on a measure of profit before taxation. This measurement is consistent with the recognition and measurement principles applied within the statement of comprehensive income.

The various segments of the Group are each subject to risks and returns that are different to other business segments. The principal business segments identified within the Group are retail motor, car hire and financial services. The corporate services/other segment contains the Group's treasury function, CMH Green and National Workshop Equipment which are not large enough for separate disclosure. The motor dealerships, although diverse in terms of product brands and locations, are considered to have a similar reaction to economic conditions and influences. Consequently they have been aggregated as one reportable segment.

Sales amongst segments are carried out on an arm's length basis at competitive market-related prices, and are eliminated on consolidation.

Segment assets, liabilities, revenue and expenditure are those directly attributable to the segment.

The Group operates only in the Republic of South Africa. .

1.16 Underwriting activities

Underwriting results are determined on an annual basis. The principle applied is that the costs of incurred claims, commission and related expenditure are applied against the earned proportion of premiums received, as follows:

- Claims incurred comprise claims and related expenditure paid in the year and changes in the provision for outstanding claims incurred but not reported, and are expensed in the year during which they are incurred.
- Commission paid is expensed in the year during which it is incurred.

Premiums earned relate to business written during the year, adjusted for unearned premiums. Unearned premiums represent that portion of the premiums that relates to unexpired terms of the insurance policy, calculated on a time-proportionate basis.

The activities for the year are included in the statement of comprehensive income on a line-by-line basis.

Underwriting activities are conducted through an external financial services provider at market-related terms and conditions.

The net result of the year's activities is presented in the statement of financial position as "Insurance receivable/payable".

1.17 Operating leases

Operating leases are those where substantially all the risks and rewards of ownership are retained by the lessor. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

1.18 Assets of disposal group held for sale, and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use, and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of comprehensive income.

2. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the chief executive officer and financial director under policies approved by the Board of directors. They identify, evaluate and hedge financial risks in close co-operation with the Group's operating units. The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign currency risk, interest rate risk, credit risk, use of derivative financial instruments, and the investment of excess liquidity.

2.1 Interest rate risk

Interest rate exposures are reviewed regularly. The Group is exposed to interest rate risk on its investments and borrowing facilities, all of which are linked to the prime overdraft rate.

Had interest rates for the year been 0,5 percentage point higher or lower and been applied to the interest-bearing debt and investments at year-end, the profit before taxation for the year would have been lower or higher by R4 027 000 (2015: R3 626 000) on the assumption that all other factors remained constant.

2.2 Credit risk

The Group's credit risk lies principally in its trade receivables. These comprise a number of major banks which finance vehicle sales, together with a large, widespread customer base. Regular credit assessments of customers are conducted. All amounts receivable are subject to the Group's standard credit terms and are due within a period of 1 to 60 days after sale. There are no significant concentrations of credit risk. The maximum exposure to credit risk at year-end is the carrying amount of each class of financial assets.

Cash and cash equivalents are placed only with major financial institutions with secure credit ratings.

2.3 Equity price risk

The Group has no direct exposure to any equity price risk.

2.4 Liquidity risk

The Group manages its liquidity risk by regularly monitoring its projected cash flow requirements against its cash resources and unutilised borrowing facilities. At year-end the Group's position was as follows:

	2016 R'000	2015 R'000
Cash resources	498 254	450 544

In terms of its memorandum of incorporation the Company has unlimited borrowing powers.

The expected maturity of all significant financial liabilities is disclosed in the relevant notes to the financial statements. These liabilities are expected to be settled from the proceeds of realisation of current assets.

2.5 Capital risk

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue or repurchase shares or sell assets to reduce debt.

2.6 Foreign currency risk

The Group has no significant foreign currency risk.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that may affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates will, by definition, rarely equal the actual results achieved. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3.1 Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1.5. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations use projections based on financial budgets approved by management. The value-in-use calculation uses estimates and assumptions made by management. Management determines budgeted operating profit based on past performance and future expectations. The discount rates used reflect specific risks relating to the relevant cash-generating units.

3.2 Consolidation of entities in which the Group holds less than 50%

The Group has applied IFRS 10, 'Consolidated Financial Statements' in determining whether to consolidate its investment in Main Street 445 Proprietary Limited ("Main Street"). The Group has determined that, even though it does not own any ordinary equity shares in Main Street, an agreement signed by the Company, Thebe Investment Corporation Limited and Main Street does enable the Company to control the activities of Main Street, and to earn variable returns therefrom. As a result, Main Street has been consolidated in the financial statements of the Group.

3.3 Consolidation of underwriting entities

The Group has applied IFRS 10, 'Consolidated Financial Statements' in determining whether to consolidate its investment in various entities through which it conducts insurance underwriting activities. The Group has determined that the entities do not constitute "deemed separate entities" as envisaged in IFRS 10, and have not been consolidated.

4. PLANT AND EQUIPMENT

4.1 Details of plant and equipment

	Total R'000	Leasehold improve-ments R'000	Plant and machinery R'000	Furniture and office equipment R'000	Car hire fleet and other motor vehicles R'000
GROUP					
At 29 February 2016					
Cost	985 445	55 481	50 197	103 673	776 094
Accumulated depreciation	(268 184)	(38 877)	(31 267)	(68 973)	(129 067)
Net book value	717 261	16 604	18 930	34 700	647 027
Less: vehicles transferred to current assets	(643 882)	–	–	–	(643 882)
assets of disposal group classified as held for sale (note 31.1)	(1 664)	–	(976)	(688)	–
Non-current portion	71 715	16 604	17 954	34 012	3 145
At 28 February 2015					
Cost	949 042	53 062	61 484	107 896	726 600
Accumulated depreciation	(264 385)	(34 412)	(43 047)	(72 756)	(114 170)
Net book value	684 657	18 650	18 437	35 140	612 430
Less: vehicles transferred to current assets	(609 811)	–	–	–	(609 811)
Non-current portion	74 846	18 650	18 437	35 140	2 619
COMPANY: Nil					

4.2 Reconciliation of movement

	Total R'000	Leasehold improve-ments R'000	Plant and machinery R'000	Furniture and office equipment R'000	Car hire fleet and other motor vehicles R'000
GROUP					
Net book value 28 February 2014					
– non-current	74 803	27 478	16 932	26 450	3 943
– current	572 765	–	–	–	572 765
Additions	475 965	1 042	9 242	21 051	444 630
Disposals	(329 486)	(51)	(1 791)	(1 210)	(326 434)
Depreciation charge	(109 390)	(9 819)	(5 946)	(11 151)	(82 474)
Net book value 28 February 2015					
– non-current	74 846	18 650	18 437	35 140	2 619
– current	609 811	–	–	–	609 811
Additions	498 813	5 728	12 613	15 207	465 265
Disposals	(353 606)	(246)	(6 314)	(3 185)	(343 861)
Depreciation charge	(112 603)	(7 528)	(5 806)	(12 462)	(86 807)
Net book value 29 February 2016					
– non-current	71 715	16 604	17 954	34 012	3 145
– current	643 882	–	–	–	643 882
– assets of disposal group classified as held for sale	1 664	–	976	688	–

4.3 The insurance replacement value of plant and equipment excluding motor vehicles is R290 280 000 (2015: R210 000 000).

4.4 R45 000 000 (2015: R30 000 000) has been budgeted and authorised for capital expenditure in respect of leasehold improvements and the replacement of plant and equipment excluding car hire fleet vehicles. No portion of this was committed at year-end. This amount will be financed from existing cash resources.

	Group 2016 R'000	Group 2015 R'000
4. PLANT AND EQUIPMENT CONTINUED		
4.5 Depreciation is recognised in the statement of comprehensive income as follows:		
– Cost of sales	85 029	80 695
– Selling and administration expenses	27 574	28 695
	112 603	109 390
4.6 Car hire fleet vehicles aggregating R595 056 000 (2015: R560 273 000) have been pledged as security for interest-bearing borrowings aggregating R726 137 000 (2015: R667 561 000).		
5. GOODWILL		
5.1 Cost at beginning of year	94 745	155 473
Amounts paid during the year	4 106	–
Amounts fully impaired	(62 538)	(60 728)
Cost at end of year	36 313	94 745
5.2 Accumulated impairment at beginning of year	49 773	80 501
Amounts impaired during year	22 000	30 000
Amounts fully impaired	(62 538)	(60 728)
Accumulated impairment at end of year	9 235	49 773
5.3 Net book value at beginning of year	44 972	74 972
Amounts paid during the year	4 106	–
Amounts impaired during the year as a result of:		
– application of impairment test as set out below	–	(30 000)
– closure of branches	(22 000)	–
Net book value at end of year	27 078	44 972

5.4 Goodwill acquired through business combinations has been attributed to individual cash-generating units ("CGUs"). On closure of a CGU, all goodwill attributed to that CGU is impaired. In respect of CGUs that are still operating, the carrying value of goodwill is subject to annual impairment testing using the value-in-use method. Detailed operating budgets for the 2017 year formed the basis of projected cash flows. In respect of a particular CGU which has recently had a change in senior management and relocated to premises with almost double the previous trading area, the budget contained sales volume growth of 45%. In respect of the balance of the CGUs with attributable goodwill, the budgets contained average sales volume growth of 1 – 2% (2015: 4%). In respect of the forecast years two to five, growth of between 2% and 3% (2015: 4% and 5%) per annum was predicted. A terminal growth rate of 4% (2015: 4%) has been applied to the period beyond year five and a discount rate of between 16,5% and 17,5% (2015: 14,5% and 15%) applied. On this basis, the value-in-use calculation indicated that the calculated value of each CGU exceeded the value of the goodwill and no impairment was necessary at 29 February 2016 (2015: an impairment charge of R30 000 000 was processed).

5.5 The cash flows for the remaining CGUs were stress-tested by adversely amending the parameters listed above. Neither parameter change had an impact on the outcomes.

5.6 Amounts impaired are shown separately in the statement of comprehensive income.

	Company 2016 R'000	Company 2015 R'000
6. INVESTMENT		
6.1 Main Street 445 Proprietary Limited		
Cost at acquisition	124 387	124 387
Less: capital repayments received	(40 000)	(20 000)
	84 387	104 387
Dividends accrued	45 469	55 286
Cost at end of year	129 856	159 673
Less: current portion	(36 000)	(30 000)
Non-current portion	93 856	129 673

6.2 The investment in Main Street 445 Proprietary Limited ("Main Street") comprises 124 387 'C' redeemable cumulative preference shares of R0,00001 each issued at a premium of R999,99999 each. The preference shares accrue a semi-annual dividend providing a dividend yield to the holder on the unredeemed capital and accrued dividends equivalent to the prime overdraft rate. Main Street is wholly-owned by Thebe Investment Corporation ("TIC"). This investment was made in support of the BEE transaction concluded with TIC in October 2006.

6.3 The cost of the investment approximates its fair value.

7. INSURANCE RECEIVABLE/(PAYABLE)

7.1 Underwriting activities are conducted through special purpose entities on commercial terms and conditions and at market rates.

The Group sells insurance policies to customers who enter into credit agreements in respect of vehicle purchases. The risks covered include life, disability and retrenchment during the period of the credit agreements. The Group also sells extended warranty cover in respect of vehicles and components thereof.

Underwriting reserves held by the Group in respect of these risks are based on independent actuarial calculations.

	Group 2016 R'000	Group 2015 R'000
7.2 Statement of comprehensive income effect:		
– gross written premium	67 027	60 268
– investment income	3 150	2 297
– increase in assurance funds	(5 283)	(7 716)
– claims paid	(11 443)	(13 070)
– other expenses	(27 806)	(23 901)
– profit before taxation	25 645	17 878
7.3 Reflected in the statement of financial position as:		
– insurance receivable	30 032	20 418
– insurance payable	–	(1 680)

	Group 2016 R'000	Group 2015 R'000
8. DEFERRED TAXATION		
8.1 Balance at beginning of year	51 224	46 643
Temporary differences arising during year	(11 290)	4 581
Balance at end of year	39 934	51 224
8.2 Balance at end of year comprises:		
Impairment of receivables	1 647	1 986
Lease liabilities	14 324	25 068
Taxation allowances	(12 476)	(6 811)
Accruals and provisions	22 719	22 040
Assessed losses	(280)	128
Receipts in advance	13 881	6 618
Share-based payment reserve	498	2 540
Prepayments	(379)	(345)
	39 934	51 224

8.3 The movement on the deferred taxation account was as follows:

	Closing balance 29 February 2016 R'000	Movement during the year 2016 R'000	Closing balance 28 February 2015 R'000	Movement during the year 2015 R'000	Closing balance 28 February 2014 R'000
Impairment of receivables	1 647	(339)	1 986	(6)	1 992
Lease liabilities	14 324	(10 744)	25 068	(2 182)	27 250
Taxation allowances	(12 476)	(5 665)	(6 811)	(92)	(6 719)
Accruals and provisions	22 719	679	22 040	5 540	16 500
Assessed losses	(280)	(408)	128	30	98
Receipts in advance	13 881	7 263	6 618	23	6 595
Share-based payment reserve	498	(2 042)	2 540	1 613	927
Prepayments	(379)	(34)	(345)	(345)	–
Total	39 934	(11 290)	51 224	4 581	46 643

8.4 At 29 February 2016, certain subsidiaries had assessable losses aggregating R46 687 000 (2015: R45 561 200) against which no deferred taxation asset has been raised as the future generation of taxable income by those companies is not assured beyond reasonable doubt.

	Company 2016 R'000	Company 2015 R'000
9. INVESTMENT IN SUBSIDIARY		
9.1 Shares, at cost	1	1
Amount owing by subsidiary	140 000	137 570
	140 001	137 571

9.2 Financial information in respect of Group subsidiaries is stated on page 68.

9.3 The amount owing by subsidiary is unsecured, earns interest at 1% above the prime overdraft rate (2015: 1% above the prime overdraft rate) and has no fixed repayment terms.

	Group 2016 R'000	Group 2015 R'000
10. INVENTORIES		
10.1 Inventories have been valued as stated in note 1.8 and comprise:		
– new vehicles	662 065	566 540
– used and demonstration vehicles	494 867	535 753
– parts and accessories	34 339	36 444
– petrol, oils and other inventory	10 369	14 851
– new marine craft	–	20 694
– used and demonstration marine craft	–	925
	1 201 640	1 175 207
Less: disposal group assets classified as held for sale (note 31.1)	(83 636)	–
	1 118 004	1 175 207

10.2 Inventories of new and demonstration vehicles and parts aggregating R919 035 000 (2015: R831 299 000) form security for trade payables aggregating R1 218 189 000 (2015: R1 016 269 600).

10.3 The cost of inventories sold during the year is recognised as an expense and charged to "cost of sales" in the statement of comprehensive income.

	Group 2016 R'000	Group 2015 R'000
10.4 Inventories are stated after deduction of the following provisions for obsolescence and redundancy:		
– used vehicles	17 861	16 332
– demonstration vehicles	19 736	19 194
– parts and accessories	5 652	6 004
– new marine craft	–	1 561
	43 249	43 091

	Group 2016 R'000	Group 2015 R'000
11. TRADE AND OTHER RECEIVABLES		
11.1 Trade receivables	239 300	250 952
Less: impairment	(8 667)	(9 566)
	230 633	241 386
Other receivables	36 047	24 907
	266 680	266 293

11.2 Trade receivables are primarily in respect of vehicle, car hire, parts and workshop sales. These amounts are subject to the Group's standard credit terms and are due within a period of 1 to 60 days after year-end. No interest is charged on these accounts and there are no significant concentrations of credit risk.

11.3 Other receivables are primarily in respect of incentives from motor manufacturers. They are due within 30 days of year-end and are considered to be fully recoverable.

11.4 The carrying value of trade and other receivables approximates their fair value, as the impact of discounting is not significant.

11.5 Trade receivables can be analysed as follows:

	Group 2016 R'000	Group 2015 R'000
0 to 30 days, neither overdue nor impaired	186 053	186 979
31 to 60 days, overdue less than 61 days and impaired	32 150	39 255
Impairment	(806)	(1 313)
	31 344	37 942
61 to 90 days, overdue more than 60, less than 91 days and impaired	6 678	9 125
Impairment	(673)	(1 141)
	6 005	7 984
91+ days, overdue more than 90 days and impaired	14 419	15 593
Impairment	(7 188)	(7 112)
	7 231	8 481
Total	239 300	250 952
Impairment	(8 667)	(9 566)
	230 633	241 386

11.6 The movement in the allowance for impairment is as follows:

	Group 2016 R'000	Group 2015 R'000
At beginning of year	9 566	7 747
Utilised during year	(4 975)	(4 079)
Increase in impairment	4 076	5 898
At end of year	8 667	9 566

11.7 The net movement in the allowance for impairment and the charge for bad and doubtful debts for the year has been included under "selling and administration expenses" in the statement of comprehensive income.

	Group 2016 R'000	Group 2015 R'000	Company 2016 R'000	Company 2015 R'000
12. CASH AND CASH EQUIVALENTS				
Bank balances	498 254	450 544	242 538	285 370
The effective interest rate earned on bank balances was 6,25% (2015: 5%).				
Bank balances are held at financial institutions with a national long-term credit rating of AA.				
13. SHARE CAPITAL				
13.1 Preference share capital				
Authorised				
1 032 400 7,5% 'C' redeemable cumulative preference shares of R1 each				
Issued				
Nil shares				
13.2 Ordinary share capital				
Authorised				
143 590 560 ordinary shares of no par value				
Issued				
At beginning of year – 93 673 498 shares	27 794	27 794	27 794	27 794
Issued – 2 261 500 (2015: Nil) shares	11 579	–	11 579	–
Repurchased – 21 133 000 (2015: Nil) shares	(4 607)	–	(4 607)	–
Transfer from share-based payment reserve	3 325	–	3 325	–
At end of year – 74 801 998 (2015: 93 673 498) shares	38 091	27 794	38 091	27 794

	Group 2016 R'000	Group 2015 R'000	Company 2016 R'000	Company 2015 R'000
14. SHARE-BASED PAYMENT RESERVE				
Share appreciation rights scheme 2010	5 987	8 686	–	–
Share option scheme 2001	–	3 325	–	3 325
	5 987	12 011	–	3 325

14.1 Share option scheme 2001

14.1.1 During 2001 shareholders approved the introduction of an employee share incentive scheme. In terms of the scheme 20% of the Company's issued shares, less those shares that are subject to the terms and conditions of the Combined Motor Holdings Limited Share Trust, were made available to issue to employees as option shares. During October 2004, the Group granted 12 employees the option to acquire a total of 4 350 000 shares at R5,12 per share. All the options were exercised immediately and have now fully vested.

14.1.2 A reconciliation of the movement in the number of share options granted to date, and which have now fully vested, net of options which have matured and been exercised is as follows ('000 shares):

	Group 2016	Group 2015	Company 2016	Company 2015
Outstanding at beginning of year	2 262	2 262	2 262	2 262
Taken up during year	(2 262)	–	(2 262)	–
Outstanding at end of year	–	2 262	–	2 262

14.1.3 The amounts recognised in the financial statements for these share-based payment transactions are as follows:

	Group 2016	Group 2015	Company 2016	Company 2015
Balance at beginning of year	3 325	3 325	3 325	3 325
Transferred to share capital	(3 325)	–	(3 325)	–
Balance at end of year	–	3 325	–	3 325

14.2 Share appreciation rights scheme 2010

14.2.1 On 1 June 2010, the Group introduced the Combined Motor Holdings Limited Share Appreciation Rights Scheme 2010 ("the scheme"). Under the scheme, participating employees are awarded the right to receive shares equal in value to the difference between the exercise price and the grant price. The employee therefore participates in the share price appreciation of the Company. The vesting of the right is conditional on the achievement of compound real growth in headline earnings per share over the performance period. Details of the rights granted are recorded on page 54.

14. SHARE-BASED PAYMENT RESERVE CONTINUED

14.2 Share appreciation rights scheme 2010 continued

14.2.1 continued

Grant date	Grant price	Expiry date	Number of rights at 1 March 2015 '000	Rights granted during the year '000	Rights exercised/ forfeited during the year '000	Number of rights at 29 February 2016 '000
June 2010	R10,31	Dec 2015	1 044	–	1 044	–
June 2011	R11,48	Dec 2015	140	–	140	–
June 2011	R11,48	Dec 2016	140	–	–	140
			280	–	140	140
June 2012	R10,84	Dec 2015	316	–	316	–
June 2012	R10,84	Dec 2016	317	–	–	317
June 2012	R10,84	Dec 2017	317	–	–	317
			950	–	316	634
June 2013	R13,70	Dec 2016	390	–	–	390
June 2013	R13,70	Dec 2017	390	–	–	390
June 2013	R13,70	Dec 2018	390	–	–	390
			1 170	–	–	1 170
June 2015	R 17,75	Dec 2018	–	550	–	550
June 2015	R 17,75	Dec 2019	–	550	–	550
June 2015	R 17,75	Dec 2020	–	550	–	550
			–	1 650	–	1 650
			3 444	1 650	1 500	3 594

The Group has used a Black-Scholes model to determine the fair value of the share appreciation rights (SARs). The assumptions used to value the grants issued during the year are set out below:

Grant price	The grant price at which the SAR is issued, being the 30-day weighted average share price quoted on the JSE Limited on the grant date
Share price at grant date	The closing share price as quoted by the JSE Limited at grant date
Expected option life	Between 3,25 and 5,25 years
Risk-free interest rate	7,2%
Annualised volatility	28,2%, based on historic volatility determined by the statistical analysis of daily share price movements over the three years prior to the grant date
Dividend yield	5,7%, based on historic dividend payments over the three years prior to the grant date

Share appreciation rights outstanding at year-end vest as follows:

- 847 000 on 1 June 2016 (rights expire on 1 December 2016)
- 707 000 on 1 June 2017 (rights expire on 1 December 2017)
- 940 000 on 1 June 2018 (rights expire on 1 December 2018)
- 550 000 on 1 June 2019 (rights expire on 1 December 2019)
- 550 000 on 1 June 2020 (rights expire on 1 December 2020)

14. SHARE-BASED PAYMENT RESERVE CONTINUED

14.2 Share appreciation rights scheme 2010 continued

14.2.1 continued

Estimated fair value per right at grant date

Grant date: June 2011:	Expiry date 1 December 2016: R1,50
Grant date: June 2012:	Expiry date 1 December 2016: R1,12 Expiry date 1 December 2017: R1,42
Grant date: June 2013:	Expiry date 1 December 2016: R0,75 Expiry date 1 December 2017: R0,85 Expiry date 1 December 2018: R1,12
Grant date: June 2015:	Expiry date 1 December 2018: R1,12 Expiry date 1 December 2019: R1,28 Expiry date 1 December 2020: R1,32
Average remaining life:	Between 0,5 and 4,75 years

		Group 2016 R'000	Group 2015 R'000
14.2.2	The amounts recognised in the financial statements for these share-based payment transactions are as follows:		
	Balance at beginning of year	8 686	11 116
	Charged as "selling and administration expenses" during year	2 956	3 041
	Released during year following exercise of share appreciation rights	(5 655)	(5 471)
	Balance at end of year	5 987	8 686

14.2.3 The future cost of the rights, as reflected by the model, is R6 301 000, which will be charged to the statement of comprehensive income as follows:

	R'000
2017	2 513
2018	1 953
2019	1 164
2020	562
2021	109
	6 301

14.2.4 During the year 1 380 000 (2015: 1 183 000) rights were exercised at a time when the 30-day weighted average share price quoted on the JSE Limited was R17,73 (2015: R13,45). 120 000 rights (2015: Nil) were forfeited.

	Group 2016 R'000	Group 2015 R'000
15. LEASE LIABILITIES		
At beginning of year	89 530	99 003
Movement during year	(38 372)	(9 473)
At end of year	51 158	89 530
Less: current portion	(6 413)	(15 232)
Non-current portion	44 745	74 298
This liability arose as a result of the implementation of the "straight-line" concept contained in IAS 17, 'Leases'.		
16. PROVISIONS		
Provision for onerous lease contracts		
At beginning of year	5 500	–
Created during year	–	5 500
Utilised during year	(1 600)	–
At end of year	3 900	5 500
Less: current portion (note 18)	(3 900)	(1 269)
Non-current portion	–	4 231

	Group 2016 R'000	Group 2015 R'000	Company 2016 R'000	Company 2015 R'000
17. ADVANCE FROM NON-CONTROLLING SHAREHOLDER OF SUBSIDIARY				
17.1 Current portion	255	255	–	–
17.2 The advance is interest-free.				
17.3 The non-controlling shareholder is a related party of the Company.				
18. TRADE AND OTHER PAYABLES				
18.1 Trade payables	1 299 677	1 084 879	–	–
Other payables (note 18.4)	217 691	193 219	665	598
Provisions (note 16)	3 900	1 269	–	–
	1 521 268	1 279 367	665	598
18.2 Trade and other payables comprise primarily trade payables in respect of the purchase of vehicles and parts. They are payable according to terms varying between 30 and 180 days.				
18.3 All payables are interest-free except those in respect of vehicle purchases which bear interest at rates varying between 9,0% and 12,0% per annum (2015: 8,0% and 11,0%) for the period they are outstanding in excess of an initial interest-free period.				
18.4 Other payables comprise:				
Deposits received in advance	54 241	46 600	–	–
Value added tax	8 379	13 299	–	–
Accrued expenses	155 071	133 320	665	598
	217 691	193 219	665	598

	Group 2016 R'000	Restated Group 2015 R'000	Company 2016 R'000	Company 2015 R'000
19. BORROWINGS				
19.1 Current				
Car hire fleet liability	726 137	667 561	–	–
19.2 These borrowings are secured by car hire fleet vehicles classified as current assets (refer note 4.6). The underlying contracts have a maturity of less than one year and bear interest at rates varying between 8,5% and 9,5% per annum (2015: 7,75% and 8,25%), after an initial interest-free period. The carrying amounts of borrowings approximate their fair value, as the impact of discounting is not significant.				
20. REVENUE				
20.1 Revenue is derived from the various segments of the business as follows:				
Continuing operations				
Retail motor	10 493 058	10 282 716	–	–
Car hire	422 932	368 493	–	–
Financial services	67 027	60 268	–	–
Corporate services/other	33 133	26 385	255 050	17 287
Total recorded in statement of comprehensive income	11 016 150	10 737 862	255 050	17 287
Discontinued operation				
Marine and leisure (note 31.2)	37 500	94 721	–	–
Total recorded in segment report	11 053 650	10 832 583	255 050	17 287
20.2 Analysis of revenue by goods and services is as follows:				
Sales of goods	9 744 053	9 562 536	–	–
Services	1 309 597	1 270 047	–	–
Dividend income	–	–	255 050	17 287
	11 053 650	10 832 583	255 050	17 287
21. OTHER INCOME				
Profit on sale of plant and equipment	3 395	93	–	–
Rental income	7 384	2 066	–	–
Compensation for loss of profits	4 850	5 150	–	–
Recoupment of skills development and training costs	10 318	2 686	–	–
Other	2 117	4 769	–	–
	28 064	14 764	–	–

	Group 2016 R'000	Restated Group 2015 R'000	Company 2016 R'000	Company 2015 R'000
22. EXPENSES BY NATURE				
Cost of sales	9 310 492	9 065 751	–	–
Attributable to discontinued operation (note 31.2)	(34 900)	(79 150)	–	–
Attributable to continuing operations	9 275 592	8 986 601	–	–
Selling and administration expenses				
– Employee benefit expense (note 22.1)	684 437	681 400	–	–
– Depreciation (note 4.5)	27 574	28 695	–	–
– Auditor's remuneration (note 22.3)	4 894	5 005	53	86
– Operating lease charges				
– Properties	186 312	207 199	–	–
– Equipment	6 587	6 737	–	–
– Impairment charge for bad and doubtful debt (note 11.6)	4 076	5 898	–	–
– Foreign exchange losses	–	492	–	–
– Advertising expenses	53 199	54 549	–	–
– Other expenses	409 238	443 369	225	155
Selling and administration expenses	1 376 317	1 433 344	278	241
Attributable to discontinued operation (note 31.2)	(2 600)	(23 477)	–	–
Attributable to continuing operations	1 373 717	1 409 867	278	241
22.1 Employee benefit expense				
Employee costs – selling and administration	619 884	611 445	–	–
– workshop labour	66 841	72 956	–	–
Pension fund contributions	39 551	40 432	–	–
Medical aid contributions	26 766	26 482	–	–
Share-based payment expense	2 956	3 041	–	–
Total employee benefit expense	755 998	754 356	–	–
Less: portion included in "Cost of sales"	(71 561)	(72 956)	–	–
Included in "Selling and administration expenses"	684 437	681 400	–	–
22.2 Key management employee benefit expense				
Short-term employee benefits	43 793	37 343	–	–
Share-based payment expense	1 939	1 965	–	–
	45 732	39 308	–	–
These amounts are included in "Employee benefit expense" above.				
22.3 Auditor's remuneration				
Fees for audit				
– Current year	4 804	4 734	53	57
– Prior year	–	146	–	–
Fees for other services	90	125	–	29
	4 894	5 005	53	86

	Group 2016 R'000	Group 2015 R'000	Company 2016 R'000	Company 2015 R'000
23. FINANCE INCOME/FINANCE COSTS				
Interest paid by continuing operations				
– trade payables	(64 900)	(54 056)	–	–
– interest-bearing borrowings	(52 744)	(49 299)	–	–
	(117 644)	(103 355)	–	–
Interest paid by discontinued operation				
– trade payables (note 31.2)	–	(244)	–	–
Total interest paid	(117 644)	(103 599)	–	–
Interest received by continuing operations				
– bank	14 906	14 522	7 548	9 999
– subsidiary	–	–	11 155	22 357
– other	–	299	–	–
	14 906	14 821	18 703	32 356
Interest received by discontinued operation				
– other (note 31.2)	–	150	–	–
Total interest received	14 906	14 971	18 703	32 356
Net finance cost	(102 738)	(88 628)	18 703	32 356
24. TAX EXPENSE				
24.1 South African normal taxation				
– current year	75 928	80 156	5 194	9 016
– prior year adjustment	–	1 499	–	–
– deferred – current year	11 290	(4 581)	–	–
	87 218	77 074	5 194	9 016
	%	%	%	%
24.2 Reconciliation of rate of taxation				
Statutory rate	28,0	28,0	28,0	28,0
Adjusted for:				
Disallowable expenditure	3,0	4,7	–	–
Exempt income and allowances	(0,3)	(1,3)	(26,1)	(9,8)
Assessed losses	1,6	0,4	–	–
Prior year adjustment	–	0,6	–	–
Effective rate	32,3	32,4	1,9	18,2

Disallowable expenditure of the Group comprises principally the goodwill impairment charge and depreciation of leasehold improvements.

Exempt income of the Company comprises net dividends received.

	Group 2016 R'000	Group 2015 R'000
25. EARNINGS PER SHARE		
25.1 Basic earnings and headline earnings per share are based on total profit and comprehensive income, and headline earnings attributable to equity holders of the Company respectively, and are calculated using the weighted average of 81 653 000 (2015: 93 673 498) shares in issue during the year.		
25.2 In previous years, on the assumption that all of the share options referred to in note 14.1.2 were taken up by employees, earnings and headline earnings per share would be diluted. As there are no remaining share options, there is no longer a dilution of earnings and headline earnings per share.		
Weighted average number of shares in issue during year ('000 shares)	**81 653**	93 673
Adjustment for option shares	**–**	1 505
Weighted average number of shares for dilution calculation	**81 653**	95 178
25.3 Reconciliation of headline earnings		
Profits/(losses) for the year attributable to equity holders of the company		
– from continuing operations	**182 502**	160 387
– from discontinued operation	**–**	(8 000)
Total profit and comprehensive income attributable to equity holders of the company	**182 502**	152 387
Non-trading items:		
– impairment of goodwill	**22 000**	30 000
– profit on sale of plant and equipment		
– gross	**(3 395)**	(93)
– impact of income tax	**951**	26
Headline earnings attributable to equity holders of the company	**202 058**	182 320
From continuing operations	**202 058**	190 320
From discontinued operation	**–**	(8 000)
	202 058	182 320
25.4 Total earnings per share (cents)		
Basic	**223,5**	162,7
Diluted basic	**223,5**	160,1
Headline	**247,5**	194,6
Diluted headline	**247,5**	191,6
25.5 Earnings per share from continuing operations (cents)		
Basic	**223,5**	171,2
Diluted basic	**223,5**	168,5
Headline	**247,5**	203,1
Diluted headline	**247,5**	200,0
25.6 Earnings per share from discontinued operation (cents)		
Basic	**–**	(8,5)
Diluted basic	**–**	(8,4)
Headline	**–**	(8,5)
Diluted headline	**–**	(8,4)

	Group 2016 R'000	Group 2015 R'000	Company 2016 R'000	Company 2015 R'000
26. CASH GENERATED FROM OPERATIONS				
Operating profit				
– from continuing operations	372 905	326 158	254 772	17 046
– from discontinued operation (note 31.2)	–	(7 906)	–	–
	372 905	318 252	254 772	17 046
Adjustments for non-cash items:				
Dividend accrued	–	–	(15 183)	(17 287)
Movement in lease liabilities	(38 372)	(9 473)	–	–
Movement in share-based payment reserve	2 956	3 041	–	–
Depreciation	112 603	109 390	–	–
Movement in provisions	(1 600)	5 500	–	–
Profit on sale of plant and equipment	(3 395)	(93)	–	–
Impairment of goodwill	22 000	30 000	–	–
Sale of car hire fleet vehicles	341 606	324 772	–	–
Purchase of car hire fleet vehicles	(461 388)	(443 107)	–	–
	347 315	338 282	239 589	(241)
Working capital changes:				
Inventories	(48 024)	39 370	–	–
Trade and other receivables	(387)	(2 462)	–	–
Trade and other payables	238 642	20 084	67	64
Borrowings	58 576	44 599	–	–
	248 807	101 591	67	64
Cash generated from operations	596 122	439 873	239 656	(177)
27. TAXATION PAID				
Taxation paid is reconciled to the amounts disclosed in the statements of comprehensive income as follows:				
Amounts unpaid at beginning of year	(10 068)	(22 056)	(1 797)	(1 245)
Amounts charged to the statements of comprehensive income	(75 928)	(81 655)	(5 194)	(9 016)
Amounts unpaid at end of year	1 248	10 068	434	1 797
	(84 748)	(93 643)	(6 557)	(8 464)
28 . DIVIDENDS PAID				
Ordinary dividends				
Dividend number 55: 46,5 cents, declared 13 October 2015	(34 783)	–	(34 783)	–
Dividend number 54: 65 cents, declared 16 April 2015	(62 357)	–	(62 357)	–
Dividend number 53: 32,5 cents, declared 17 October 2014	–	(30 444)	–	(30 444)
Dividend number 52: 50 cents, declared 16 April 2014	–	(46 837)	–	(46 837)
	(97 140)	(77 281)	(97 140)	(77 281)

	Group 2016 R'000
29. PROCEEDS ON DISPOSAL OF BUSINESSES	
During the year the Group sold a number of its dealerships to third parties. The net proceeds of the sales are as follows:	
Inventories	24 909
Plant and equipment	7 973
	32 882
Trade and other payables	(1 677)
Net proceeds	31 205
30. PURCHASE OF BUSINESSES	
30.1 During the year the Group acquired a 100% interest in 2 dealerships. The assets and liabilities arising from the acquisitions are as follows:	
Plant and equipment	418
Inventories	3 318
Trade and other payables	(2 305)
Net assets acquired	1 431
Goodwill	4 106
Purchase consideration paid in cash	5 537
The Group is not aware of the carrying amounts of each class of assets and liabilities in the books of the sellers at the respective dates of acquisition.	
30.2 The businesses acquired are: – Nissan Ballito – with effect from 1 June 2015 – Renault Ballito – with effect from 1 October 2015	
30.3 The goodwill is attributable to the anticipated profitability of the businesses and the synergies which are expected to benefit the Group after acquisition. Because of the short-term termination conditions recorded in the various manufacturer franchise agreements, only negligible amounts can be attributed to the value of any intangible assets.	
30.4 The results of the businesses, from the date of their respective acquisitions, which are included in the Group statement of comprehensive income are as follows:	
Revenue	81 889
Loss before taxation	1 328

The Group does not have reliable information in respect of the businesses acquired to enable it to disclose the profit which may have been earned by the Group had the businesses been acquired with effect from the beginning of the financial year.

31. NON-CURRENT ASSETS HELD FOR SALE, AND DISCONTINUED OPERATION

31.1 Assets of disposal group held for sale

Various assets related to the Group's BMW/Mini dealership in Menlyn have been classified as held for sale. This follows the conclusion of an agreement in terms of which the assets and the business have been sold to a third party. The agreement which has yet to be approved by the Competition Commission, is expected to be effective from 1 May 2016. The following assets have been classified as held for sale:

	Group 2016 R'000	Group 2015 R'000
Plant and equipment	1 664	–
Inventories	83 636	–
	85 300	–

31.2 Results of discontinued operation

During January 2015 a decision was taken to discontinue the Group's marine and leisure division. The investment in inventories and receivables totalling R34 192 000 at 28 February 2015 has been reduced to receivables of R1 933 000, which are expected to be received over the next four months.

The results of the discontinued operation are:

	Group 2016 R'000	Group 2015 R'000
Revenue	37 500	94 721
Cost of sales	(34 900)	(79 150)
Gross profit	2 600	15 571
Selling and administration expenses	(2 600)	(23 477)
Operating loss	–	(7 906)
Finance income	–	150
Finance costs	–	(244)
Loss before taxation	–	(8 000)
Tax expense	–	–
Loss for the year	–	(8 000)

31.3 Cash flows arising from discontinued operation

	Group 2016 R'000	Group 2015 R'000
Operating cash flows	17 115	11 186
Investing cash flows	175	(299)
Financing cash flows	(17 293)	(10 890)
	(3)	(3)

	Group 2016 R'000	Group 2015 R'000	Company 2016 R'000	Company 2015 R'000
32. RELATED PARTY TRANSACTIONS				
32.1 During the year a number of subsidiary companies occupied properties which are owned directly or indirectly by various directors of the Company.				
Rentals paid during the year amounted to	78 252	70 620	–	–
The uninvolved directors are of the opinion that the terms and conditions of the rental agreements approximate those available in the open market.				
32.2 Other transactions conducted and balances with related companies were as follows:				
Dividends received				
– Main Street 445 Proprietary Limited	–	–	(15 183)	(17 287)
– inter-group	–	–	(239 867)	–
Interest received				
– inter-group	–	–	(11 155)	(22 357)
Pension fund contributions				
– contributions to Combined Motor Holdings Pension Fund	13 605	13 500	–	–
Year-end balances				
– advance to subsidiary	–	–	140 000	137 570
– investment in Main Street 445 Proprietary Limited	–	–	129 856	159 673
– advance from Chez Investments Proprietary Limited	(255)	(255)	–	–
Main Street 445 Proprietary Limited and Chez Investments Proprietary Limited are non-controlling shareholders of Group companies.				
33. COMMITMENTS				
33.1 Operating lease commitments				
The future minimum lease payments under non-cancellable operating leases are as follows:				
Next 12 months	154 218	187 286	–	–
Years 2 to 5	294 183	372 469	–	–
Years 6+	163 250	54 157	–	–
	611 651	613 912	–	–
Less: accrued in statement of financial position	(51 158)	(89 530)	–	–
Future expense	560 493	524 382	–	–
33.2 Future sublease receivables				
The future minimum sublease amount expected to be received under non-cancellable subleases is	19 621	6 490	–	–

34. EMPLOYEE BENEFIT INFORMATION

34.1 Membership of motor-related union pension funds is compulsory for certain artisans and other employees, whilst membership of the Group pension fund, Combined Motor Holdings Pension Fund, is available for all other classes of employees.

34.2 During the year under review the Combined Motor Holdings Pension Fund operated as a defined contribution plan governed by the Pension Funds Act.

34.3 The Group pays a fixed monthly contribution to these separate legal entities and has no legal or constructive obligation to pay further contributions if the funds do not hold sufficient assets to pay all employees the benefits relating to their employment service.

34.4 The Group pays a fixed monthly contribution to various independent medical schemes. It has no post-retirement obligations to employees.

35. SUBSEQUENT EVENT

Dividend declaration

A dividend (dividend number 56) of 85 cents per share will be paid on Monday, 20 June 2016 to members reflected in the share register of the Company at the close of business on the record date, Friday, 17 June 2016. Last day to trade cum dividend is Thursday, 9 June 2016. First day to trade ex dividend is Friday, 10 June 2016. Share certificates may not be dematerialised or rematerialised from Friday, 10 June 2016 to Friday, 17 June 2016, both days inclusive.

The number of ordinary shares in issue at the date of the declaration is 74 801 998. Consequently, the gross dividend payable is R63 581 700 and will be distributed from income reserves. The dividend will be subject to dividend withholding tax at a rate of 15%, which will result in a net dividend of 72,25 cents to those shareholders who are not exempt in terms of section 64F of the Income Tax Act.

36. CHANGES IN COMPARATIVE FIGURES

Reclassification within statement of comprehensive income

In the Group statement of comprehensive income, sundry income received by the Group was previously set off against costs and included in the "Selling and administration expenses" line. The income has now been separately disclosed in "Other income" on the face of the statement of comprehensive income. The effect on the statement of comprehensive income is as follows:

Group statement of comprehensive income

	Restated 28 February 2015 R'000	Adjustment R'000	Previously reported 28 February 2015 R'000
Other income	14 764	14 764	–
Selling and administration expenses	(1 409 867)	(14 764)	(1 395 103)
Operating profit	326 158	–	326 158

37. NEW STANDARDS AND AMENDMENTS TO EXISTING STANDARDS AND INTERPRETATIONS THAT ARE NOT YET EFFECTIVE

A number of new standards, and amendments to existing standards and interpretations have been published that are mandatory for the Group's future accounting periods, but that the Group has not early adopted. None of these is expected to have an impact on the consolidated financial statements of the Group in future periods, except for the following:

IAS 1	Presentation of Financial Statements (Amendment) (effective for periods beginning on or after 1 January 2016)
IAS 7	Cash Flow Statements (Amendment) (effective for periods beginning on or after 1 January 2017)
IAS 12	Income Taxes (Amendment) (effective for periods beginning on or after 1 January 2017)
IFRS 9	Financial Instruments (effective for periods beginning on or after 1 January 2018)
IFRS 15	Revenue from Contracts with Customers (effective for periods beginning on or after 1 January 2018)
IFRS 16	Leases (effective for periods beginning on or after 1 January 2019)

Management is assessing the impact of IFRS 16 'Leases' which is not effective until the Group's year ending 29 February 2020.

The remaining standards and amendments thereto are not expected to have a material impact on the Group's future financial statements.

SUBSIDIARIES

Company	Issued share capital R	Activity	Effective holding (indirect)/direct 2016 %	2015 %	Shares at cost less amounts written off 2016 R'000	2015 R'000	Indebtedness by subsidiaries 2016 R'000	2015 R'000
CMH Car Hire	100	2	(85)	(85)	–	–	–	–
CMH Green Machine	100	4	(85)	(85)	–	–	–	–
CMH Holdings	1 000	4	85	85	1	1	140 000	137 570
CMH Luxury Motors (Lyndhurst)	200	1	(85)	(85)	–	–	–	–
CMH Marine and Leisure	67 000	3	(85)	(85)	–	–	–	–
Datcentre Motors	250 000	1	(85)	(85)	–	–	–	–
Kempster Sedgwick	1 800 400	1	(85)	(85)	–	–	–	–
Mandarin Motors	100	1	(85)	(85)	–	–	–	–
Mandarin Motors Three	100	1	(85)	(85)	–	–	–	–
Pipemakers	100	4	(60)	(60)	–	–	–	–
Whitehouse Motors	25	1	(85)	(85)	–	–	–	–
					1	1	140 000	137 570

NOTES:

1. *All subsidiaries are Proprietary Limited companies incorporated in South Africa.*
2. *Activity index:*
   1 *retail motor*
   2 *car hire*
   3 *marine and leisure*
   4 *corporate services/other*
3. *No business of a subsidiary was managed by a third party during the year under review.*
4. *Although the Company does not own any of the issued ordinary share capital of Main Street 445 Proprietary Limited ("Main Street"), an agreement entered into with the shareholders of Main Street enables the Company to control the activities of Main Street. Consequently Main Street has been consolidated in the financial statements of the Group.*
5. *CMH Autogas Products Proprietary Limited has changed its name to CMH Green Machine Proprietary Limited.*

DIRECTORS' EMOLUMENTS

FOR THE YEAR ENDED 29 FEBRUARY 2016

Executive directors	Total R'000	MPD Conway R'000	SK Jackson R'000	JD McIntosh R'000
2016				
Salary	10 845	2 325	3 720	4 800
Performance-related payments	4 155	–	1 635	2 520
Share-based payment award	1 135	1 029	106	–
Other benefits	702	160	271	271
Contributions to pension and medical aid funds	1 163	253	413	497
	18 000	3 767	6 145	8 088
2015				
Salary	10 908	3 444	3 444	4 020
Performance-related payments	5 100	1 500	1 500	2 100
Share-based payment award	302	302	–	–
Other benefits	690	230	230	230
Contributions to pension and medical aid funds	1 190	374	382	434
	18 190	5 850	5 556	6 784

Non-executive directors	2016 R'000	2015 R'000
LCZ Cele	242	215
JS Dixon	311	291
JTM Edwards	626	564
ME Jones	152	–
JA Mabena	156	83
D Molefe	–	49
N Siyotula	93	182
MR Nkadimeng	106	–
II Zimmerman	–	78
M Zimmerman	–	39
Total	1 686	1 501

NOTES:

1. *All remuneration paid by subsidiary companies.*
2. *"Share-based payment award" represents the cost to the Group, determined in accordance with a Black-Scholes model, of share appreciation rights granted.*
3. *MPD Conway resigned on 19 October 2015.*

DIRECTORS' SHAREHOLDING

	Total '000	MPD Conway '000	JTM Edwards '000	SK Jackson '000	JD McIntosh '000	II Zimmerman '000	JW Alderslade '000
Beneficial shareholding at 28 February 2015							
– direct	243	29	7	87	112	–	8
– indirect	60 065	1 215	–	5 000	25 395	28 455	–
	60 308	1 244	7	5 087	25 507	28 455	8
Shares taken up ex Share Option Scheme 2001							
– indirect	2 139	338	–	788	1 013	–	–
Shares disposed of during the year							
– direct	(112)	–	–	–	(112)	–	–
– indirect	(338)	–	–	–	(338)	–	–
Resignation of director	(30 045)	(1 582)	–	–	–	(28 455)	(8)
Beneficial shareholding at 29 February 2016							
– direct	**94**	**–**	**7**	**87**	**–**	**–**	**–**
– indirect	**31 858**	**–**	**–**	**5 788**	**26 070**	**–**	**–**
	31 952	**–**	**7**	**5 875**	**26 070**	**–**	**–**
Rights held subject to the terms and conditions of the CMH Share Appreciation Rights Scheme 2010							
At 28 February 2015	350	350	–	–	–	–	–
Granted during the year	150	–	–	150	–	–	–
Resignation of director	(350)	(350)	–	–	–	–	–
At 29 February 2016	**150**	**–**	**–**	**150**	**–**	**–**	**–**

ANALYSIS OF ORDINARY SHAREHOLDERS

FOR THE YEAR ENDED 29 FEBRUARY 2016

	Number of shareholders		Number of shares held ('000)		Percentage of shares held	
	2016	2015	2016	2015	2016	2015
Individuals	573	522	4 536	4 701	6,0	5,0
Nominee companies and trusts	115	69	4 684	4 116	6,3	4,4
Other corporate bodies	112	112	65 582	84 856	87,7	90,6
	800	703	74 802	93 673	100,0	100,0
Holdings						
1 – 2 500	433	374	355	310	0,5	0,3
2 501 – 5 000	100	89	370	319	0,5	0,3
5 001 – 10 000	80	68	594	534	0,8	0,6
Over 10 000	187	172	73 483	92 510	98,2	98,8
	800	703	74 802	93 673	100,0	100,0
Public shareholders	797	697	42 850	33 365	57,3	35,6
Non-public shareholders – directors of Company	3	6	31 952	60 308	42,7	64,4
	800	703	74 802	93 673	100,0	100,0

NOTES:

1. *In addition to the directors' shareholdings recorded above, the following shareholders have reported holdings in excess of 5%:*
   - *Midbrook Lane (Pty) Ltd, Protea Asset Management LLC and Conduit Capital Limited, collectively – 15,1%*
   - *Old Mutual Group – 9,0%*
   - *Sanlam Investment Management (Pty) Ltd – 5,4%*
   - *Electus Fund Managers – 5,4%*
2. *A copy of the detailed share register as at 29 February 2016 is available on written request to the company secretary.*

STOCK EXCHANGE PERFORMANCE

			2016	2015
Closing price	29 February, 2016	(cents)	1 380	1 530
Volume of shares traded		('000)	24 319	8 168
Value of shares traded		(R'000)	396 872	101 395
Volume of shares traded as percentage of total issued shares		(%)	32,5	8,7
JSE General Retailers Index			6 895	8 499
JSE All-share Index			49 415	53 344
Lowest price	24 February, 2016	(cents)	1 320	1 102
Highest price	8 June, 2015	(cents)	2 000	1 575
Earnings yield	29 February, 2016	(%)	17,9	12,7
Dividend yield	29 February, 2016	(%)	8,1	5,4

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the twenty-ninth public annual general meeting of shareholders of Combined Motor Holdings Limited will be held in the boardroom at the CMH Head Office located at 1 Wilton Crescent, Umhlanga Ridge, on Thursday, 26 May 2016 commencing at 15:00 for the following purposes:

1. ORDINARY RESOLUTION NUMBER 1

Approval of financial statements

To receive, approve and adopt the financial statements, and the reports of the directors, and audit and risk assessment committee and social, ethics and transformation committee of the Company and the Group for the year ended 29 February 2016.

2. ORDINARY RESOLUTION NUMBER 2

Election of directors

To confirm the election of MR Nkadimeng who was appointed since the previous annual general meeting.

To confirm the re-election of JS Dixon who retires by rotation in terms of the memorandum of incorporation and who has offered himself for re-election.

A brief curriculum vitae of each of the above directors is recorded on page 74. The Board recommends the election of each of the directors.

3. ORDINARY RESOLUTION NUMBER 3

Election of audit and risk assessment committee

To elect members of the audit and risk assessment committee for the ensuing year. The Board proposes the election of the following members:

- JS Dixon (chairman)
- ME Jones
- MR Nkadimeng

4. ORDINARY RESOLUTION NUMBER 4

Appointment of external auditor

To appoint PricewaterhouseCoopers Inc. and designated partner SF Randelhoff, as auditor of the Company and the Group for the ensuing year.

5. ORDINARY RESOLUTION NUMBER 5

Remuneration report

To confirm, on a non-binding advisory basis, the approval by shareholders of the remuneration report of the Group.

The remuneration report is recorded on pages 19 and 20.

6. SPECIAL RESOLUTION NUMBER 1

To authorise the directors, in terms of Section 45(3) of the Companies Act, 2008 ("Act"), to bind the Company in the provision of direct and indirect financial assistance to a related company.

7. SPECIAL RESOLUTION NUMBER 2

To approve the amendment of article 11.8.2 of the Company's Memorandum of Incorporation so that it provides as follows:

"11.8.2 as contemplated in 10.16 (g) of Schedule 10, at each annual general meeting at least one third of the non-executive directors in office must retire, or if their respective number is not a multiple of three, the number nearest to but not less than one third."

The result of the amendment is to remove the requirement that one third of executive directors retire at each annual general meeting of the Company. The reason for the proposed amendment is to bring the Memorandum of Incorporation into line with the requirements of item 10.16(g) of Schedule 10 of the JSE Limited Listings Requirements, which provides that one third of only non-executive directors resign at each annual general meeting.

8. SPECIAL RESOLUTION NUMBER 3

Approval of fees of non-executive directors

To approve, in terms of section 66(8) of the Act, the fees of non-executive directors for their services as directors, as follows:

	2017 R'000
Chairman of the Board	625
Lead independent director	235
Director	135
Audit and risk assessment committee	
– chairman	175
– member	37
– per meeting	14
Remuneration committee	
– chairman	32
– member	14
– per meeting	8
Social, ethics and transformation committee	
– chairman	32
– member	14
– per meeting	8
Nominations committee	
– per member, per *ad hoc* meeting	8

In order for an ordinary resolution to be adopted, the support is required of more than 50% of the total number of votes which the shareholders present or represented by proxy at this meeting are entitled to cast.

In order for a special resolution to be adopted, the support is required of more than 75% of the total number of votes which the shareholders present or represented by proxy at this meeting are entitled to cast.

A shareholder who is entitled to attend and vote at the meeting is entitled to appoint a proxy to attend, speak and vote in his stead. The person so appointed need not be a shareholder. In terms of the Act, any shareholder or proxy who attends the meeting must provide satisfactory identification. A South African green bar-coded identification document, driver's licence or passport will be acceptable. Proxy forms should be forwarded to reach the registered office of the Company by no later than 10:00 on Wednesday, 25 May 2016.

The record date in terms of section 59(1)(a) of the Act for shareholders to be recorded on the securities register of the Company in order to receive notice of the annual general meeting is Friday, 22 April 2016.

The record date in terms of section 59(1)(b) of the Act for shareholders to participate in and vote at the annual general meeting is Friday, 20 May 2016.

By order of the Board of directors

K Fonseca
Company secretary

14 April 2016

CURRICULA VITAE

A brief curriculum vitae of each of the directors standing for election or re-election is as follows:

MR NKADIMENG

Refiloe Nkadimeng CA(SA) was appointed to the Board in August 2015. Refiloe is a chartered accountant and completed her articles at Sizwe Ntsaluba before joining Royal Bafokeng Holdings ("RBH") in 2007 as Group Reporting Manager. Whilst at RBH she was promoted to General Finance Manager, and later Finance Director. Her accountabilities in these various positions included financial roles, risk management and corporate governance. Refiloe joined Thebe Investment Corporation in 2014 as Group Financial Director and is responsible for the finance function, risk management, aspects of corporate governance and management of the Thebe Corporate office.

JS DIXON

James Dixon, CA(SA) was appointed to the Board and the audit and risk assessment committee in October 2010. He was appointed chairman of the audit and risk assessment committee in 2011 and continues to hold that position. James retired from PricewaterhouseCoopers Inc. in 2009 after serving as a partner at the firm and its predecessor firm, Coopers & Lybrand, for a period of 28 years. During that time he held the positions of Head of KwaZulu-Natal Assurance, Human Resources partner, member of the National Assurance Executive, and Head of KwaZulu-Natal Marketing. James was the partner in charge of the Group's audit during the years 2000 to 2007 and brings with him a wealth of knowledge and experience. James was last re-elected to office in 2014.

SHAREHOLDERS' DIARY

Year-end	February
Annual general meeting	May
REPORTS	
Interim	October
Integrated annual report	May
DIVIDENDS	
Interim	Declared October
	Paid December
Final	Declared April
	Paid June

FORM OF PROXY

COMBINED MOTOR HOLDINGS LIMITED ANNUAL GENERAL MEETING 26 MAY 2016

I/We the undersigned,

being the holder/s of ordinary shares of no par value in Combined Motor Holdings Limited,

do hereby appoint

or

or failing him the chairman of the meeting as my/our proxy to transact on my/our behalf at the annual general meeting of the Company to be held at 15:00 on Thursday, 26 May 2016 and at each adjournment thereof.

Signature(s) Date

Please indicate with an "X" in the appropriate space below how you wish your vote to be cast:

	For	Against	Abstention
Ordinary resolution number 1			
Ordinary resolution number 2.1: MR Nkadimeng			
Ordinary resolution number 2.2: JS Dixon			
Ordinary resolution number 3.1: JS Dixon			
Ordinary resolution number 3.2: ME Jones			
Ordinary resolution number 3.3: MR Nkadimeng			
Ordinary resolution number 4			
Ordinary resolution number 5			
Special resolution number 1			
Special resolution number 2			
Special resolution number 3			

NOTES:

1. A shareholder who is entitled to attend and vote at the meeting is entitled to appoint a proxy to attend, speak and vote in his stead. The person so appointed need not be a shareholder.
2. Forms of proxy should be signed, dated and forwarded to reach the registered office of the Company, 1 Wilton Crescent, Umhlanga Ridge 4319, by no later than 10:00 on Wednesday, 25 May 2016.
3. If no direction is given as to how a vote is to be cast, then the proxy holder will be entitled to vote as he/she deems fit.
4. In terms of the Companies Act, any shareholder or proxy who attends the meeting must provide satisfactory identification. A South African green bar-coded identification document, driver's licence or passport will be acceptable.

Registered office
1 Wilton Crescent, Umhlanga Ridge, 4319

Postal address
PO Box 1033, Umhlanga Rocks, 4320

ADMINISTRATION

Registration number: 1965/000270/06
Income tax reference number: 9471/712/71/2
Share code: CMH
ISIN: ZAE000088050

DIRECTORS

LCZ Cele, BCom, Postgrad Dip Tax, MAcc (Tax) (independent non-executive)
JS Dixon, CA (SA) (independent non-executive)
JTM Edwards, CA (SA) (independent non-executive)
SK Jackson, BCom (Hons) (Tax Law), CA (SA) (executive)
ME Jones, CA (SA) (independent non-executive)
JA Mabena, BCom (independent non-executive)
JD McIntosh, CA (SA) (executive)
MR Nkadimeng, CA(SA) (independent non-executive)

EXECUTIVE COMMITTEE

SL Atkinson
BWJ Barritt
JP de Bruyn
K Fonseca
RJ Minnaar
TH Morey
S Singleton
CG Webber

COMPANY SECRETARY

K Fonseca

TRANSFER SECRETARIES

Computershare Investor Services Proprietary Limited
PO Box 61051
Marshalltown 2107

BUSINESS ADDRESS AND REGISTERED OFFICE

1 Wilton Crescent
Umhlanga Ridge 4319

POSTAL ADDRESS

PO Box 1033
Umhlanga Rocks 4320

AUDITOR

PricewaterhouseCoopers Inc.

SPONSORS

PricewaterhouseCoopers Corporate Finance Proprietary Limited
Private Bag X36
Sunninghill 2157

BANKERS

First National Bank of South Africa