CMH GROUP

COMBINED MOTOR HOLDINGS LIMITED

INTEGRATED ANNUAL REPORT 2017

CONTENTS

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 28 February 2017. 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.

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 relations 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

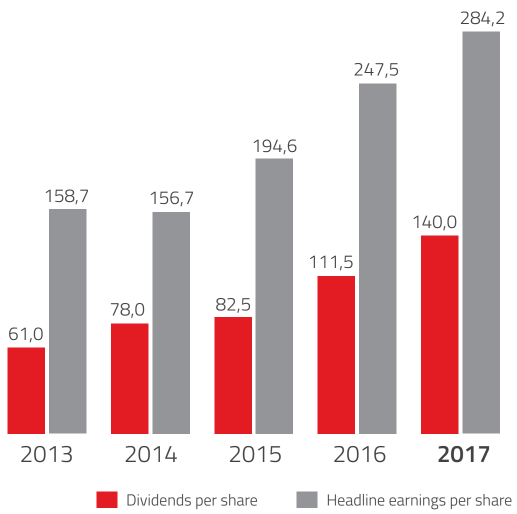
to produce a consistent, meaningful growth in earnings and dividends, commensurate with the risks involved, after making adequate provision for future expansion.

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

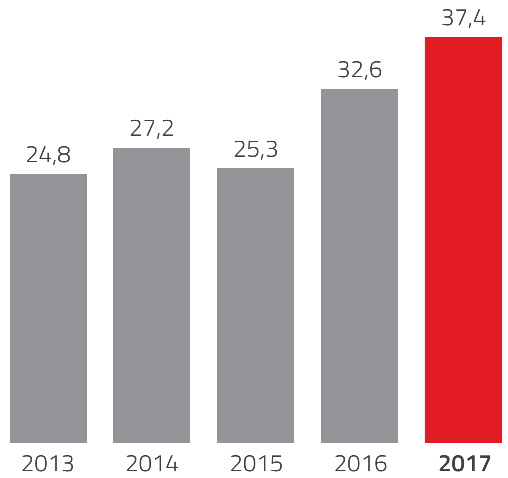
GROUP FINANCIAL HIGHLIGHTS

		2017	2016	% Change
Total assets	(R'000)	**2 786 806**	2 783 469	0,1
Cash resources	(R'000)	**489 218**	498 254	(1,8)
Net asset value per share	(cents)	**767**	643	19,3
Revenue	(R'000)	**10 224 900**	11 016 150	(7,2)
Operating profit	(R'000)	**379 652**	372 905	1,8
Net profit attributable to ordinary shareholders	(R'000)	**196 983**	182 502	7,9
Return on shareholders' funds	(%)	**37,4**	32,6	14,7
Basic earnings per share	(cents)	**263,3**	223,5	17,8
Headline earnings per share	(cents)	**284,2**	247,5	14,8
Dividends paid per share	(cents)	**140,0**	111,5	25,6
Dividend declared – payable June 2017	(cents)	**100,0**	85,0	17,6

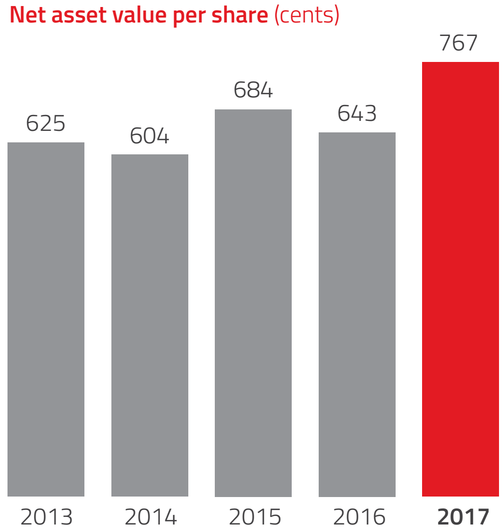
Headline earnings and dividends per share (cents)



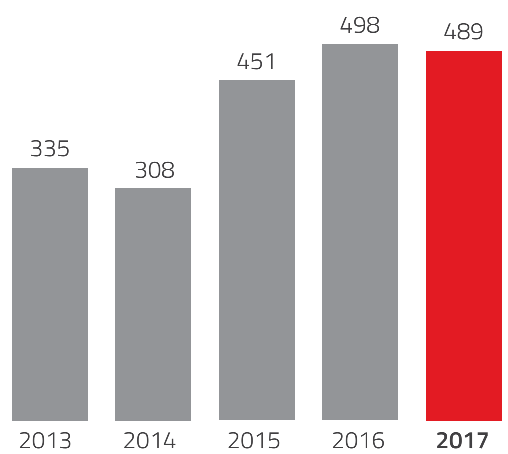
Return on shareholders' funds (%)



Net asset value per share (cents)



Cash resources (R'million)



BOARD OF DIRECTORS

JOHN EDWARDS
CA (SA)
Independent non-executive chairman
Age: 81

Board appointment: 2002
Member of remuneration committee

BRUCE BARRITT
Executive
Age: 58

Board appointment: 2016
Member of social, ethics and transformation committee

JEBB MCINTOSH
CA (SA)
Chief executive officer
Age: 71

Board appointment: 1976
Member of social, ethics and transformation committee

ZEE CELE
BCom, Postgrad Dip Tax, MAcc (Tax)
Independent non-executive
Age: 64

Board appointment: 2007
Chairman of remuneration committee
Chairman of social, ethics and transformation committee

STUART JACKSON

BCom (Hons) (Tax Law), CA (SA)
Financial director
Age: 64

Board appointment: 1986

JAMES DIXON

CA (SA)
Independent non-executive
Age: 65

Board appointment: 2010
Chairman of audit
and risk assessment committee

MIKE JONES

CA (SA)
Independent non-executive
Age: 64

Board appointment: 2015
Member of audit
and risk assessment committee

JERRY MABENA

BCom
Independent non-executive
Age: 47

Board appointment: 2014
Member of remuneration committee
Member of social, ethics and transformation committee

REFILOE NKADIMENG

CA (SA)
Independent non-executive
Age: 35

Board appointment: 2015
Member of audit and risk assessment committee

GROUP FIVE-YEAR STATISTICAL REVIEW

STATEMENT OF FINANCIAL POSITION		2017	2016	2015	2014	2013
Borrowings to total assets	(%)	**30,2**	26,1	24,8	24,2	22,6
Borrowings to total equity	(%)	**146,7**	151,0	104,2	110,1	82,7
Current ratio including car hire fleet vehicles	(ratio)	**1,2**	1,1	1,3	1,2	1,3
Current ratio excluding car hire fleet vehicles	(ratio)	**0,9**	0,8	1,0	0,9	1,0
Net asset value per share	(cents)	**767**	643	684	604	625
Total assets per employee	(R'000)	**1 041**	1042	935	877	878

Note: Following a decision of management to extend the useful life of the car hire fleet vehicles, they have been reclassified in the statement of financial position from current assets to non-current assets. As a result, the current ratio as at 28 February 2017 is not comparable with that reported in respect of previous years, because the fleet value is now recorded as a non-current asset and the related borrowings remain classified as a current liability. In practice, movement in fleet size and carrying value are linked to movements in borrowing levels. A comparable current ratio has therefore been presented in which both the car hire fleet asset and related borrowings are treated as current.

STATEMENT OF COMPREHENSIVE INCOME		2017	2016	2015	2014	2013
Weighted average number of shares in issue	('000)	**74 802**	81 653	93 673	108 057	108 531
Headline earnings per share	(cents)	**284,2**	247,5	194,6	156,7	158,7
Basic earnings per share	(cents)	**263,3**	223,5	162,7	156,8	144,5
Dividends per share	(cents)	**140,0**	111,5	82,5	78,0	61,0
Dividend cover	(times)	**2,0**	2,2	2,4	2,0	2,6
Net interest cover	(times)	**3,6**	3,6	3,6	4,2	4,3
Number of employees		**2 676**	2 671	2 881	2 935	2 840
Revenue per employee	(R'000)	**3 821**	4 124	3 727	3 690	3 454
Operating profit on average total equity	(%)	**72,0**	66,5	52,8	51,4	45,9
Return on shareholders' funds	(%)	**37,4**	32,6	25,3	27,2	24,8

Note: Figures presented above include continuing and discontinued operations.

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.

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

STATEMENT OF FINANCIAL POSITION	2017 R'000	2016 R'000	2015 R'000	2014 R'000	2013 R'000
ASSETS					
Plant and equipment	**74 864**	71 715	74 846	74 803	68 803
Car hire fleet vehicles	**757 085**	–	–	–	–
Insurance receivable	**38 162**	30 032	20 418	18 039	1 074
Deferred taxation	**39 454**	39 934	51 224	46 643	45 707
Goodwill	**10 078**	27 078	44 972	74 972	74 972
Current assets	**1 867 163**	2 614 710*	2 501 855	2 359 653	2 304 068
Total assets	**2 786 806**	2 783 469	2 693 315	2 574 110	2 494 624
EQUITY AND LIABILITIES					
Ordinary shareholders' equity	**572 430**	480 091	640 348	565 614	680 551
Non-controlling interest	**1 127**	722	275	112	120
Borrowings	**841 196**	726 137	667 561	622 962	563 116
Advance from non-controlling shareholder of subsidiary	**–**	255	255	4 193	11 193
Insurance payable	**–**	–	1 680	2 156	2 608
Lease liabilities	**46 700**	51 158	89 530	99 003	106 573
Other current liabilities	**1 325 353**	1 525 106	1 293 666	1 280 070	1 130 463
Total equity and liabilities	**2 786 806**	2 783 469	2 693 315	2 574 110	2 494 624

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

STATEMENT OF COMPREHENSIVE INCOME		2017 R'000	2016 R'000	2015 R'000	2014 R'000	2013 R'000
Continuing operations						
Revenue		**10 224 900**	11 016 150	10 737 862	10 703 616	9 808 733
Operating profit to revenue	(%)	**3,7**	3,4	3,0	3,0	3,0
Operating profit		**379 652**	372 905	326 158	317 223	289 827
Net finance costs		**(104 840)**	(102 738)	(88 534)	(75 291)	(67 333)
Profit before taxation		**274 812**	270 167	237 624	241 932	222 494
Tax expense		**(77 424)**	(87 218)	(77 074)	(75 245)	(65 680)
Total profit from continuing operations		**197 388**	182 949	160 550	166 687	156 814
(Loss)/profit from discontinued operation		**–**	–	(8 000)	2 745	–
Total profit		**197 388**	182 949	152 550	169 432	156 814
Non-controlling interest		**(405)**	(447)	(163)	8	(4)
Attributable profit		**196 983**	182 502	152 387	169 440	156 810
Dividends		**(104 722)**	(97 140)	(77 281)	(85 026)	(66 202)
Attributable profit after dividends		**92 261**	85 362	75 106	84 414	90 608

Note: Figures presented for 2013 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	221	W Edgar, O Fourie, D Gray, N Kelly, A Matthewson, J McConkey, C Pienaar, O Robertse, C Walters, S Atkinson (franchise manager)
	Land Rover	Cape Town, Pretoria, Umhlanga Rocks	130	D Gray, E Vorster, C Walters, S Atkinson (franchise manager)
	Jaguar	Cape Town, Pretoria, Umhlanga Rocks	43	D Gray, E Voster, C Walters, S Atkinson (franchise manager)
	Mitsubishi	The Glen, Hatfield, Menlyn, West Rand	38	N Kelly, D Pepperell, C Pienaar, P Voges, S Atkinson (franchise manager)
	Honda	The Glen, Hatfield, Menlyn, Pinetown	150	D Pepperell, D Schlanders, C Thirion, R van der Walt, S Singleton (franchise manager)
	Ford	Durban, Durban South, Pretoria, Hatfield, Pretoria North, Randburg, Umhlanga Rocks	460	M Buck, B Cole, P Gething, R Nortje, P Ras, H Venter, C Wainwright, T Wessels, T Morey (franchise manager)
	General Motors	Boksburg, Umhlanga Rocks	144	G Aspden, C McHaffie, S Singleton (franchise manager)
	Mazda	Durban, Hatfield, Menlyn, Randburg, Umhlanga Rocks	181	N Grobler, D McCulloch, A Sumares, Z van Greuning, P Voges, T Morey (franchise manager)

RETAIL MOTOR DEALERSHIPS

DEALERSHIP	FRANCHISE	LOCATIONS	EMPLOYEES	MANAGEMENT
NISSAN	**Nissan**	Ballito, Durban, Hillcrest, Midrand, Pietermaritzburg, Pinetown, Sandton	327	R Downs, C Drummond, B Faulds, D Govender, H Louw, M Mansoor, M Moffatt, S Singleton, C Webber (franchise manager)
DATSUN	**Datsun**	Ballito, Durban, Midrand, Pietermaritzburg, Pinetown, Sandton	45	R Downs, C Drummond, B Faulds, D Govender, H Louw, M Moffatt, S Singleton, C Webber (franchise manager)
UD TRUCKS	**UD Trucks**	Pietermaritzburg, Pinetown	76	R Byng, B Thompson, S Singleton (franchise manager)
EICHER GO PRO	**Eicher**	Pietermaritzburg, Pinetown	4	R Byng, B Thompson, S Singleton (franchise manager)
TOYOTA	**Toyota**	Alberton, Melrose Arch, Umhlanga Rocks	207	D Chater, P de Villiers, A Hughes, M van Heerden, C Webber (franchise manager)
LEXUS	**Lexus**	Umhlanga Rocks	19	M van Heerden, C Webber (franchise manager)
SUZUKI	**Suzuki**	Pinetown, Umhlanga Rocks	9	D McCulloch, D Schlanders, S Singleton (franchise manager)
Investment Cars	**Investment Cars**	Bryanston	9	M Moffatt, C Webber (franchise manager)
RENAULT	**Renault**	Ballito, Midrand	10	C Drummond, H Louw, C Webber (franchise manager)

GROUP OPERATIONS CONTINUED

FINANCIAL AND SUPPORT SERVICES

OPERATION	FRANCHISE	LOCATIONS	EMPLOYEES	MANAGEMENT
CMH GROUP	**CMH Finance** **CMH Insurance** **CMH IT** **CMH Carshop** **CMH Fleet**	All Group operations	92	JP de Bruyn, C Downs, S Eloff, K Fonseca, A Julius, G Liebenberg, JP Liebenberg, R Margach, R Minnaar, V Naidoo
ROKKIT digital agency	**Rokkit Digital Agency**			C Massey-Hicks SL McIntosh

DISTRIBUTION AND FRANCHISE

OPERATION	FRANCHISE	LOCATIONS	EMPLOYEES	MANAGEMENT
NWE NATIONAL WORKSHOP EQUIPMENT	**National Workshop Equipment**	Herriotdale, Pinetown	17	R Margach, V Thomas
CMH GREEN Our journey to a greener world	**CMH Green**	Countrywide	24	S McCulloch

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, Polokwane, Pietermaritzburg, Mthatha **Other** Braamfontein, Bellville, Boksburg, Cape Town central, Centurion, Durban, Klerksdorp, Menlyn, Midrand, Piet Retief, Pinetown, Pomona, Pretoria, Randburg, Rondebosch, Roodepoort, Rustenburg, Sandton, Stellenbosch, Southbroom, Standerton, Umhlanga Ridge, Witbank	470	**Executive committee** B Barritt (managing director) U Crouse, R McKay, A Nel, M Storey, B Troeberg **Other senior management** C Ault, V Govender, L Margo, C McWilliams, J Ramcharan, C Reid, C Saayman, L Smit, M Voges, K Werth

REPORT OF THE CHIEF EXECUTIVE OFFICER

During the five years since 2012 the Group has recorded 19% compound growth in headline earnings per share, and an impressive 27% growth in dividends per share. I believe that this track record places the Group alongside some of the best counters on the JSE.

The Group achieved commendable results during what was a difficult year for the motor industry. The tough trading conditions which prevailed throughout the previous year continued to place pressure on consumer spending. The year-on-year decline in GDP, coupled with the volatile economic climate, added to the financial strain on many households, and resulted in a 11,4% decline in national new vehicle sales.

Against this backdrop, the Group delivered a 17,8% increase in basic earnings per share, a 14,8% increase in headline earnings per share and a 25,6% improvement in dividends per share. The recommended dividend of 100 cents per share is 18% above that paid last year.

I am proud that, during the five years since 2012, a period during which the level of national new vehicle sales has shown steady decline, the Group has recorded 19% compound growth in headline earnings per share, and an impressive 27% growth in dividends per share. I believe that this track record places the Group alongside some of the best counters on the JSE.

FINANCIAL OVERVIEW

Principally as a result of the previously-reported closure of two BMW/Mini operations in 2015, and a third in June 2016, Group revenue fell 7%. In respect of the continuing operations, growth of 6% was achieved. The improved gross margin, from 15,8% to 16,4%, resulted in a decline of only 3,2% in gross profit. Strict cost control measures ensured that operating expenses in respect of the continuing operations were contained at a 5% increase. The goodwill impairment charge related to a loss-making dealership (R15 million), and the closed BMW/Mini branch (R2 million). The Group is left with only R10 million of goodwill, all of which is considered to be fairly valued. The net result is that the operating margin increased from 3,4% to 3,7%.

Despite the investment of R251 million last year in the repurchase of shares, the net finance cost remained almost unchanged. Utilisation of assessed losses created in prior years, and a lower level of non-deductible expenses, principally goodwill impaired, reduced the taxation rate from 32,3% to 28,2%. The net result was a 7,9% increase in earnings and, taking into account the fewer shares in issue, a 14,8% improvement in headline earnings per share.

The values reflected on the statement of financial position are largely unchanged from the previous year, with the exception of the treatment of the Group's car hire fleet. A conscious decision has been taken to extend the life of the fleet beyond the previous period of 12 to 15 months. As a result, the fleet has been recorded as a non-current asset. Whilst this change does give rise to the appearance that the long-term asset is financed by the utilisation of short-term borrowings, the reality is that movements in the fleet size and the borrowings level are linked. The borrowings level can be reduced at short notice by a sale of surplus vehicles, or by the utilisation of Group cash resources.

The Group's year-end cash resources balance of R489 million remained sound in line with that of last year. At year end R70 million had been used to settle interest-bearing fleet borrowings, and a further R200 million to reduce trade payables relating to new vehicle purchases.

OPERATIONAL OVERVIEW

For the third successive year, the national market for new vehicle sales has recorded a year-on-year decline. The volumes sold are at a level last recorded in 2010 and 2011, and 100 000 units below that of 2014, only two years ago. Reasons cited for the decline are the slowdown in the economy, above-average price increases, pressure on household disposable income, and low levels of consumer confidence. Elevated political tension and increased electricity prices, rates and taxes exacerbated the problem.

A disturbing trend, which casts doubt on the veracity of reported unit sales, is the ever-increasing trend of dealers and manufacturers to pre-report sales i.e. to record as sold vehicles which are not yet sold. If these pre-reports are discounted, the actual sales volumes will be even lower. The majority of these pre-reports are registered in the dealers' names, and are then sold through used car outlets. In addition, the total market volumes have been boosted by an increased off take by the car hire companies, meaning that the retail dealer market was even further depressed.

Countering, to an extent, the fall in new vehicle sales has been the improvement in the used vehicle market. Whilst there are no reliable statistics to verify sales levels, indications from the major vehicle finance houses are that the national market increased by 3 – 4%. In comparison, Group volumes increased 6,7%. The trend of consumers purchasing used rather than new vehicles has continued.

The Group has continued to build on its strong accounting, internal control and cash management base, complemented by aggressive marketing and customer support. Remuneration of management and staff is closely linked to benchmarks set at levels more demanding than peer group standards.

Staff training is focused on general management skills, combined with technical and product sales knowledge. Learnerships and accelerated development programmes continue at both dealerships and car hire outlets, and facilitate and expedite the training and qualification of staff from previously-disadvantaged backgrounds. Use is made of foreign-sourced training material which is available online and affords the Group the opportunity to align with international best practice.

The Group operates an internet and electronic marketing system which has produced an ever-increasing number of sales leads for both the dealerships and car hire outlets. With more and more business transactions being conducted over the web, the role of this cutting-edge technology is gaining in importance.

As predicted, the new scorecard for B-BBEE ratings has presented challenges, and will inevitably result in a decline in the Group's rating. Nevertheless, I am proud of the progress which the Group has made in empowering its management and staff. Presently, 74% of the staff complement comprises Black personnel, and of that, 51% are African. At senior management level, Black staff hold 40% of positions.

Motor Retail

Against the national market which declined 11,4%, Group new vehicle sales, excluding the closed operations, fell 8,3%. Unlike in previous years, the high value models were also adversely affected, a sign that even the rich are suffering in the economic downturn. Dealers are faced with increased pressure from manufacturers to "move metal". In some instances dealer margins have been reduced, and replaced with more aggressive incentive schemes directed at boosting volumes at sub-economic margins. The Group's ability to meet the incentive qualifying criteria and benefit from the incentive schemes helped to improve gross margins.

Two of the Group's sub-performing dealerships have been closed. A further two have been combined with existing operations to take advantage of shared overheads. The used vehicle departments recorded a pleasing 20% improvement in profitability. An increased off take from the car hire division's retired fleet supplemented the source of quality retailable units.

The Group's workshops and parts departments provided stable and steady contributions. Renewed focus on workshop efficiency measures has produced increased hours sold from

REPORT OF THE CHIEF EXECUTIVE OFFICER

a reduced labour force. Aggressive marketing and customer-retention efforts have ensured optimal workshop throughput. The parts departments have also benefited from the higher workshop activity levels through increased sales at favourable margins. They have resisted the temptation to chase sales volumes at low margins and high debt collection risk.

Car Hire

First Car Rental has achieved an enviable eight consecutive years of profit growth. Its success has elevated its contribution to 21% of Group profit before taxation, a welcome underpin during a period in which the retail motor division has been under pressure. The business recorded revenue growth of 14%, largely because of increased penetration into both the business and tourism/leisure markets. A change in segmentation mix, with a focus on lower-volume, higher-margin business, has resulted in an increase in the average daily hire rate and an improvement in the profit margin, from 21,5% to 22,5%.

A growing risk faced by the business, and the car hire industry in general, is the number of incidents of vehicle theft and hijacking. The industry is vulnerable to the use of fake identification documents and stolen credit cards to access vehicles, and more sophisticated tracking devices are having to be utilised in an effort to combat this crime wave.

Taking advantage of the build quality of current models, and the extended warranty plans offered by manufacturers, management has been able to extend the useful life of fleet vehicles, without compromising the offering to customers. This has resulted in a lower average rate of depreciation of the fleet as the initial diminution in value of a newly-registered vehicle is spread over a longer period.

Sharp new vehicle price increases have buoyed the used vehicle market and enabled the retired fleet, aged between 18 and 24 months, to be disposed of at favourable prices.

In order to facilitate the introduction of a black empowerment partner into the customer-facing side of the business, the operation is in the process of being restructured. The fleet, and attendant borrowings, will, in future, be separately housed in a wholly-owned subsidiary, and on-rented to the operations division. In this way, the cost of acquisition of an equity stake in the operations division will be significantly reduced. The restructure will not have a significant impact on Group earnings.

Financial Services

This segment recorded a 12,5% decline in pre-tax profit, mainly because of lower returns from the Group's finance joint ventures. The joint ventures, in partnership with two of the major vehicle finance houses, offer both fixed and variable rate credit to vehicle buyers. Fixed rate lending provides a higher interest rate margin for the lender, and offers greater certainty to the customer. Because of the relative stability in interest rates in recent years, fewer borrowers have opted for fixed rates and the net interest margin has declined.

Profit from the Group's insurance and vehicle warranty cells increased 10%. Despite the decline in Group vehicle sales, premium income increased 3%. This will provide stability in future years.

PROSPECTS

Until recently, the economy, whilst remaining fragile and volatile, did appear to be showing signs of a potential mild recovery. Market commentators believed that interest rates will remain stable, and may even fall marginally during the last quarter of calendar 2017. They were predicting modest GDP off a low base which bodes well for new vehicle sales which historically have shown a close correlation with GDP movements. The country is slowly recovering from one of the worst droughts in its history. The currency had recorded strength and should have provided relief for new vehicle prices. All this positivity was thrown into doubt and confusion by a few days of political mayhem, leading to a reversal of the Rand's gains, and the downgrading of the country's credit risk rating.

What is astounding is the potential for our political leaders, through their actions or inaction, to turn the economy on its head. There are not many countries where political influence can have such a damaging influence on the economy and public confidence as is the case in South Africa. Allegations of fraud, corruption, nepotism and incompetence within government circles continue to dominate news headlines. The ANC election conference, scheduled for the end of this year, has already split the party into conflicting factions, and the scramble for leadership positions, with the expectation of favours for supporting bodies, has the potential to result in violence. Rather than supporting the private sector drive for job creation and prosperity, the government is a stumbling block. Its leaders seem unwilling to accept responsibility for its failures and to replace incompetent and corrupt officials for fear of losing political patronage.

Within the motor industry the majority opinion is that, after a flat start, national new vehicle sales will start to gain traction during the second half of calendar 2017, with an improvement of 3 – 5%. After three years of decline, this will be a welcome relief. The availability of good quality used vehicles with less than 50 000 kilometres travelled will come under pressure as the demand continues. This will drive up prices and spark a natural shift back to the new vehicle market.

At Group level, the majority of out-of-line dealerships have been addressed, and the network has potential for organic growth. The Mazda and Mitsubishi branches are starting to reap the rewards of two successful years of new vehicle sales, and are experiencing increased workshop and parts demand. New product launches and more aggressive marketing support from the Volvo/Land Rover/Jaguar stable will herald an increase in sales volumes. This will benefit the Group's outlets which have suffered declining returns during the past three years. The workshops and parts departments are expected to show continued steady growth.

The Group's car hire and financial services segments provide 33% of its profit and, unless there is a surge in the motor retail contribution, this underpin is predicted to increase to 35% in the year ahead. First Car Rental can expect to obtain good prices for the fleet vehicles retired in the year ahead, but will come under some strain when it starts to replace them at prices which are some 15% higher. The business will look to expand its fledgling van and truck hire offering and increase penetration in the medium-term rental market.

The balance sheet and cash generation are strong and stable, and the Group is well-structured in terms of management and product offerings. I believe that the year ahead will be tough, but the Group is well positioned to take advantage of the potential upturn.

ACKNOWLEDGEMENTS

During April 2016 we welcomed BWJ (Bruce) Barritt to the board as an executive director and member of the Group's social, ethics and transformation committee. Bruce has headed First Car Rental since its inception in 2000 and his appointment is a well-deserved recognition of his business acumen and valuable contribution.

The performance of the Group is largely attributable to the dedication and efforts of the executive committee, department managers and staff. I take this opportunity to thank them for their continued commitment and loyalty.

The collective experience, wisdom and support of my fellow board members, and chairman John Edwards, is, as always, valued and appreciated.

I also express my thanks and gratitude to the Group's business partners for our mutually-beneficial relationship.

JD McIntosh
Chief Executive Officer

13 April 2017

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 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

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 risk 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 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 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 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)

NOTES

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.*

CORPORATE GOVERNANCE CONTINUED

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 23 and 24.

- 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 26.

- 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 25 and 27.

- 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 nine directors, six of whom are independent non-executive, and three 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
JA Mabena
MR Nkadimeng

Executive directors

JD McIntosh (chief executive officer)
BWJ Barritt (appointed April 2016)
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 recorded in the table overleaf.

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
BWJ Barritt	2/2			2/2	5/5
LCZ Cele	3/3		2/2	2/2	
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	3/3	2/2			
JA Mabena	3/3		2/2	2/2	
JD McIntosh	3/3		2/2*	2/2	5/5
MR Nkadimeng	3/3	2/2			

* *By invitation.*

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 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 all 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, LCZ Cele and JTM Edwards are approaching ten and fifteen years respectively in office. The Board has rigorously examined their positions and, after due consideration and discussion with them, concluded that their long association with the Group has not impaired their independence.

Gender diversity

During the current year the Board approved a Gender Diversity Policy as required by section 3.84(k) of the JSE Listings Requirements. The voluntary target set by the Board is that at least 20% of the Board should comprise women. There have been no changes to the Board since the approval of the Gender Diversity Policy and hence it has not yet been applied in the nomination and appointment of a director. The Board currently comprises 22% women directors.

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 formal periodic appraisals 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 29 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 71.

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 18 years' post-graduate experience, of which 11 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 33.

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, a summary of the minutes of all committee meetings is 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)

Attendance at meetings is recorded on page 20.

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.

The Board has delegated to the remuneration committee ("Remco") the responsibility of ensuring that the Group remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short-, medium- and long-term.

As part of its mandate, the Remco is responsible for 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. Remco aims to promote a culture that supports enterprise and innovation with an appropriate mix of short-, medium-, and long-term performance-related rewards that are fair and challenging.

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.

Remco 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. Contribution to Group performance, measurement of 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. Remco 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 Remco. 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 Remco 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.

During the year under review 1 575 000 (2016: 1 650 000) new SARs were issued. The total number awarded to date is 8 895 000. These may be exercised in equal instalments over three, four and five years of service. During the current year 720 000 (2016: 1 380 000) rights vested and were exercised by employees. 127 000 (2016: 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 time which a director is expected to dedicate to Group affairs, number of meetings, participation on committees, other specific areas of involvement and the personal responsibility which the position entails. Remco maintains an ongoing comparison of fees with similar companies comparable in terms of market sector, size and business complexity. Fees are proposed by Remco in conjunction with contributions from 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 70 and 71.

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)
- MR Nkadimeng (independent non-executive)

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 20. In addition, the members meet 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 25.

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 despite the fact that the external auditor has been the auditor of the Company and the Group for the past 41 years, it is independent of the Group, and able to express an objective opinion. The re-appointment 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 33.

Social, ethics and transformation committee

Members:

- LCZ Cele (independent non-executive) – chairman
- BWJ Barritt (executive) (appointed April 2016)
- JA Mabena (independent non-executive)
- 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 20.

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 33.

Executive committee (Exco)

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), SK Jackson (finance director) and BWJ Barritt, and the members listed below.

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.

Exco member	Function	Age	Years of service
SL Atkinson	Motor retail	56	22
JP de Bruyn	Customer finance and insurance	62	36
K Fonseca	Company secretary, chief audit executive	42	11
RJ Minnaar	Information technology	53	27
TH Morey	Motor retail	49	21
S Singleton	Motor retail	53	14
CG Webber	Motor retail	48	17

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 51.

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.

CORPORATE GOVERNANCE CONTINUED

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 below.

KEY SUSTAINABILITY ISSUES AT A GLANCE		2017	2016
Financial			
Revenue	(R'000)	**10 224 900**	11 016 150
Operating profit	(R'000)	**379 652**	372 905
Headline earnings per share	(cents)	**284,2**	247,5
Dividends paid per share	(cents)	**140,0**	111,5
Cash generated from operations	(R'000)	**273 354**	596 122
Cash resources	(R'000)	**489 218**	498 254
Return on shareholders' funds	(%)	**37,4**	32,6
Employment			
Number of employees		**2 676**	2 671
Revenue per employee	(R'000)	**3 821**	4 124
Total employee costs	(R'000)	**737 241**	755 998

- **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 below.
- **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 31.

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 the Employment Equity Act, and that the Group complies with the principles embodied in the Skills Development 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

The Group's Employment Equity Plan ("the Plan") has been developed on the principles of transformation, equity, equality, diversity and empowerment. Prior to the formulation of the Plan, the Group conducted an extensive analysis of its employee structure and profile and revisited all its practices relating to employment equity, to ensure that the Plan is not only in compliance with the Employment Equity Act ("the Act") but is also successful in achieving the overall employment equity goals and strategies of the Group. The core principles in the Plan underlie the Group's commitment to gradually and reasonably, achieve a representative work force, as prescribed by the Act.

The Group has implemented numerous initiatives to accelerate transformation within the workplace. These focus primarily on recruitment, retention and skills development of previously disadvantaged individuals. Transformation targets are included in management KPIs and are measured monthly. The Group's progress towards its achievement of workforce diversity objectives is measured and reported on, on a regular basis.

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. The Group ensures that opportunities are provided

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		3	53	3	3	2	17	2		84
Senior management	9	14	54	124	14	6	24	77	1		323
Professionally qualified and experienced specialists	202	46	154	220	76	16	33	94	5	1	847
Skilled technical and academically qualified	110	21	46	25	110	19	34	59	7	4	435
Semi-skilled	306	50	114	42	115	28	53	78	2		788
Unskilled	173	7	15	2	113	5	1	4	3	1	324
Total permanent	**801**	**138**	**386**	**466**	**431**	**77**	**147**	**329**	**20**	**6**	**2 801**
Temporary employees	19	4	4	5	10	3	5	3			53
Total August 2016	**820**	**142**	**390**	**471**	**441**	**80**	**152**	**332**	**20**	**6**	**2 854**
Total August 2015	786	161	385	565	352	82	149	377	23	5	2 885

Key: A = African   C = Coloured   I = Indian   W = White   M = Male   F = Female for all employees from any culture, background, gender, age, disability or race. 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 2016, is tabled on page 29.

Skills development

The retail motor industry continues to experience a shortage of suitably skilled manpower. There is no formal training programme for dealership managers other than on-the-job experience and mentoring. The Group is mindful of the fact that many employees strive for career growth, and 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.

The Group's apprenticeship programme continues to be a significant tool in attracting young people to the business. The Group recruits recent matriculants onto the Merseta apprentice programme. This program is a National Qualification Framework ("NQF") level 5 programme that allows the apprentices to qualify as artisan technicians over a period of two to three years. The Group currently has 80 apprentices employed on this programme. In total 125 apprentices have qualified in the past seven years. On average, approximately 10% of the apprentices recruited drop out during the course of the apprenticeship and approximately 40% of those that qualify are retained as artisan technicians within the Group.

The Group continues to run various 12-month learnerships, specifically aligned towards the development of workshop and First Car Rental front-line personnel. The learnerships are aimed at unemployed and first-time employees from previously disadvantaged backgrounds, with a particular focus on African learners. On completion of the learnership the learners obtain an NQF level 4 accreditation. The learnerships allow individuals with little or no previous work experience the opportunity to gain general work experience and select areas in which they would like to specialise.

During the year under review 33 learnerships were registered. Of these, four learners resigned before completion of the learnership. Of the 29 that completed the learnership, 16 were retained within the Group. Those that were not retained at the end of their contract, are in a better position to find further employment having had 12 months' work experience and operational training. A further 43 learnerships have commenced for the new year.

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.

The scorecards for the year ended 28 February 2017 will be verified in May 2017 using the amended, and considerably more challenging, scorecards. The Group as a whole will be verified using the generic codes and First Car Rental using the tourism sector codes. Management has performed a self-assessment and concluded that First Car Rental will achieve at least a level 4 rating while the Group as a whole will achieve a level 7 or 8 rating. Matching the current rating of level 4 for the Group will be near impossible to attain in the current business environment. The directors are currently investigating plausible intiatives that will improve the future rating of the Group.

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

B-BBEE SCORECARD RATINGS (independently audited)

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

HEALTH AND SAFETY

The directors acknowledge their responsibility to protect and promote the health and safety ("HS") of employees and customers and to remain compliant with occupational health and safety standards.

A consistent Group-wide policy, approved by the Board, provides the core framework for standard processes. CMH believes incidents are preventable. Its policies seek to minimize potential hazards in operations to eliminate risk and provide a safe and healthy working environment. 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 for HS matters at each dealership. 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. Taking into consideration the nature of the business, the most significant opportunities for minimising its environmental impact are:

Reducing the consumption of water

The "CMH Green" waterless car wash system continues to be used throughout the Group. Through its showrooms, vehicle rental branches and service departments the Group washes more than 2 500 vehicles daily. The resultant saving from the use of the waterless system is estimated at 250 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 together with rain water capture facilities. These systems have reduced water consumption by up to 45%.

Reducing electricity consumption

The directors are aware of the negative impact which the 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 to implement measures designed to reduce the environmental impact.

In the vehicle dealerships, the Group has invested substantial amounts in energy-efficient and automated timing devices. This investment has resulted in reduced electricity consumption in excess of 250 000 kilowatt hours per month and the savings are estimated at in excess of R40 million.

First Car Rental ("FCR") installed its first solar power plant at its Pomona depot in November 2016, cementing its continued commitment to reducing its environmental impact. The solar power plant is linked to the power mains via an inverter and offsets the power normally consumed from the utility company, thus saving an estimated 52% of electricity costs.

The safe disposal of hazardous and non-hazardous waste

The Group adheres to the relevant regulations concerning waste. The following programmes are in place to minimise or recycle waste wherever possible:

- Paper: The Group has embarked on an ongoing drive to reduce paper consumption through double-sided printing, and recycling the majority of office paper waste. FCR has introduced electronic vouchers and online invoice retrieval, complemented by its corporate Show&Go mobile checkout. The FCR Customer Services division is also a paperless environment.
- Tyres: Used tyres that are no longer required are collected by registered agents of Recycling and Economic Development Initiative of South Africa.
- Glass: Most glass replacements are contracted out to specialist fitment centres. Where replacements are done on site, the old glass is removed by the contracted company and recycled in an approved manner.
- Used motor oil and batteries: The Group uses accredited waste oil service providers to dispose of its waste motor oil and disposes of batteries according to local regulations governing the disposal of lead and similar products.
- Hazardous waste: Hazardous waste material is removed by accredited waste removal companies and, where required, waste removal and disposal certificates are obtained, in line with the Waste Management Act.

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.

Corporate Social Investment relates to financial and non-financial investment in socially-responsible initiatives. The concept of sharing the wealth generated by Group operations has prompted the directors to select and support a wide range of charitable projects with a focus on education and youth.

Education

In 2012, the Group identified Kwamkhuta Comprehensive High School as the primary beneficiary of its corporate social spend. Since then employees have donated in excess of R500 000 to the Kwamakhuta Fund and their contributions have been matched by the Group to raise in excess of R1 million for the school. A further R50 000 was donated to the project by the Group's B-BBEE partner, Thebe Investment Corporation, and R5 000 has been raised from contributions made by First Car Rental customers. The money has been spent on building and equipping a science laboratory for the grade 8 to 12 pupils. In addition, the Group has donated nine desktop computers to the school and sponsored football kit for three school teams.

In 2001, the University of the Free State ("UFS") founded the Unit for Students with Disabilities ("USD") which offers support to more than 130 registered students with disabilities. Providing transport for the students with disabilities was identified as a high priority for the USD. Many students are faced with great challenges in this regard with wheelchair-using students having to pay extra fees for public transport because their wheelchairs take up more space in a taxi. In addition, commuting between the two campuses of the UFS in Bloemfontein has been problematic for students. First Car Rental responded to this heart-felt issue by donating two vehicles to the USD – a passenger vehicle and a minibus. These vehicles have been specifically adapted so as to transport disabled students to and from UFS's Bloemfontein campus. The use of the vehicles in establishing a proper transport system for the students affords them the time to focus on their studies without having to worry about the practicalities of mobility.

The Group has been working with Training and Resources in Early Education ("TREE") for many years. TREE is a non-profit organisation which aims to provide all children with access to quality sustainable early childhood development ("ECD") so that they can develop to their full educational and personal potential. TREE promotes ECD primarily in rural areas by training adults in the communitiy on how to provide young children with access to qualified ECD programmes designed to promote the children's holistic development, support, health and welfare. TREE complements these programmes with further education and providing ongoing guidance to the adults in the community on parenting, childcare, HIV/AIDS and self-help schemes. The Group's assistance is in the form of sponsorship of two vehicles and ongoing business advice to ensure the sustainability of the organisation.

Teachers Across Borders South Africa ("TABSA") is a non-profit, volunteer-based organisation that works towards assisting teachers in their professional development. TABSA connects experienced teachers from the United States with those working in rural communities in South Africa. The organisation strives to create innovative and inspiring educational workshops in which teachers can share techniques and experiences, particularly in mathematics and physical science. First Car Rental is the official transport sponsor for the the TABSA workshops across Southern Africa and provides vehicles at discounted rates to the teachers attending the workshops.

Youth

The Group has supported Reach for a Dream ("RFD") since 2007. RFD has as its objective the fulfilment of the dreams of children between the ages of 3 and 18 who have been diagnosed with a life-threatening disease. RFD enriches these children's lives by making dreams come true and, for an all too brief period, distracting them from their predicament. The Group provides RFD with a minibus to assist the organisation in meeting its objectives.

The Group provides a vehicle to the Mike Procter Cricket Foundation. Run by the legendary cricketer, this foundation aims to build a cricket club for the 1 100 children who attend Ottawa Primary School, in a settlement close to Durban. Many of these children are AIDS orphans and face a daily struggle against hunger and crime. Mike Procter has become part of their world over the past five years using cricket as a vehicle to improve self-esteem and as an escape from the realities of daily life.

Other

In addition to the above, the Group has made monetary donations to numerous charities including Namyeni Project Hope, the Rhino Orphanage, Wet Nose Animal Rescue Centre, JAM SA, the Platbos Forest and numerous childrens' homes and schools.

REPORT OF THE AUDIT AND RISK ASSESSMENT COMMITTEE

The audit and risk assessment committee was appointed by shareholders in respect of the year ended 28 February 2017. 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 23 and 24.

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

13 April 2017

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

13 April 2017

CERTIFICATION BY THE COMPANY SECRETARY

In my capacity as company secretary, I hereby confirm that, for the year ended 28 February 2017, 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

13 April 2017

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

FOR THE YEAR ENDED 28 FEBRUARY 2017

The directors are responsible for the preparation, integrity and fair presentation of the financial statements. The financial statements presented on pages 41 to 72 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 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 Group to enable the directors to ensure that the financial statements comply with the relevant legislation.

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 will be a going concern in the foreseeable future, based on forecasts and available cash resources. These financial statements support the viability of 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

13 April 2017

DIRECTORS' REPORT

FOR THE YEAR ENDED 28 FEBRUARY 2017

Your directors have pleasure in submitting their report on the affairs of the Group during the year ended 28 February 2017.

NATURE OF BUSINESS

Combined Motor Holdings Limited ("the Company") is an investment holding company with subsidiaries owning significant interests in retail motor, car hire and financial services. The Company does not trade and all of its activities are undertaken through its subsidiaries. Full details of the Group's operations and operating locations appear on pages 8 to 11 .

The Company is listed in the "General Retailers" sector of the JSE Limited. The annual financial statements of the Company are available for inspection at the registered office, and are published on the Group's website, www.cmh.co.za.

OPERATING RESULTS

Full details of the operating results of 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 12 to the attached financial statements.

DIVIDENDS

The following dividends were declared during the year under review:

	2017 R'000	2016 R'000
Ordinary dividend number 57: 55 cents, declared 12 October 2016	**41 141**	–
Ordinary dividend number 56: 85 cents, declared 14 April 2016	**63 581**	–
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
	104 722	97 140

RESOLUTIONS

At the annual general meeting of shareholders held on 26 May 2016, the following special resolutions were passed:

- Authorisation of the directors, in terms of section 45(3) of the Companies Act, 2008, to bind the Company in the provision of direct or indirect financial assistance to a related company;
- Amendment to the Company's Memorandum of Incorporation to provide for the retirement of at least one third of the non-executive directors in office, or if their respective number is not a multiple of three, the number nearest to but not less than one third, at each annual general meeting; and
- Approval of the fees of non-executive directors for their services as directors.

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)

BWJ Barritt (executive)

LCZ Cele (independent non-executive)

JS Dixon (independent non-executive)

SK Jackson (executive)

ME Jones (independent non-executive)

JA Mabena (independent non-executive)

MR Nkadimeng (independent non-executive)

DIRECTORS' REPORT CONTINUED

FOR THE YEAR ENDED 28 FEBRUARY 2017

The executive directors, together with the members of the executive committee reflected on page 25, represent the key management of the Group.

LCZ Cele and JA Mabena retire by rotation at the forthcoming annual general meeting but, being eligible, offer themselves for re-election. Confirmation of the election of BWJ Barritt, who was appointed by the board of directors since the previous annual general meeting, will be sought at the annual general meeting. A brief curriculum vitae of each of the directors appears 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 71.

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 69.

The results of the subsidiaries, so far as concerns the Company, comprise aggregate income and losses for the year, after taxation, of R207 721 000 (2016: R166 446 000) and R16 363 000 (2016: R7 499 000) 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 2018 financial year. It is noted that SF Randelhoff will be the individual registered auditor who will undertake the audit.

SUBSEQUENT EVENTS

Other than that recorded in note 32 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
13 April 2017

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF COMBINED MOTOR HOLDINGS LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Combined Motor Holdings Limited (the Company) and its subsidiaries (together the Group) as at 28 February 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Combined Motor Holdings Limited's Group financial statements set out on pages 41 to 71 comprise:

- the Group statement of financial position as at 28 February 2017;
- the Group statement of comprehensive income for the year then ended;
- the Group statement of changes in equity for the year then ended;
- the Group statement of cash flows for the year then ended; and
- the notes to the Group financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the *Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the *International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B).*

Our audit approach

Materiality Overall Group materiality: R51,1 million
How we tailored our Group audit scope The Group financial statements are a consolidation of twelve companies. For Group reporting requirements, six of the entities were subjected to an audit and six were subjected to an independent review
Key audit matter Significant accounting judgements and estimates relating to car hire fleet vehicles

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Overall Group materiality	R51,1 million
How we determined it	0,5% of revenue
Rationale for the materiality benchmark applied	We have selected revenue as our materiality benchmark because, in our view, it is one of the benchmarks against which the performance of the Group is measured by users, as the Group operates in a high volume, low margin industry. We chose 0,5%, which is lower than the normal quantitative materiality rule of thumb used for profit-oriented companies in this sector (1%) given the number of users and the level of third party debt.

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group financial statements are a consolidation of twelve companies, comprising the Group's operating businesses, in the retail motor, car hire and financial services sectors, and centralised functions. Six of the entities were subjected to an audit and six were subjected to an independent review, in line with the entities' statutory reporting requirements. The independent review entities are considered to be insignificant components for Group reporting purposes. The Group audit team performed the audits of all the significant components.

Key audit matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Significant accounting judgements and estimates relating to car hire fleet vehicles In accordance with the applicable accounting standards, Group policy is to value the car hire fleet vehicles at cost less accumulated depreciation. Depreciation is provided to write down the cost of the assets to their estimated residual values over their estimated useful lives. In its determination of estimated residual value and remaining useful life, Group management considered the kilometres travelled, the number of similar vehicles expected to be retired within a short time frame and the impact that high sales volumes may have on resale values, and the current prices in the market for comparable models. As a result of its assessment, Group management has recognised a current depreciation charge of R89 695 000 against car hire fleet vehicles with a cost of R911 842 000. We consider this to be a matter of most significance to the current year audit because the value of the car hire fleet represents a material proportion of the Group's total assets, and the estimates of remaining useful lives and residual values carry a high degree of uncertainty. *Refer to notes 1.3, 3.2 and 5 for the relevant disclosures in respect of the car hire fleet vehicles.*	We assessed the reasonableness of Group management's estimates by calculating an independent expectation of the residual value and useful life. Our assessment included, amongst others, the following procedures: ▪ In determining our independent expectation of residual value we considered realised residual values on disposals in the current and previous three years. We also tested a sample of car hire fleet vehicles on hand at year-end, and compared our independent expectation to the current selling prices of similar vehicles which are already at the end of their useful life. The current selling prices were estimated based on the TransUnion Dealers Guide adjusted to take into consideration the specific characteristics of car hire vehicles such as multiple users and high mileage. We noted no material differences. ▪ In determining our independent expectation of the useful lives we considered the average age of the fleet vehicles disposed of during the year and the age of the fleet vehicles on hand. We recalculated the current year's depreciation based on our independent expectations, as calculated above, and compared this to the depreciation recognised by management. We noted no material differences.

Other information

The directors are responsible for the other information. The other information comprises the *Combined Motor Holdings Limited Integrated Annual Report* that includes the Directors' Report, the Report of the Audit and Risk Assessment Committee and the Certification by the Company Secretary as required by the Companies Act of South Africa and *Combined Motor Holdings Limited Company Financial Statements,* which we obtained prior to the date of this auditor's report. Other information does not include the consolidated and separate financial statements and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not, and will not, express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Combined Motor Holdings Limited for 41 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: SF Randelhoff
Registered Auditor

Durban
13 April 2017

SEGMENT INFORMATION

FOR THE YEAR ENDED 28 FEBRUARY 2017

	Total 2017 R'000	%	Retail Motor 2017 R'000	%	Car Hire 2017 R'000	%	Financial Services 2017 R'000	%	Corporate Services/ Other 2017 R'000	%	Marine and Leisure* 2017 R'000	%
Segment revenue	10 253 982	100	9 627 137	93	483 672	5	68 884	1	74 289	1	–	–
Inter-segment revenue	(29 082)	100	–	–	–	–	–	–	(29 082)	100	–	–
External revenue	10 224 900	100	9 627 137	94	483 672	5	68 884	1	45 207	–	–	–
Operating profit/(loss)	379 652	100	247 430	65	108 747	29	27 619	7	(4 144)	(1)	–	–
Finance income	21 498	100	–	–	–	–	5 379	25	16 119	75	–	–
Finance costs	(126 338)	100	(68 031)	54	(50 515)	40	–	–	(7 792)	6	–	–
Profit before taxation	274 812	100	179 399	65	58 232	21	32 998	12	4 183	2	–	–
After charging												
– employee costs	737 241	100	600 915	82	79 593	11	–	–	56 733	7	–	–
– depreciation charge	117 324	100	21 180	18	93 032	79	–	–	3 112	3	–	–
– impairment of goodwill	17 000	100	17 000	100	–	–	–	–	–	–	–	–
Total assets	2 786 806	100	1 380 717	50	844 769	30	38 162	1	523 158	19	–	–
Total liabilities	2 213 249	100	1 255 998	57	906 158	41	–	–	51 093	2	–	–
Goodwill at year-end	10 078	100	10 078	100	–	–	–	–	–	–	–	–

	Total 2016 R'000	%	Retail Motor 2016 R'000	%	Car Hire 2016 R'000	%	Financial Services 2016 R'000	%	Corporate Services/ Other 2016 R'000	%	Marine and Leisure* 2016 R'000	%
Segment revenue	11 086 217	100	10 493 058	94	422 932	4	67 027	1	65 700	1	37 500	–
Inter-segment revenue	(32 567)	100	–	–	–	–	–	–	(32 567)	100	–	–
External revenue	11 053 650	100	10 493 058	95	422 932	4	67 027	1	33 133	–	37 500	–
Operating profit/(loss)	372 905	100	253 513	68	90 973	24	34 554	9	(6 135)	(1)	–	–
Finance income	14 906	100	182	1	–	–	3 150	21	11 574	78	–	–
Finance costs	(117 644)	100	(75 725)	65	(41 469)	35	–	–	(450)	–	–	–
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	30 032	1	525 034	19	1 933	–
Total liabilities	2 302 656	100	1 446 173	63	803 642	35	–	–	51 877	2	964	–
Goodwill at year-end	27 078	100	27 078	100	–	–	–	–	–	–	–	–

** Discontinued*

The Group's accounting policy for segment reporting is recorded in note 1.13 to the attached financial statements.

GROUP STATEMENT OF FINANCIAL POSITION

AS AT 28 FEBRUARY 2017

	Notes	2017 R'000	2016 R'000
ASSETS			
Non-current assets			
Plant and equipment	4	**74 864**	71 715
Car hire fleet vehicles	5	**757 085**	–
Goodwill	6	**10 078**	27 078
Insurance receivable	7	**38 162**	30 032
Deferred taxation	8	**39 454**	39 934
		919 643	168 759
Current assets			
Car hire fleet vehicles	5	**–**	643 882
Inventories	9	**1 118 563**	1 118 004
Trade and other receivables	10	**254 843**	266 680
Taxation paid in advance		**4 539**	2 590
Cash and cash equivalents	11	**489 218**	498 254
		1 867 163	2 529 410
Assets of disposal group held for sale	28	**–**	85 300
Total assets		**2 786 806**	2 783 469
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	12	**38 091**	38 091
Share-based payment reserve	13	**6 981**	5 987
Retained earnings		**527 358**	436 013
Ordinary shareholders' equity		**572 430**	480 091
Non-controlling interest		**1 127**	722
Total equity		**573 557**	480 813
Non-current liabilities			
Lease liabilities	14	**44 945**	44 745
Current liabilities			
Advance from non-controlling shareholder of subsidiary		**–**	255
Trade and other payables	15	**1 322 376**	1 521 268
Borrowings	16	**841 196**	726 137
Lease liabilities	14	**1 755**	6 413
Current tax liabilities		**2 977**	3 838
		2 168 304	2 257 911
Total liabilities		**2 213 249**	2 302 656
Total equity and liabilities		**2 786 806**	2 783 469

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 28 FEBRUARY 2017

	Notes	2017 R'000	2016 R'000
Revenue	17	**10 224 900**	11 016 150
Cost of sales		**(8 539 618)**	(9 275 592)
Gross profit		**1 685 282**	1 740 558
Other income	18	**25 905**	28 064
Impairment of goodwill	6	**(17 000)**	(22 000)
Selling and administration expenses	19	**(1 314 535)**	(1 373 717)
Operating profit		**379 652**	372 905
Finance income	20	**21 498**	14 906
Finance costs	21	**(126 338)**	(117 644)
Profit before taxation		**274 812**	270 167
Tax expense	22	**(77 424)**	(87 218)
Total profit and comprehensive income		**197 388**	182 949
Attributable to:			
Equity holders of the company		**196 983**	182 502
Non-controlling interest		**405**	447
		197 388	182 949
Earnings per share	23		
Basic (cents)		**263,3**	223,5
Diluted basic (cents)		**261,8**	223,5

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 28 FEBRUARY 2017

	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 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 charge		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
Total profit and comprehensive income			**196 983**	**196 983**	**405**	**197 388**
Release following exercise of share appreciation rights		**(2 567)**	**2 567**			
Cost of shares delivered in terms of share appreciation rights scheme			**(3 483)**	**(3 483)**		**(3 483)**
Share-based payment charge		**3 561**		**3 561**		**3 561**
Dividends paid			**(104 722)**	**(104 722)**		**(104 722)**
Balance at 28 February 2017	**38 091**	**6 981**	**527 358**	**572 430**	**1 127**	**573 557**

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 28 FEBRUARY 2017

	Notes	2017 R'000	2016 R'000
Cash flows from operating activities			
Cash generated from operations	24	**273 354**	596 122
Taxation paid	25	**(79 754)**	(84 748)
Net cash movement from operating activities		**193 600**	511 374
Cash flows from investing activities			
Purchase of plant and equipment		**(36 242)**	(37 007)
Proceeds on disposal of plant and equipment		**5 146**	7 422
Proceeds on disposal of businesses	27	**49 890**	31 205
Purchase of businesses		**–**	(5 537)
Insurance receivable		**(8 130)**	(9 614)
Insurance payable		**–**	(1 680)
Net cash movement from investing activities		**10 664**	(15 211)
Cash flows from financing activities			
Proceeds of issue of shares		**–**	11 579
Advance from non-controlling shareholder of subsidiary		**(255)**	–
Repurchase of shares		**–**	(251 643)
Cost of shares delivered in terms of share appreciation rights scheme		**(3 483)**	(8 511)
Finance income received	20	**21 498**	14 906
Finance costs paid	21	**(126 338)**	(117 644)
Dividends paid	26	**(104 722)**	(97 140)
Net cash movement from financing activities		**(213 300)**	(448 453)
Net movement in cash and cash equivalents		**(9 036)**	47 710
Cash and cash equivalents at beginning of year		**498 254**	450 544
Cash and cash equivalents at end of year	11	**489 218**	498 254

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of preparation

The 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 2017 or early adopted by the Group
There are no standards, amendments or interpretations that became effective in 2017 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.

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 Plant and equipment and car hire fleet vehicles

Plant and equipment and car hire fleet vehicles are 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	12 to 24 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.

1.3 Plant and equipment and car hire fleet vehicles continued

Profits and losses on disposal of plant and equipment are recognised in the statement of comprehensive income. Profits are included within "other income", and losses within "selling and administration expenses".

Car hire fleet vehicles are reclassified to inventories at the end of their useful lives, and their disposal is recognised in the statement of comprehensive income within "revenue" and "cost of sales".

1.4 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.

1.5 Financial assets

Financial assets include trade receivables and cash and cash equivalents 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.

1.6 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

1.7 Inventories

Inventories are stated at the lower of cost and net realisable value, due recognition having been made for slow-moving and redundant items. Movements in the provision are 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.

1.8 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.

1.9 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.

1.10 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 shares 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.

1.11 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.

1.12 Dividends

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

1.13 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

1.14 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".

1.15 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.

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 545 000 (2016: R4 027 000) on the assumption that all other factors remained constant.

2.2 Credit risk

The Group's credit risk lies principally in its trade receivables and cash and cash equivalents.

Trade receivables 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 one 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. Further detail on the credit quality of trade receivables is contained in note 10.

Cash and cash equivalents are placed only with major financial institutions with a national long-term credit rating of Baa2.

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.

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 car hire fleet vehicles and 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 Carrying value of used and demonstration vehicles

The Group tests annually whether used and demonstration vehicles are valued at the lower of cost and net realisable value in accordance with applicable accounting standards and Group policy. In doing so recognition is given to the condition of each vehicle, the period for which it has been held in inventory, and the value at which similar vehicles have been sold in recent months. This exercise requires judgement because the estimate of future selling prices carries a level of uncertainty.

3.2 Carrying value of car hire fleet vehicles

The Group tests annually whether car hire fleet vehicles are valued at cost less a provision for depreciation calculated to reduce cost to residual value over the estimated useful lives of the vehicles. In doing so recognition is given to the condition of each vehicle, the kilometres travelled, the number of similar vehicles expected to be retired within a short time frame and the impact that high sales volumes may have on resale values, and the current prices in the market for comparable models. This exercise requires judgement because the estimate of future lives and selling prices carries a level of uncertainty.

	Total R'000	Leasehold improve-ments R'000	Plant and machinery R'000	Furniture and office equipment R'000	Motor vehicles R'000
4. PLANT AND EQUIPMENT					
4.1 Details of plant and equipment					
At 28 February 2017					
Cost	**215 331**	**47 190**	**52 490**	**111 162**	**4 489**
Accumulated depreciation	**(140 467)**	**(34 179)**	**(34 000)**	**(70 664)**	**(1 624)**
Net book value	**74 864**	**13 011**	**18 490**	**40 498**	**2 865**
At 29 February 2016					
Cost	213 674	55 481	50 197	103 673	4 323
Accumulated depreciation	(140 295)	(38 877)	(31 267)	(68 973)	(1 178)
Net book value	73 379	16 604	18 930	34 700	3 145
– assets of disposal group classified as held for sale (note 28)	(1 664)	–	(976)	(688)	–
Non-current portion	71 715	16 604	17 954	34 012	3 145
4.2 Reconciliation of movement					
Net book value 28 February 2015	74 846	18 650	18 437	35 140	2 619
Additions	37 425	5 728	12 613	15 207	3 877
Disposals	(12 000)	(246)	(6 314)	(3 185)	(2 255)
Depreciation charge	(26 892)	(7 528)	(5 806)	(12 462)	(1 096)
Net book value 29 February 2016					
– non-current	71 715	16 604	17 954	34 012	3 145
– assets of disposal group classified as held for sale	1 664	–	976	688	–
Additions	36 242	2 967	8 655	21 574	3 046
Disposals	(7 128)	(490)	(2 886)	(1 741)	(2 011)
Depreciation charge	(27 629)	(6 070)	(6 209)	(14 035)	(1 315)
Net book value 28 February 2017	**74 864**	**13 011**	**18 490**	**40 498**	**2 865**

4.3 The insurance replacement value of plant and equipment is R304 794 000 (2016: R290 280 000).

4.4 R45 000 000 (2016: R45 000 000) has been budgeted and authorised for capital expenditure in respect of leasehold improvements and the replacement of plant and equipment. No portion of this was committed at year-end. This amount will be financed from existing cash resources.

4.5 Depreciation is recognised in the statement of comprehensive income within "selling and administration expenses".

	2017 R'000	2016 R'000
5. CAR HIRE FLEET VEHICLES		
5.1 Details of car hire fleet vehicles		
Cost	**911 842**	771 771
Accumulated depreciation	**(154 757)**	(127 889)
Net book value	**757 085**	643 882
5.2 Reconciliation of movement		
Opening net book value	**643 882**	609 811
Additions	**497 022**	461 388
Disposals	**(294 124)**	(341 606)
Depreciation charge	**(89 695)**	(85 711)
Closing net book value	**757 085**	643 882

5.3 Following a decision of management to extend the useful life of the car hire fleet vehicles, they have been reclassified in the statement of financial position from current assets to non-current assets.

5.4 Car hire fleet vehicles with a cost of R810 909 000 (2016: R687 263 000) held under capitalised finance arrangements have been pledged as security for interest-bearing borrowings aggregating R841 196 000 (2016: R726 137 000).

5.5 Depreciation is recognised in the statement of comprehensive income within "cost of sales".

	2017 R'000	2016 R'000
6. GOODWILL		
6.1 Cost at beginning of year	**36 313**	94 745
Amounts paid during the year	**–**	4 106
Amounts fully impaired	**(17 000)**	(62 538)
Cost at end of year	**19 313**	36 313
6.2 Accumulated impairment at beginning of year	**9 235**	49 773
Amounts impaired during year	**17 000**	22 000
Amounts fully impaired	**(17 000)**	(62 538)
Accumulated impairment at end of year	**9 235**	9 235
6.3 Net book value at beginning of year	**27 078**	44 972
Amounts paid during the year	**–**	4 106
Amounts impaired during the year as a result of:		
– loss-making dealerships	**(15 000)**	–
– sold dealerships	**(2 000)**	(22 000)
Net book value at end of year	**10 078**	27 078

6.4 Goodwill allocated to a cash-generating unit which has incurred operating losses, and which is not projected to be profitable in the short-term future, has been fully impaired.

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

	2017 R'000	2016 R'000
7. INSURANCE RECEIVABLE		
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.		
7.2 The Group has applied IFRS 10, "Consolidated Financial Statements" in determining whether to consolidate its investment in these entities and has determined that the entities do not constitute "deemed separate entities" as envisaged in IFRS 10, and have not been consolidated.		
7.3 Statement of comprehensive income effect:		
– gross written premium	**68 884**	67 027
– investment income	**5 379**	3 150
– increase in assurance funds	**(1 190)**	(5 283)
– claims paid	**(14 400)**	(11 443)
– other expenses	**(30 381)**	(27 806)
– profit before taxation	**28 292**	25 645
7.4 Reflected in the statement of financial position as:		
– insurance receivable	**38 162**	30 032

	2017 R'000	2016 R'000
8. DEFERRED TAXATION		
8.1 Balance at beginning of year	**39 934**	51 224
Temporary differences arising during year	**(480)**	(11 290)
Balance at end of year	**39 454**	39 934
8.2 Balance at end of year comprises:		
Impairment of receivables	**2 379**	1 647
Lease liabilities	**13 076**	14 324
Taxation allowances	**(9 305)**	(12 476)
Accruals and provisions	**21 560**	22 719
Assessed losses	**–**	(280)
Receipts in advance	**10 107**	13 881
Share-based payment reserve	**2 251**	498
Prepayments	**(614)**	(379)
	39 454	39 934

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

	Closing balance 28 February 2017 R'000	Movement during the year 2017 R'000	Closing balance 29 February 2016 R'000	Movement during the year 2016 R'000	Closing balance 28 February 2015 R'000
Impairment of receivables	**2 379**	**732**	1 647	(339)	1 986
Lease liabilities	**13 076**	**(1 248)**	14 324	(10 744)	25 068
Taxation allowances	**(9 305)**	**3 171**	(12 476)	(5 665)	(6 811)
Accruals and provisions	**21 560**	**(1 159)**	22 719	679	22 040
Assessed losses	**–**	**280**	(280)	(408)	128
Receipts in advance	**10 107**	**(3 774)**	13 881	7 263	6 618
Share-based payment reserve	**2 251**	**1 753**	498	(2 042)	2 540
Prepayments	**(614)**	**(235)**	(379)	(34)	(345)
Total	**39 454**	**(480)**	39 934	(11 290)	51 224

8.4 At 28 February 2017, certain subsidiaries had assessable losses aggregating R49 052 000 (2016: R46 687 000) of which R22 735 000 (2016: Nil) relates to subsidiaries which will be deregistered in the year ahead. No deferred taxation asset has been raised as it is not probable that future taxable profit will be available to utilise the assessed losses.

	2017 R'000	2016 R'000
9. INVENTORIES		
9.1 Inventories have been valued as stated in note 1.7 and comprise:		
– new vehicles	**592 016**	662 065
– used vehicles	**296 652**	268 960
– demonstration vehicles	**184 494**	225 907
– parts and accessories	**32 829**	34 339
– petrol, oils and other inventory	**12 572**	10 369
	1 118 563	1 201 640
Less: inventories of disposal group classified as held for sale (note 28)	**–**	(83 636)
	1 118 563	1 118 004
9.2 Inventories of new and demonstration vehicles and parts aggregating R804 705 000 (2016: R919 035 000) form security for trade payables aggregating R1 065 084 000 (2016: R1 218 189 000).		
9.3 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.		
9.4 Inventories are stated after deduction of the following provisions:		
– used vehicles	**22 117**	17 861
– demonstration vehicles	**17 598**	19 736
– parts and accessories	**5 447**	5 652
	45 162	43 249

	2017 R'000	2016 R'000
10. TRADE AND OTHER RECEIVABLES		
10.1 Trade receivables	**239 772**	239 300
Less: impairment	**(8 606)**	(8 667)
	231 166	230 633
Other receivables	**23 677**	36 047
	254 843	266 680

10.2 Trade receivables are amounts owed by customers for goods sold or services performed in the ordinary course of business and 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. The Group's impairment accounting policy and its credit risk policy are outlined in notes 1.5 and 2.2 respectively.

10.3 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.

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

	2017 R'000	2016 R'000
10.5 Trade receivables can be analysed as follows:		
0 to 30 days, neither overdue nor impaired	**180 134**	186 053
31 to 60 days, overdue less than 61 days and impaired	**37 156**	32 150
Impairment	**(222)**	(806)
	36 934	31 344
61 to 90 days, overdue more than 60, less than 91 days and impaired	**6 424**	6 678
Impairment	**(660)**	(673)
	5 764	6 005
91+ days, overdue more than 90 days and impaired	**16 058**	14 419
Impairment	**(7 724)**	(7 188)
	8 334	7 231
Total	**239 772**	239 300
Impairment	**(8 606)**	(8 667)
	231 166	230 633
10.6 The movement in the allowance for impairment is as follows:		
At beginning of year	**8 667**	9 566
Utilised during year	**(5 170)**	(4 975)
Increase in impairment	**5 109**	4 076
At end of year	**8 606**	8 667

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

	2017 R'000	2016 R'000
11. CASH AND CASH EQUIVALENTS		
Bank balances	**489 218**	498 254

The effective interest rate earned on bank balances was 6,5% (2016: 6,25%).

Bank balances are held at financial institutions with a national long-term credit rating of Baa2.

12. SHARE CAPITAL

12.1 Preference share capital

Authorised

1 032 400 7,5% 'C' redeemable cumulative preference shares of R1 each

Issued

Nil shares

12.2 Ordinary share capital

Authorised

143 590 560 ordinary shares of no par value

Issued

	2017 R'000	2016 R'000
At beginning of year – 74 801 998 shares	**38 091**	27 794
Issued – Nil (2016: 2 261 500) shares	**–**	11 579
Repurchased – Nil (2016: 21 133 000) shares	**–**	(4 607)
Transfer from share-based payment reserve	**–**	3 325
At end of year – 74 801 998 shares	**38 091**	38 091

13. SHARE-BASED PAYMENT RESERVE

13.1 Share appreciation rights scheme 2010

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.

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

	2017 R'000	2016 R'000
Balance at beginning of year	**5 987**	8 686
Charged as "selling and administration expenses" during year	**3 561**	2 956
Released during year following exercise of share appreciation rights	**(2 567)**	(5 655)
Balance at end of year	**6 981**	5 987

13.2 A reconciliation of the movement in the number of rights granted to employees is as follows:

		2017	2016
At beginning of year	('000 rights)	**3 594**	3 444
Granted during year	('000 rights)	**1 575**	1 650
Exercised/forfeited during year	('000 rights)	**(847)**	(1 500)
At end of year	('000 rights)	**4 322**	3 594

The directors have determined that employee entitlements in terms of the scheme will be settled by the issue of shares purchased in the open market. Hence there will be no fresh issue of shares.

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	2017 R'000	2016 R'000
14. LEASE LIABILITIES		
At beginning of year	**51 158**	89 530
Movement during year	**(4 458)**	(38 372)
At end of year	**46 700**	51 158
Less: current portion	**(1 755)**	(6 413)
Non-current portion	**44 945**	44 745

This liability arose as a result of the implementation of the "straight-line" concept contained in IAS 17, 'Leases'.

15. TRADE AND OTHER PAYABLES

	2017 R'000	2016 R'000
15.1 Trade payables	**1 135 711**	1 299 677
Other payables (note 15.4)	**184 565**	217 691
Provisions	**2 100**	3 900
	1 322 376	1 521 268

15.2 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.

15.3 All payables are interest-free except those in respect of vehicle purchases which bear interest at rates varying between 9,25% and 12,0% per annum (2016: 9,0% and 12,0%) for the period they are outstanding in excess of an initial interest-free period.

15.4 Other payables comprise:

	2017 R'000	2016 R'000
Accrued expenses	**131 882**	155 071
Deposits received in advance	**47 064**	54 241
Value-added tax	**5 619**	8 379
	184 565	217 691

	2017 R'000	2016 R'000
16. BORROWINGS		
16.1 Current		
Car hire fleet liability	**841 196**	726 137

16.2 These borrowings are secured by car hire fleet vehicles (refer note 5). The underlying contracts have a maturity of less than one year and bear interest at rates varying between 9,0% and 9,5% per annum (2016: 8,5% and 9,5%). The carrying amounts of borrowings approximate their fair value, as the impact of discounting is not significant.

17. REVENUE

17.1 Revenue is derived from the various segments of the business as follows:

	2017 R'000	2016 R'000
Continuing operations		
Retail motor	**9 627 137**	10 493 058
Car hire	**483 672**	422 932
Financial services	**68 884**	67 027
Corporate services/other	**45 207**	33 133
Total recorded in statement of comprehensive income	**10 224 900**	11 016 150
Discontinued operation		
Marine and leisure	**–**	37 500
Total recorded in segment report	**10 224 900**	11 053 650

17.2 Analysis of revenue by goods and services is as follows:

	2017 R'000	2016 R'000
Sales of goods	**9 036 003**	9 744 053
Services	**1 188 897**	1 309 597
	10 224 900	11 053 650

18. OTHER INCOME

	2017 R'000	2016 R'000
Rental income	**10 949**	7 384
Recoupment of skills development and training costs	**6 870**	10 318
Other	**6 132**	2 117
Profit on sale of plant and equipment	**1 954**	3 395
Compensation for loss of profits	**–**	4 850
	25 905	28 064

	2017 R'000	2016 R'000
19. EXPENSES BY NATURE		
Cost of sales	**8 539 618**	9 310 492
Attributable to discontinued operation	**–**	(34 900)
Attributable to continuing operations	**8 539 618**	9 275 592
Selling and administration expenses		
– Employee benefit expense (note 19.1)	**679 733**	684 437
– Depreciation (note 4.2)	**27 629**	27 574
– Auditor's remuneration	**5 124**	4 894
– Operating lease charges		
– Properties	**178 921**	186 312
– Equipment	**6 961**	6 587
– Impairment charge for bad and doubtful debts (note 10.6)	**5 109**	4 076
– Advertising expenses	**48 295**	53 199
– Other expenses	**362 763**	409 238
Selling and administration expenses	**1 314 535**	1 376 317
Attributable to discontinued operation	**–**	(2 600)
Attributable to continuing operations	**1 314 535**	1 373 717
19.1 Employee benefit expense		
Employee costs – selling and administration	**614 038**	619 884
– workshop labour	**52 394**	66 841
Pension fund contributions	**39 166**	39 551
Medical aid contributions	**28 082**	26 766
Share-based payment expense	**3 561**	2 956
Total employee benefit expense	**737 241**	755 998
Less: portion included in "cost of sales"	**(57 508)**	(71 561)
Included in "selling and administration expenses"	**679 733**	684 437
19.2 Key management employee benefit expense		
Short-term employee benefits	**43 236**	43 793
Share-based payment expense	**2 189**	1 939
	45 425	45 732

These amounts are included in "employee benefit expense" above.

	2017 R'000	2016 R'000
20. FINANCE INCOME		
Bank	**21 498**	14 906
21. FINANCE COSTS		
Trade payables	**(71 465)**	(64 900)
Borrowings	**(54 873)**	(52 744)
Total interest paid	**(126 338)**	(117 644)
22. TAX EXPENSE		
22.1 South African normal taxation		
– current year	**76 944**	75 928
– deferred – current year	**480**	11 290
	77 424	87 218

	%	%
22.2 Reconciliation of rate of taxation		
Statutory rate	**28,0**	28,0
Adjusted for:		
Disallowable expenditure	**2,3**	3,0
Exempt income and allowances	**(0,6)**	(0,3)
Assessed losses	**(1,5)**	1,6
Effective rate	**28,2**	32,3

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

23. EARNINGS PER SHARE

23.1 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 74 802 000 (2016: 81 653 000) shares in issue during the year.

23.2 The Group's Share Appreciation Rights Scheme 2010 ("the scheme") is described in note 13.1. In the event that all of the awards are settled by the issue of new shares, earning and headline earnings per share will be diluted.

The number of shares used to calculate diluted earnings and headline earnings per share is determined by adding to the weighted average number of shares in issue, the number of shares which would be issued to meet the scheme's obligation. This number has been calculated using the volume-weighted average share price of the Company during the year under review, and its appreciation since the grant date. No adjustment has been made to total profit or headline earnings.

		2017 R'000	2016 R'000
Weighted average number of shares in issue during the year	('000 shares)	**74 802**	81 653
Adjustment for share appreciation rights	('000 shares)	**432**	–
		75 234	81 653

Past entitlements of employees have been settled by the award to them of shares purchased on the open market. The directors have determined that this practise will continue in respect of future entitlements. On this basis there will be no dilution.

23.3 Reconciliation of headline earnings

	2017 R'000	2016 R'000
Total profit and comprehensive income attributable to equity holders of the Company	**196 983**	182 502
Non-trading items:		
– impairment of goodwill	**17 000**	22 000
– profit on sale of plant and equipment		
– gross	**(1 954)**	(3 395)
– impact of income tax	**547**	951
Headline earnings attributable to equity holders of the Company	**212 576**	202 058

23.4 Earnings per share

		2017	2016
Basic	(cents)	**263,3**	223,5
Diluted basic	(cents)	**261,8**	223,5
Headline	(cents)	**284,2**	247,5
Diluted headline	(cents)	**282,6**	247,5

	2017 R'000	2016 R'000
24. CASH GENERATED FROM OPERATIONS		
Operating profit	**379 652**	372 905
Adjustments for non-cash items:		
Movement in lease liabilities	**(4 458)**	(38 372)
Movement in share-based payment reserve	**3 561**	2 956
Depreciation	**117 324**	112 603
Movement in provisions	**(1 800)**	(1 600)
Profit on sale of plant and equipment	**(1 954)**	(3 395)
Impairment of goodwill	**17 000**	22 000
Sale of car hire fleet vehicles	**294 124**	341 606
Purchase of car hire fleet vehicles	**(497 022)**	(461 388)
	306 427	347 315
Working capital changes:		
Inventories	**36 364**	(48 024)
Trade and other receivables	**11 837**	(387)
Trade and other payables	**(196 333)**	238 642
Borrowings	**115 059**	58 576
	(33 073)	248 807
Cash generated from operations	**273 354**	596 122
25. TAXATION PAID		
Taxation paid is reconciled to the amounts disclosed in the statement of comprehensive income as follows:		
Amounts unpaid at beginning of year	**(1 248)**	(10 068)
Amounts charged to the statement of comprehensive income	**(76 944)**	(75 928)
Amounts (paid in advance)/unpaid at end of year	**(1 562)**	1 248
	(79 754)	(84 748)
26. DIVIDENDS PAID		
Ordinary dividends		
Dividend number 57: 55 cents, declared 12 October 2016	**(41 141)**	–
Dividend number 56: 85 cents, declared 14 April 2016	**(63 581)**	–
Dividend number 55: 46,5 cents, declared 13 October 2015	**–**	(34 783)
Dividend number 54: 65 cents, declared 16 April 2015	**–**	(62 357)
	(104 722)	(97 140)

	2017 R'000	2016 R'000
27. PROCEEDS ON DISPOSAL OF BUSINESS		
During the year, the Group sold a dealership to a third party. The net proceeds of this sale are as follows:		
Inventories	**46 713**	24 909
Plant and equipment	**3 936**	7 973
	50 649	32 882
Trade and other payables	**(759)**	(1 677)
Net proceeds	**49 890**	31 205
28. ASSETS OF DISPOSAL GROUP HELD FOR SALE		
In the prior year various assets related to the Group's BMW/Mini dealership in Menlyn were classified as held for sale, following the conclusion of an agreement in terms of which the assets and the business were sold to a third party. The following assets were classified as held for sale:		
Inventories	–	83 636
Plant and equipment	–	1 664
	–	85 300
29. RELATED PARTY TRANSACTIONS		
29.1 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	**47 149**	78 252
29.2 Other transactions conducted and balances with related companies were as follows:		
Pension fund contributions		
– contributions to Combined Motor Holdings Pension Fund	**10 041**	13 605
Operating expenses		
– purchases from Excel Cars Proprietary Limited	**4 615**	4 158
Year-end balances		
– trade payable owing to Excel Cars Proprietary Limited	**(389)**	(219)
– advance from Chez Investments Proprietary Limited	–	(255)

Chez Investments Proprietary Limited is a non-controlling shareholder of a Group company. Excel Cars Proprietary Limited is controlled by a director of the Company.

	2017 R'000	2016 R'000
30. COMMITMENTS		
30.1 Operating lease commitments		
The Group leases premises under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.		
The future minimum lease payments under non-cancellable operating leases are as follows:		
Next 12 months	**188 268**	154 218
Years 2 to 5	**390 542**	294 183
Years 6+	**268 548**	163 250
	847 358	611 651
Less: accrued in statement of financial position	**(46 700)**	(51 158)
Future expense	**800 658**	560 493
30.2 Future sublease receivables		
The future minimum amount expected to be received under non-cancellable subleases is	**13 750**	19 621

31. EMPLOYEE BENEFIT INFORMATION

31.1 Membership of motor-related union pension funds is compulsory for certain artisans and other employees, whilst membership of an alternative pension fund is available for all other classes of employees. With effect from 1 January 2017, the contributions to, and benefits from, the Group pension fund, Combined Motor Holdings Pension Fund, were transferred to Sygnia Umbrella Pension Fund.

31.2 The funds operated as defined contribution funds governed by the Pension Funds Act.

31.3 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.

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

32. SUBSEQUENT EVENTS

Dividend declaration

A dividend (dividend number 58) of 100 cents per share will be paid on Monday, 19 June 2017 to members reflected in the share register of the Company at the close of business on the record date, Thursday, 15 June 2017. Last day to trade cum dividend is Monday, 12 June 2017. First day to trade ex dividend is Tuesday, 13 June 2017. Share certificates may not be dematerialised or rematerialised from Tuesday, 13 June 2017 to Thursday, 15 June 2017, 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 R74 801 998 and will be distributed from income reserves. The dividend will be subject to dividend withholding tax at a rate of 20%, which will result in a net dividend of 80 cents to those shareholders who are not exempt in terms of section 64F of the Income Tax Act.

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

The following 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:

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)

The Group conducts all of its business from premises occupied in terms of operating leases which vary in tenure from 3 to 10 years. Consequently various statement of financial position and comprehensive income disclosures and ratios will be impacted when IFRS 16 Leases is effected in the Group's financial statements for the year ending 29 February 2020. In this regard, the future minimum lease payments in terms of non-cancellable operating leases are recorded in note 30 and the lease payments recognised as an expense during the year are recorded in note 19.

Other than IFRS 16 Leases, the standards and amendments thereto are not expected to have a material impact on the Group's future financial statements.

SUBSIDIARIES

The details of the subsidiaries within the Combined Motor Holdings Group are:

Name of company	Activity	Effective holding (indirect)/direct 2017 %	2016 %
CMH Car Hire	2	**(85)**	(85)
CMH Green Machine	4	**(85)**	(85)
CMH Holdings	4	**85**	85
CMH Luxury Motors (Lyndhurst)	1	**(85)**	(85)
CMH Marine and Leisure	3	**(85)**	(85)
Datcentre Motors	1	**(85)**	(85)
Kempster Sedgwick	1	**(85)**	(85)
Mandarin Motors	1	**(85)**	(85)
Mandarin Motors Three	1	**(85)**	(85)
Pipemakers	4	**(60)**	(60)
Whitehouse Motors	1	**(85)**	(85)

Notes:

1. *All subsidiaries are Proprietary Limited companies incorporated in South Africa.*
2. *Activity index:*
   1 *retail motor*
   2 *car hire*
   3 *formerly marine and leisure, now dormant*
   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.*

DIRECTORS' EMOLUMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2017

Executive directors	Total R'000	BWJ Barritt R'000	SK Jackson R'000	JD McIntosh R'000	MPD Conway R'000
2017					
Salary	**11 947**	**2 791**	**3 996**	**5 160**	**–**
Performance-related payments	**6 108**	**1 558**	**1 750**	**2 800**	**–**
Share-based payment award	**589**	**341**	**248**	**–**	**–**
Other benefits	**710**	**126**	**292**	**292**	**–**
Contributions to pension and medical aid funds	**1 252**	**253**	**451**	**548**	**–**
	20 606	**5 069**	**6 737**	**8 800**	**–**
2016					
Salary	10 845	–	3 720	4 800	2 325
Performance-related payments	4 155	–	1 635	2 520	–
Share-based payment award	1 135	–	106	–	1 029
Other benefits	702	–	271	271	160
Contributions to pension and medical aid funds	1 163	–	413	497	253
	18 000	–	6 145	8 088	3 767

Non-executive directors	2017 R'000	2016 R'000
LCZ Cele	**239**	242
JS Dixon	**338**	311
JTM Edwards	**663**	626
ME Jones	**200**	152
JA Mabena	**195**	156
N Siyotula	**–**	93
MR Nkadimeng	**200**	106
Total	**1 835**	1 686

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. BWJ Barritt was appointed on 25 April 2016.*

DIRECTORS' SHAREHOLDING

('000 shares)	Total	BWJ Barritt	JTM Edwards	SK Jackson	JD McIntosh
Beneficial shareholding at 29 February 2016					
– direct	94	–	7	87	–
– indirect	31 858	–	–	5 788	26 070
	31 952	–	7	5 875	26 070
Appointment of director					
– direct	140	140	–	–	–
– indirect	113	113	–	–	–
Shares acquired during the year					
– direct	60	60	–	–	–
– indirect	8	8	–	–	–
Beneficial shareholding at 28 February 2017					
– direct	**294**	**200**	**7**	**87**	**–**
– indirect	**31 979**	**121**	**–**	**5 788**	**26 070**
	32 273	**321**	**7**	**5 875**	**26 070**
Rights held subject to the terms and conditions of the CMH Share Appreciation Rights Scheme 2010 ('000)					
At 29 February 2016	150	–	–	150	–
Appointment of director	358	358	–	–	–
Exercised during the year	(83)	(83)	–	–	–
Granted during the year	350	200	–	150	–
At 28 February 2017	**775**	**475**	**–**	**300**	**–**

ANALYSIS OF ORDINARY SHAREHOLDERS

AS AT 28 FEBRUARY 2017

	Number of shareholders		Number of shares held ('000)		Percentage of shares held	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
Individuals	**835**	573	**4 898**	4 536	**6,5**	6,0
Nominee companies and trusts	**150**	115	**4 974**	4 684	**6,6**	6,3
Other corporate bodies	**136**	112	**64 930**	65 582	**86,9**	87,7
	1 121	800	**74 802**	74 802	**100,0**	100,0
Holdings						
1 – 2 500	**686**	433	**539**	355	**0,7**	0,5
2 501 – 5 000	**125**	100	**477**	370	**0,6**	0,5
5 001 – 10 000	**95**	80	**687**	594	**0,9**	0,8
Over 10 000	**215**	187	**73 099**	73 483	**97,8**	98,2
	1 121	800	**74 802**	74 802	**100,0**	100,0
Public shareholders	**1 117**	797	**42 529**	42 850	**56,9**	57,3
Non-public shareholders – directors of Company	**4**	3	**32 273**	31 952	**43,1**	42,7
	1 121	800	**74 802**	74 802	**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 Proprietary Limited, Protea Asset Management LLC, Conduit Capital Limited, Constantia Insurance Company Limited, Constantia Life Limited and Constantia Life and Health Assurance Proprietary Limited, collectively – 19,4%*
   - *Sanlam Investment Management Proprietary Limited – 5,2%*
2. *A copy of the detailed share register as at 28 February 2017 is available on written request to the company secretary.*

STOCK EXCHANGE PERFORMANCE

			2017	**2016**
Closing price	28 February, 2017	(cents)	**2 050**	1 380
Volume of shares traded		('000)	**11 977**	24 319
Value of shares traded		(R'000)	**206 038**	396 872
Volume of shares traded as percentage of total issued shares		(%)	**16,0**	32,5
JSE General Retailers Index			**7 333**	6 895
JSE All-share Index			**51 146**	49 415
Lowest price	3 March, 2016	(cents)	**1 300**	1 320
Highest price	15 February, 2017	(cents)	**2 100**	2 000
Earnings yield	28 February, 2017	(%)	**13,9**	17,9
Dividend yield	28 February, 2017	(%)	**6,8**	8,0

NOTICE OF MEETING

Notice is hereby given that the thirtieth 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 Wednesday, 31 May 2017 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 committee and social, ethics and transformation committee of the Group for the year ended 28 February 2017.

2. ORDINARY RESOLUTION NUMBER 2

Election of directors

To confirm the election of BWJ Barritt who was appointed since the previous annual general meeting.

To confirm the re-election of LCZ Cele who retires by rotation in terms of the memorandum of incorporation and who has offered herself for re-election.

To confirm the re-election of JA Mabena 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 75. 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. Despite PricewaterhouseCoopers Inc. having been the auditor of the Company and the Group for 41 years, the audit and risk assessment committee has rigorously reviewed their independence and objectivity, and recommends their reappointment.

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 22 and 23.

6. SPECIAL RESOLUTION NUMBER 1

Approval of fees of non-executive directors

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

	2018 R'000
Chairman of the Board	660
Lead independent director	235
Director	145
Audit and risk assessment committee	
– chairman	195
– member	40
– per meeting	16
Remuneration committee	
– chairman	35
– member	15
– per meeting	9
Social, ethics and transformation committee	
– chairman	35
– member	15
– per meeting	9
Nominations committee	
– per member, per *ad hoc* meeting	9

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 Tuesday, 30 May 2017.

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, 21 April 2017.

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, 26 May 2017.

By order of the board of directors

K Fonseca
Company secretary

13 April 2017

CURRICULA VITAE

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

BWJ BARRITT

Bruce Barritt was appointed an executive director in April 2016. Bruce joined the Group in October 1999 to start a car hire division. He has been in the car rental industry for 37 years, having founded Truck and Car Hire Zimbabwe in 1979, and Tempest Car Hire in 1986, which was subsequently sold to the Imperial Group. He was appointed managing director of CMH Car Hire (Pty) Ltd in 2000. The car hire division initially traded as National Alamo but was rebranded to First Car Rental in 2008. Bruce has been a member of the Group Executive Committee since 2004 and has extensive business and industry experience.

LCZ CELE

Zee Cele, MAcc (Tax) was appointed a non-executive director of the Company and a member of the audit and risk assessment committee in July 2007. She has been a member of the social, ethics and transformation committee since its formation in May 2012 and was appointed Chairman in April 2014. Zee was appointed to the remuneration committee in October 2014 and became Chairman in May 2015. Zee holds a Master of Accountancy (Taxation) degree from Natal University. She serves as a non-executive director on numerous boards including ArcelorMittal Limited, Efficient Group and Avbob. Zee was last elected to office in 2014.

JA MABENA

Jerry Mabena was appointed a non-executive director of the Company in June 2014. He was appointed to the remuneration committee in May 2015 and the social, ethics and transformation committee in October 2015. Jerry is an entrepreneurial business executive with vast experience in the marketing and property management sectors. As the CEO of Thebe Services, Jerry is responsible for managing a portfolio that contains 16 subsidiary and associate Thebe companies in the fields of financial services, tourism services, as well as media, energy and property management. Jerry has started and run a number of businesses, some of which are still operational. He has a Bachelor of Commerce degree, majoring in industrial psychology and economics, from Rhodes University. He also holds a diploma in project management from Damelin and a certificate in accounting and finance from Wits Business School. Jerry has held various senior positions in companies such as Unilever, J Walter Thompson, Ucingo Marketing, and Kagiso Exhibitions and Events.

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 31 MAY 2017

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 Wednesday, 31 May 2017 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: BWJ Barritt			
Ordinary resolution number 2.2: LCZ Cele			
Ordinary resolution number 2.3: JA Mabena			
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			

NOTES TO THE FORM OF PROXY

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 Tuesday, 30 May 2017.
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

ULTIMATE HOLDING COMPANY
Combined Motor Holdings Limited
Registration number: 1965/000270/06
Income tax reference number: 9471/712/71/2
Share code: CMH
ISIN: ZAE000088050

DIRECTORS
BWJ Barritt (executive)
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
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