COMBINED MOTOR HOLDINGS LIMITED

2018

INTEGRATED ANNUAL REPORT

CMH GROUP

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 2018. 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

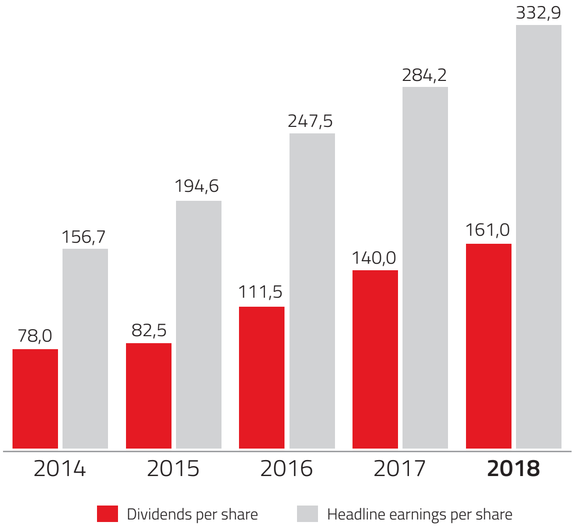
to produce a consistent, meaningful growth in earnings and dividends, commensurate with the risks involved, after making adequate provision for future expansion.

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

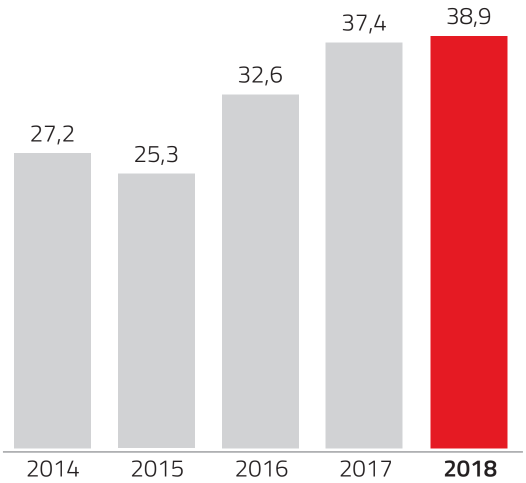
GROUP FINANCIAL HIGHLIGHTS

		2018	2017	% Change
Total assets	(R'000)	**2 772 650**	2 786 806	(0,5)
Cash resources	(R'000)	**372 882**	489 218	(23,8)
Net asset value per share	(cents)	**935**	767	21,9
Revenue	(R'000)	**10 572 596**	10 224 900	3,4
Operating profit	(R'000)	**438 378**	379 652	15,5
Net profit attributable to ordinary shareholders	(R'000)	**247 358**	196 983	25,6
Return on shareholders' funds	(%)	**38,9**	37,4	4,0
Basic earnings per share	(cents)	**330,7**	263,3	25,6
Headline earnings per share	(cents)	**332,9**	284,2	17,1
Dividends paid per share	(cents)	**161,0**	140,0	15,0
Dividend declared – payable June 2018	(cents)	**115,0**	100,0	15,0

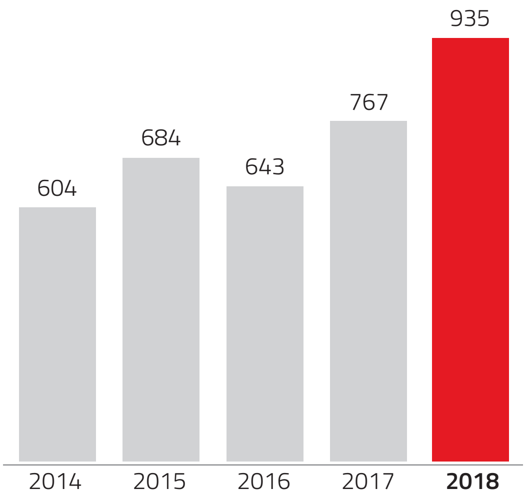
Headline earnings and dividends per share (cents)



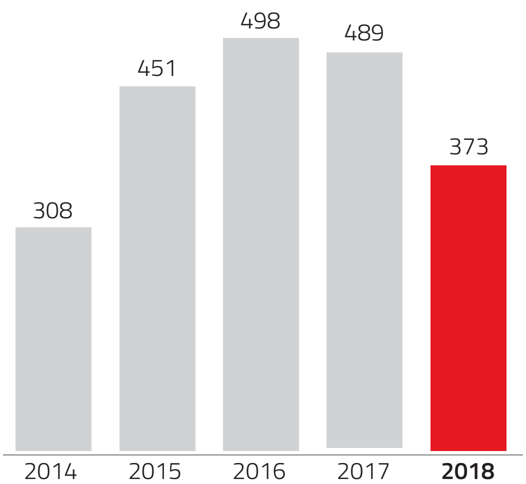
Return on shareholders' funds (%)



Net asset value per share (cents)



Cash resources (R'million)



BOARD OF DIRECTORS

JOHN EDWARDS
CA (SA)
Independent non-executive chairman
Age: 82

Board appointment: 2002
Member of remuneration committee

JEBB MCINTOSH
CA (SA)
Chief executive officer
Age: 72

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

BRUCE BARRITT
Executive
Age: 59

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

ZEE CELE
BCom, Postgrad Dip Tax, MAcc (Tax)
Independent non-executive
Age: 65

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: 65

Board appointment: 1986

JAMES DIXON

CA (SA)
Independent non-executive
Age: 66

Board appointment: 2010
Chairman of audit
and risk assessment committee

MIKE JONES

CA (SA)
Independent non-executive
Age: 65

Board appointment: 2015
Member of audit
and risk assessment committee

JERRY MABENA

BCom
Independent non-executive
Age: 48

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

REFILOE NKADIMENG

CA (SA)
Independent non-executive
Age: 36

Board appointment: 2015
Member of audit and risk assessment committee

GROUP FIVE-YEAR STATISTICAL REVIEW

STATEMENT OF FINANCIAL POSITION		2018	2017	2016	2015	2014
Borrowings to total assets	(%)	**20,3**	30,2	26,1	24,8	24,2
Borrowings to total equity	(%)	**80,6**	146,7	151,0	104,2	110,1
Current ratio	(ratio)	**0,9**	0,9	0,8	1,0	0,9
Current ratio, including car hire fleet vehicles and attendant borrowings	(ratio)	**1,3**	1,2	–	–	–
Net asset value per share	(cents)	**935**	767	643	684	604
Total assets per employee	(R'000)	**1 031**	1 041	1 042	935	877
STATEMENT OF COMPREHENSIVE INCOME		**2018**	**2017**	**2016**	**2015**	**2014**
Weighted average number of shares in issue	('000)	**74 802**	74 802	81 653	93 673	108 057
Headline earnings per share	(cents)	**332,9**	284,2	247,5	194,6	156,7
Basic earnings per share	(cents)	**330,7**	263,3	223,5	162,7	156,8
Dividends per share	(cents)	**161,0**	140,0	111,5	82,5	78,0
Dividend cover	(times)	**2,1**	2,0	2,2	2,4	2,0
Net interest cover	(times)	**4,4**	3,6	3,6	3,6	4,2
Number of employees		**2 688**	2 676	2 671	2 881	2 935
Revenue per employee	(R'000)	**3 933**	3 821	4 124	3 727	3 690
Operating profit on average total equity	(%)	**68,9**	72,0	66,5	52,8	51,4
Return on shareholders' funds	(%)	**38,9**	37,4	32,6	25,3	27,2

Notes: Figures presented above include continuing and discontinued operations.

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.

CURRENT RATIO, INCLUDING CAR HIRE FLEET AND ATTENDANT BORROWINGS
Net book value of car hire fleet plus current assets, divided by non-current borrowings plus current liabilities.

With effect from 2017, the car hire fleet was reclassified from current assets to non-current assets. This ratio is recorded to recognise the correlation that exists between the value of the car hire fleet and the attendant borrowings. As the fleet is recorded as a non-current asset, the impression may be that the long-term asset is being financed primarily by short-term borrowings. In practice, however, the fleet value and the level of borrowings are linked. The borrowings level can be reduced at short notice by a sale of surplus fleet vehicles, or by utilisation of Group cash resources.

DIVIDEND COVER
Headline earnings per share divided by dividends paid per share.

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.

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	2018 R'000	2017 R'000	2016 R'000	2015 R'000	2014 R'000
ASSETS					
Plant and equipment	**64 967**	74 864	71 715	74 846	74 803
Car hire fleet vehicles	**760 282**	757 085	–	–	–
Insurance receivable	**45 144**	38 162	30 032	20 418	18 039
Deferred taxation	**43 865**	39 454	39 934	51 224	46 643
Goodwill	**8 078**	10 078	27 078	44 972	74 972
Current assets	**1 850 314**	1 867 163	2 614 710	2 501 855	2 359 653
Total assets	**2 772 650**	2 786 806	2 783 469	2 693 315	2 574 110
EQUITY AND LIABILITIES					
Ordinary shareholders' equity	**698 403**	572 430	480 091	640 348	565 614
Non-controlling interest	**1 229**	1 127	722	275	112
Borrowings	**563 681**	841 196	726 137	667 561	622 962
Advance from non-controlling shareholder of subsidiary	**–**	–	255	255	4 193
Insurance payable	**–**	–	–	1 680	2 156
Lease liabilities	**51 072**	46 700	51 158	89 530	99 003
Other current liabilities	**1 458 265**	1 325 353	1 525 106	1 293 666	1 280 070
Total equity and liabilities	**2 772 650**	2 786 806	2 783 469	2 693 315	2 574 110

STATEMENT OF COMPREHENSIVE INCOME	2018 R'000	2017 R'000	2016 R'000	2015 R'000	2014 R'000
Continuing operations					
Revenue	**10 572 596**	10 224 900	11 016 150	10 737 862	10 703 616
Operating profit to revenue (%)	**4,2**	3,7	3,4	3,0	3,0
Operating profit	**438 378**	379 652	372 905	326 158	317 223
Net finance costs	**(100 419)**	(104 840)	(102 738)	(88 534)	(75 291)
Profit before taxation	**337 959**	274 812	270 167	237 624	241 932
Tax expense	**(90 499)**	(77 424)	(87 218)	(77 074)	(75 245)
Total profit from continuing operations	**247 460**	197 388	182 949	160 550	166 687
(Loss)/profit from discontinued operation	**–**	–	–	(8 000)	2 745
Total profit	**247 460**	197 388	182 949	152 550	169 432
Non-controlling interest	**(102)**	(405)	(447)	(163)	8
Attributable profit	**247 358**	196 983	182 502	152 387	169 440
Dividends	**(120 430)**	(104 722)	(97 140)	(77 281)	(85 026)
Attributable profit after dividends	**126 928**	92 261	85 362	75 106	84 414

GROUP OPERATIONS

RETAIL MOTOR DEALERSHIPS

DEALERSHIP	FRANCHISE	LOCATIONS	EMPLOYEES	MANAGEMENT
VOLVO	**Volvo**	Bryanston, Cape Town, Hatfield, Pretoria East, Umhlanga Rocks, West Rand	209	C Diamond, O Fourie, D Gray, T Halstead, N Kelly, C Pienaar, O Robertse, C Walters, S Atkinson (franchise manager)
LAND ROVER	**Land Rover**	Cape Town, Pretoria, Umhlanga Rocks	130	W Edgar, D Gray, E Vorster, C Walters, S Atkinson (franchise manager)
JAGUAR	**Jaguar**	Cape Town, Pretoria, Umhlanga Rocks	45	D Gray, E Vorster, C Walters, S Atkinson (franchise manager)
MITSUBISHI MOTORS	**Mitsubishi**	The Glen, Hatfield, Menlyn, West Rand	25	N Kelly, D Pepperell, C Pienaar, P Voges, S Atkinson (franchise manager)
	Honda	The Glen, Hatfield, Menlyn, Pinetown	148	R Parsons, D Pepperell, D Schlanders, C Thirion, R van der Walt, S Singleton (franchise manager)
Ford	**Ford**	Durban, Durban South, Hatfield, Pretoria, Pretoria North, Randburg, Umhlanga Rocks	453	M Buck, B Cole, P Gething, R Nortje, P Ras, H Venter, C Wainwright, T Wessels, T Morey (franchise manager)
mazda	**Mazda**	Durban, Hatfield, Menlyn, Randburg, Umhlanga Rocks	202	N Grobler, D McCulloch, A Sumares, Z van Greuning, P Voges, T Morey (franchise manager)
ISUZU	**Isuzu**	Boksburg, Umhlanga Rocks	68	C McHaffie, S Singleton (franchise manager)
OPEL	**Opel**	Boksburg, Umhlanga Rocks	58	C McHaffie, S Singleton (franchise manager)

RETAIL MOTOR DEALERSHIPS

DEALERSHIP	FRANCHISE	LOCATIONS	EMPLOYEES	MANAGEMENT
NISSAN	**Nissan**	Ballito, Durban, Hillcrest, Midrand, Pietermaritzburg, Pinetown, Sandton	338	R Downs, C Drummond, B Faulds, D Govender, H Louw, M Mansoor, M Moffatt, S Singleton, C Webber (franchise manager)
DATSUN	**Datsun**	Ballito, Durban, Hillcrest, 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**	Cornubia, Pietermaritzburg, Pinetown	80	R Byng, W Geyer, S Singleton (franchise manager)
EICHER GO PRO	**Eicher**	Pietermaritzburg, Pinetown	4	R Byng, W Geyer, S Singleton (franchise manager)
TOYOTA	**Toyota**	Alberton, Melrose Arch, Umhlanga Rocks	210	D Chater, P de Villiers, A Hughes, M van Heerden, C Webber (franchise manager)
LEXUS	**Lexus**	Umhlanga Rocks	10	M van Heerden, C Webber (franchise manager)
SUZUKI	**Suzuki**	Pinetown, Umhlanga Rocks	9	D McCulloch, D Schlanders, S Singleton (franchise manager)
SUBARU	**Subaru**	Boksburg	6	C McHaffie, S Singleton (franchise manager)
RENAULT	**Renault**	Ballito, Midrand	20	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**	All Group operations	64	J Chetty, C Downs, K Fonseca, A Julius, N Khowa, G Liebenberg, JP Liebenberg, R Minnaar, V Naidoo

MARKETING AND DISTRIBUTION

OPERATION	FRANCHISE	LOCATIONS	EMPLOYEES	MANAGEMENT
CMH GROUP	**CMH Fleet**	Durban, Gauteng	6	T Govender, T Mitchell, S Singleton (franchise manager)
ROKKIT digital agency	**Rokkit Digital Agency, Carshop**	Durban, Gauteng	22	C Massey-Hicks, SL McIntosh
NWE NATIONAL WORKSHOP EQUIPMENT	**National Workshop Equipment**	Herriotdale, Pinetown	17	N Peterson
CMH GREEN Our journey to a greener world	**CMH Green**	Countrywide	28	S McCulloch

CAR HIRE

OPERATION	FRANCHISE	LOCATIONS	EMPLOYEES	MANAGEMENT
First Car Rental	**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, Pinetown, Pomona, Pretoria, Randburg, Rondebosch, Roodepoort, Rustenburg, Sandton, Stellenbosch, Southbroom, Umhlanga Ridge, Witbank	491	**Executive committee** B Barritt (managing director), U Crouse, N Khowa, 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

The Group reported a good set of results for the year ended 28 February 2018, despite the ongoing challenges presented by a difficult economic, trading and political environment. Pleasing is the fact that the improvement has been led by a strong performance by the Group's core retail motor sector. This is an area which is particularly sensitive to depressed consumer confidence, the effects of an economy which grew by only 1,3% and suffered a downgrade by major credit ratings agencies, and a new vehicle sales market which increased a mere 0,4%.

The financial year began under severe pressure as consumer and international investor confidence was shattered by the irrational and politically-motivated decision to fire a respected finance minister. This created an extremely negative period during which corporates, in particular, suspended capital goods purchases.

State capture allegations, and endemic corruption and mismanagement at state-owned entities dominated the headlines, and it was only towards the end of the year, when a new political dispensation was forecast, that a semblance of positivity returned.

Looking back, the past six years have been challenging yet rewarding. The Group has achieved 18,5% compound growth in headline earnings per share, and a 24,5% growth in dividends. Cash flow generation has enabled two share repurchase transactions, to a combined value of R450 million, and the early settlement of R200 million of car hire fleet financing. This is a record of which I am proud, and which has not been matched by many JSE companies.

The Group strategy of steady profitable growth in each of its business segments has proved rewarding.

FINANCIAL OVERVIEW

Operating profit increased 15,5% to R438,4 million, with a commendable improvement in the operating margin, before goodwill impairment, from 3,9% to 4,2%. Revenue growth was restrained by limited vehicle price increases, as manufacturers fought for market share, and the continuing downward trend of sales within the luxury vehicle segment. The gross margin, however, improved to16,7%. Selling and operating expenses were contained at a 3,1% increase, and net finance costs declined 4,2%. A lower level of non-deductible expenditure, principally goodwill impairment, reduced the tax rate from 28,2% to 26,8%. The net result was a 25,4% increase in total profit and, adjusting for the reduced goodwill impairment this year, a 17,2% improvement in headline earnings.

Dividends paid during the year reflected a 15% rise, and the directors have recommended a June 2018 dividend of 115 cents per share.

Within the statement of financial position, the only noteworthy movement is the reduction in borrowings related to the car hire fleet. The movement reflects the extent to which surplus cash generated by Group operations has been used to settle interest-bearing loans. The finance facilities available to the car hire division remain substantially unchanged from previous years, and can be utilised to a greater extent should the cash be needed for other Group opportunities.

Of concern to me is the disturbing impact which some accounting principles can have on the economic realities of business. The Group accounts for its numerous property leases in terms of an accounting principle which requires that the rental charge to the income statement be equal for each period of a long-term lease. No allowance is made for the fact that actual lease payments are adjusted annually to recognise the impact of inflation and high interest rates on property values and required returns. The degree of distortion is negligible in major western countries where inflation and interest rates are close to zero. However, it can materially distort earnings in local businesses where the rental charge forms a high component of operating expenses. In respect of a 10-year lease with 7% annual escalations, the charge to the income statement in year one will be 138% of the cash rental paid. Arising from this principle alone, the Group suffered an extra R8,8 million rental expense compared with the previous year. This equates to a fall of 8,5 cents per share, almost 3% of total headline earnings. During the latter stages of each lease the distortion is reversed, and earnings are overstated.

With effect from 1 March 2019, the Group will be required to adopt the new principle for property lease accounting, which will lead to an even greater distortion. In terms of this principle, the year one charge to the income statement in respect of the 10-year lease mentioned above, will be 161% of the cash rental paid.

Such a difference may have an adverse impact on the assessment of business projects with a high property component, and distort decision-making.

OPERATIONAL OVERVIEW

The three-year declining trend in national new vehicle sales turned during the year under review, with a 0,4% increase. The rate of new vehicle price increases averaged approximately 3%, with reports indicating that the year-on-year increase dropped to its lowest level since 2013. This, coupled with a hardening of used vehicles prices, following supply shortages, has caused a correction in the trend of past years of consumers moving to the used vehicle market because of affordability.

The announcement by General Motors that it was withdrawing from the country created a major shock and disruption to the industry. Fortunately the Group was able to negotiate, at its two affected dealerships, the continuation of its Opel and Isuzu franchises, and the ongoing parts and servicing requirements of the remaining GM customer base. This will enable the dealerships to be restructured in an orderly fashion to remain profitable.

On the positive side, I believe that Nissan will be the principal beneficiary of the GM departure, and this will benefit the Group, which has seven Nissan outlets.

Particularly pleasing during the current year is that the profit improvement has been contributed to by each of the Group's operating segments and, within motor retail, by each of the new sales, used sales, workshops and parts departments. It makes managing the business so much easier if there is no element which is regressing and offsetting the good results of another.

A CMH culture has been developed over the years which reinforces its core values of honesty, integrity and fair treatment of its customers, employees and trading partners. The continuity of senior management has helped to reinforce this culture and enable the Group to grow off a solid foundation. Strong centralised control of cash flow, accounting systems and internal controls enables branch management to focus on what they do best – sales and marketing. Peer review and bench marking against 'best-in-class' enables comparison and improvement.

The Group has recognised the rapid expansion in the number of customers making use of electronic platforms to aid their purchasing decisions. To this end it has developed a separate division, Rokkit, which focuses on digital marketing, social media, meaningful contact with the customer base, and generally promoting the CMH brand as a solid, long-term supporter of its products.

Staff training is ongoing, with a strong focus on previously disadvantaged race groups. The Group, once again, has met and exceeded the Merseta target for employment and training of workshop apprentices and learners. Whilst the Group cannot accommodate all of the trainees who graduate, at least 50% are retained in permanent positions.

Whilst the Group's car hire segment has achieved a noteworthy level 3 B-BBEE rating, the retail motor segment is finding it almost impossible to score better than a level 7. As the motor manufacturers do not meet ownership requirements, the retailers are unable to secure procurement points in respect of the vast majority of their purchases. Discussions are ongoing to develop a structure which will enable manufacturers to qualify despite them failing the ownership criteria.

MOTOR RETAIL

Against the 0,4% rise in national new vehicle sales, the Group achieved growth of 11,8%. This improvement was driven mainly by the Toyota, Nissan, Honda and Mazda products. The luxury market continued its declining trend. Sales in this sector fell 8,1% during the year, and have declined by a third over the past three years. Fortunately the luxury brands form a relatively low proportion of the Group's model mix. However, the Jaguar, Land Rover and Volvo dealerships experienced a difficult year. The growth in new vehicle sales has not translated into significant revenue growth because the model mix of sales has trended towards lower-priced, more affordable options. The Group was able to achieve the majority of manufacturer sales targets, and the incentives earned helped boost gross margins. The industry does not have reliable statistics for the level of national used vehicle sales. However, business levels at the major vehicle finance banks indicate a decline of ±3%. In comparison, Group unit sales rose 6,3% from its continuing operations.

The Group's back-end departments, workshop and parts, recorded pleasing steady growth, with very few individual departments recording an operating loss. These departments produce the stable and dependable base on which all successful dealerships are founded, and their ongoing contribution is reassuring.

Of the four under-performing dealerships at the beginning of the year, one has been relocated to more suitable premises with a lower infrastructure cost. In respect of the remaining three, smaller franchises have been added to the product offering, generating additional gross profit with low incremental costs. Smaller franchises have also been added to three other outlets, which will enhance their profitability.

CAR HIRE

First Car Rental has completed a decade of profit growth since its rebranding in 2008. In that first year the division's operating profit was R18,6 million, 6% of the Group total. In the year under review this has risen to R64,2 million, a 19% contribution. The division faced severe head winds during midyear, when the traditionally slow winter months were exacerbated by a period of political turmoil, and lower inbound tourist numbers following the passport and visa requirements fiasco. During the summer months, from November onwards, the division substantially increased both its fleet utilisation rate and rental income per day, and focused on driving down costs. The used car market remained buoyant, enabling the division to obtain favourable prices for retired fleet vehicles.

It was reported last year that the operations of this business were being restructured to facilitate the introduction of a black empowerment partner. This process is now complete, and the company's car hire fleet and attendant borrowings have been transferred to a fellow subsidiary. A 43% stake in the significantly reduced operations division has been sold on credit terms to Azepha Proprietary Limited, a company owned by Group director Zee Cele and her family. As the risks and rewards of ownership in the equity stake have not yet passed to the purchaser, as required by the relevant accounting standards, the issue of shares has not been recorded in the Group's financial statements.

FINANCIAL SERVICES

After a spike in claims caused a fall in 2017 results when compared with 2016, the Group's insurance cells were back on track, with a 4% rise in profit. Particularly pleasing is that, despite the three-year trend of declining vehicle sales, the division has managed to grow its premium income by 23% since 2015. As the underwritten policies are for periods of three to five years, annuity income is assured over the long term. The finance joint ventures with major finance houses generated a 21% improvement in profit, giving an overall increase for the segment of 4%. This represents 10% of total Group profit.

CORPORATE GOVERNANCE

During the year the Group adopted and applied the principles and the appropriate best business practices as recorded in the King IV Report on Corporate Governance. The Board recognises that the Report seeks to instil a greater level of transparency and integrated thinking in its deliberations, and to consider not just financial gain, but the larger triple context, including social and environmental considerations.

A report on the Group's corporate governance is recorded on page 16. This should be read in conjunction with its practices in respect of the principles, which are detailed on the Group's website, www.cmh.co.za.

PROSPECTS

Economic growth in the year ahead is expected to be an improvement on the past three years, provided the global backdrop remains as supportive as it was last year. It seems likely that political uncertainty will moderate, and a few interventions to restore confidence will serve to ease some of the constraints on both investment and consumption. The country's new president has spoken of a number of practical proposals which will boost growth and address endemic corruption, but whether he will deliver on these remains to be seen. The reality check will come over the next few months when he begins to deal with public sector wage negotiations, prosecution of corrupt present and past government officials, land redistribution pressure, and the state of disarray at the state-owned enterprises. I believe that economic stability and growth will be ensured by a vision which honestly recognises past failures, accepts fairly that both the public and private sectors are accountable, and acknowledges the available resources with which we can work.

The recent hikes, in respect of value-added tax, *ad valorem* duty and taxes on carbon emissions, all necessitated by government mismanagement of finances, will negatively affect the motor industry. However, I am optimistic that a new dawn has broken and that modest economic recovery lies ahead. Together with the possibility of a further marginal interest rate cut, it will provide welcome respite for those many consumers who are drowning in debt.

The Group is well positioned for continued growth. It has remedied its loss-making businesses, pared operating costs, and is keenly focused on marketing and customer service. It has a strong balance sheet, healthy cash resources, and an experienced and committed senior management team. Economists are predicting a 3% to 5% rise in new vehicle sales, and this will provide a welcome stimulus for the industry.

ACKNOWLEDGEMENTS

Recent significant corporate failures have highlighted the need for non-executive directors to be vigilant and exercise the required due care in discharging their responsibilities. Boards are under pressure to continually transform and show empathy for how the demands of both investors and society have changed.

Directors need the right expertise, experience and diversity to be effective in this rapidly-changing business environment, with ever-increasing complexities, and I am grateful that our non-executive members have displayed these qualities.

We bid farewell to John Edwards, our Group chairman, who will be retiring at our annual general meeting in May. John has had an on-off relationship with the Group stretching back almost to the Group's inception. He served two rotations as audit partner, including in 1987 when the Group was listed on the JSE. After his retirement from PricewaterhouseCoopers he has served as a non-executive director since 2002, and has been a member and chairman of various Board committees. In 2013 he succeeded Maldwyn Zimmerman as Group chairman. I thank John for his valuable contribution, and wish him a long and healthy retirement.

At the same time we welcome James Dixon's election as our new Group chairman. James has a wealth of both business and Group experience, and I am confident he will be a worthy successor.

I take this opportunity to thank my co-executive directors and the executive committee, and congratulate them on a fine set of results achieved in trying conditions. Together with their staff, they have powered CMH to yet another record year.

My appreciation is extended to the Group's trading partners, and especially the original equipment manufacturers which we represent, and the vehicle finance houses, for their continued support.

JD McIntosh
Chief Executive Officer

12 April 2018

CORPORATE GOVERNANCE

BACKGROUND

This Report has been compiled on behalf of the board of directors ("the Board") of Combined Motor Holdings Limited ("CMH") in compliance with the Companies Act and the JSE Listings Requirements. It should be read in conjunction the Group's practices in respect of the principles contained in the King IV Code on Corporate Governance, which are recorded on the Group's website, www.cmh.co.za. (References thereto are described hereafter as "King IV Code: Principle…"). King IV sets out the philosophy, principles, practices and outcomes which serve as the benchmark for corporate governance in South Africa. Corporate governance is defined as the exercise of ethical and effective leadership by the Board towards the achievement of the following governance outcomes:

- an ethical culture;
- good performance;
- effective control; and
- legitimacy.

The Board 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. Whilst the principles of King IV are of universal application, the practices are recognised as not being appropriate for all organisations. King IV envisages that practices are to be scaled in accordance with the size of the business and its workforce, its resources, and the extent and complexity of its activities. The Group's directors recognise that the ultimate compliance officers are the various stakeholders. They will, by their continued support, or lack thereof, let the Board know whether they believe that acceptable standards have been achieved.

BOARD OF DIRECTORS

COMPOSITION

The Board assumes responsibility for its composition by setting the direction and approving the processes for it to attain the appropriate balance of skills, experience, diversity and independence in order to effectively discharge its governance role and responsibilities. The Board is satisfied that its composition reflects the right mix. Full details of each director are recorded on pages 4 and 5.

The Board comprises six independent non-executive, and three executive directors. The independent non-executive directors:

- come from diverse backgrounds in commerce and industry;
- collectively have a wide range of experience, insight and judgement on issues of strategy, performance, risk, resources, marketing, and standards of conduct;
- are an average of 60 years old;
- have served on the Board an average of eight years;
- comprise three white, and three African members, which is within the Board's race diversity policy target of 45% to 50% of independent non-executives, and 25% to 35% of the total Board, being from previously-disadvantaged races;
- comprise four males and two females, which is within the Board's gender diversity policy target of 30% to 35% of independent non-executives, and 20% to 25% of the total Board, being female; and
- are of sufficient number to serve on committees without overburdening members.

The executive directors comprise the Group chief executive officer, Group chief financial officer, and the chief executive officer of the car hire division. The Board has a succession plan for both the non-executive and executive directors.

NOMINATION, ELECTION AND APPOINTMENT OF BOARD MEMBERS

The Board has a formal and transparent process for the nomination, screening, and appointment of members, and the nomination for re-election of existing members. Appointments and re-election proposals are made after consideration of:

- the collective knowledge, skills and experience of the Board members;
- the diversity of members in terms of gender, race and culture;
- whether the candidate meets appropriate fit and proper criteria, including an independent background check and qualifications verification, if deemed necessary;
- details of the professional commitments of the candidate, and a statement that he/she has sufficient time available to fulfil the responsibilities required of a member; and
- prior attendance and performance at meetings, in respect of re-elected members.

The role and responsibilities of the Board are recorded in a charter which has been adopted by each member. Where new members are not familiar with the Group, they will be given an induction programme to enable them to make the maximum contribution within the shortest possible time.

INDEPENDENCE AND CONFLICTS

At the commencement of meetings of the Board and its committees, members are required to declare whether any of them has any conflict of interest in respect of any matters on the agenda. If such conflict is noted, the relevant member may be involved in debate regarding the conflicted matter, but may, at the discretion of the chairman, be excluded from voting thereon.

CLASSIFICATION

Non-executive directors may be classified as independent if the Board is of the opinion that there is no interest, position, relationship, or association which, when judged from the perspective of a reasonable and informed third party, is likely to influence unduly or cause bias in that director's decision-making. In reaching its decision, the Board takes a holistic, substance-over-form view, after consideration of whether the member:

- is a significant provider of financial capital to the Group, or is a representative of such provider;
- participates in a share-based incentive scheme offered by the Group, or is entitled to remuneration based on the performance of the Group;
- owns shares in the Group, the value of which is material to his/her personal wealth;
- has been in the employ of the Group in an executive position during the past three financial years;
- has been the designated external auditor of the Group, or a key member of the audit team, during the past three financial years;
- is a significant or ongoing professional adviser to the Group; or
- is a member of the governing body of a significant customer, supplier, competitor or related party of the Group.

The Board examined the status of the non-executive directors and is of the opinion that:

- JA Mabena and MR Nkadimeng meet the independence criteria despite them being nominees of Thebe Investment Corporation ("TIC"), the Group's empowerment partner. TIC does not have the ability to control nor significantly influence the Board, and the members do not hold TIC shares which are material in value to their respective personal wealth;
- LCZ Cele meets the independence criteria despite her having acquired a 43% interest in a segment of the restructured car hire division following a decision to introduce an empowerment partner. The Board considers that her investment value is not material in relation to her personal wealth;
- LCZ Cele and JTM Edwards meet the independence criteria despite having served on the Board for ten and sixteen years respectively. The Board has concluded that their long association with the Group has not impaired their objective judgement, and there is no interest, position, association nor relationship which, when viewed from the perspective of a reasonable and informed third party, is likely to unduly influence or cause bias in their decision-making; and
- JS Dixon and ME Jones meet the independence criteria.

CHAIRMAN OF THE BOARD

The Board has elected independent non-executive director, JTM Edwards, to chair the Board in its objective and effective discharge of its governance role and responsibilities.

The chairman is elected annually after the annual general meeting of shareholders. His role and responsibilities are documented in the Board Charter and are separate from those of the Group chief executive officer. It has not been considered necessary to appoint a lead independent director.

When determining which of the committees the chairman may serve on, the Board is mindful of the potential negative impact on the concentration and balance of power. It is recorded that the chairman of the Board:

- is not a member of the audit and risk assessment committee;
- is one of three members of the remuneration committee, but not its chairman; and
- is not a member of the social, ethics and transformation committee.

On occasions when his input is sought, he may attend meetings of committees of which he is not a member, but is not permitted to vote thereat.

APPOINTMENT AND TENURE OF NON-EXECUTIVE DIRECTORS

Newly-appointed directors hold office until the next annual general meeting, at which time they retire and become available for re-election. Each year, one third of the directors is required to retire and become subject to re-election by shareholders.

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 updates to assist directors in remaining abreast of relevant legislation.

Attendance at meetings of the Board during the year under review is recorded in the table below:

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 executive committee ("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 CMH's shares. All transactions are conducted at the ruling market price on the JSE Limited.

COMPANY SECRETARY

The company secretary is appointed by the Board in compliance with the Companies Act 2008 and the JSE Limited Listings Requirements. Refer to King IV Code: Principle 10.

The Board considers on an annual basis, the competence, qualifications and experience of the company secretary, K Fonseca CA (SA) who was appointed company secretary in 2010. She is a qualified chartered accountant with 19 years' post-graduate experience, of which 12 years have been with the Group.

In respect of the year under review, the Board considers her to be suitably qualified and experienced and concluded that she has executed her responsibilities with the required level of competency. The Certification by the Company Secretary is recorded on page 31.

BOARD COMMITTEES

Subject to its ultimate accountability, the Board has delegated specific functions to Board committees, each with its own charter that defines its powers and duties. On a biennial basis, the Board reviews and approves the terms of reference of each committee and completes an assessment of their performance. Refer to King IV Code: Principle 8. The Board is satisfied that the committees have discharged their duties in terms of their respective charters, in respect of the year under review.

The composition of these committees as well as changes thereto during the current year are reflected below. Attendance at meetings is recorded below.

REMUNERATION COMMITTEE

Members:

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

The Report of the Remuneration Committee is recorded on page 26.

AUDIT AND RISK ASSESSMENT COMMITTEE

Members:

- JS Dixon (independent non-executive) – chairman
- ME Jones (independent non-executive)
- MR Nkadimeng (independent non-executive)

The Report of the Audit and Risk Assessment Committee is recorded on page 24.

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	2/3			1/2	3/3
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*		3/3
ME Jones	3/3	2/2			
JA Mabena	3/3		2/2	2/2	
JD McIntosh	3/3	2/2*	2/2*	2/2	3/3
MR Nkadimeng	2/3	2/2			

** By invitation.*

SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE

Members:

- LCZ Cele (independent non-executive) – chairman
- BWJ Barritt (executive)
- JA Mabena (independent non-executive)
- JD McIntosh (chief executive officer)

The Report of the Social, Ethics and Transformation Committee is recorded on page 30.

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, BWJ Barritt and SK Jackson, 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 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	57	23
CM Downs	Customer finance and insurance	45	22
K Fonseca	Company secretary, chief audit executive	43	12
RJ Minnaar	Information technology	54	28
TH Morey	Motor retail	50	22
S Singleton	Motor retail	54	15
CG Webber	Motor retail	49	18

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. Subject to its ultimate accountability, the Board has delegated the responsibility for risk management to the Audit and Risk Assessment Committee. 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. Full details of the Group's exposure to a variety of financial risks is disclosed on page 47. Details of other risks faced by the Group are recorded in the King IV Code: Principle 11.

COMPLIANCE WITH LAWS, RULES, CODES AND STANDARDS

The Board is satisfied that there were no material instances of non-compliance with applicable legislation during the year under review and the Group did not incur any material penalty, fine nor sanction for contravention or non-compliance with its statutory obligations. Refer King IV Code: Principle 13.

INTERNAL AUDIT

The Board is satisfied that the internal audit department has provided independent and relevant assurance during the year under review, in respect of the effectiveness of governance, risk management and control processes. Refer King IV Code: Principle 15.

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. Full details in this regard are recorded in the King IV Code: Principle 16.

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

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

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

  Details of the Group's financial results are addressed throughout this report. A summary of pertinent financial information is contained in the table on page 20.

- **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 and employment equity on page 20.

- **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 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 22.

KEY SUSTAINABILITY ISSUES AT A GLANCE

		2018	2017
Financial			
Revenue	(R'000)	**10 572 596**	10 224 900
Operating profit	(R'000)	**438 378**	379 652
Headline earnings per share	(cents)	**332,9**	284,2
Dividends paid per share	(cents)	**161,0**	140,0
Cash generated from operations	(R'000)	**223 241**	273 354
Cash resources	(R'000)	**372 882**	489 218
Return on shareholders' funds	(%)	**38,9**	37,4
Employment			
Number of employees		**2 688**	2 676
Revenue per employee	(R'000)	**3 933**	3 821
Total employee costs	(R'000)	**745 005**	737 241

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 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 level of competency and training. The Group ensures that opportunities are provided 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. Extracts of the most recent report submitted, as at 31 August 2017, are tabled on page 21.

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 apprenticeship programme. This programme 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 65 apprentices employed on this programme. In total 154 apprentices have qualified in the past nine 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.

EXTRACTS 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
ALL EMPLOYEES											
Top management	1		3	51	3	3	1	18	1		81
Senior management	15	11	51	104	23	3	27	74	2		310
Professionally qualified and experienced specialists	199	35	123	184	101	17	33	87	6	3	788
Skilled technical and academically qualified	108	21	35	19	113	12	40	46	5	2	401
Semi-skilled	328	36	120	36	137	30	40	67	3		797
Unskilled	164	2	6	3	113	5	1	3	2	3	302
Total permanent	**815**	**105**	**338**	**397**	**490**	**70**	**142**	**295**	**19**	**8**	**2 679**
Temporary employees	7		3	1	2			4			17
Total August 2017	**822**	**105**	**341**	**398**	**492**	**70**	**142**	**299**	**19**	**8**	**2 696**
Total August 2016	820	142	390	471	441	80	152	332	20	6	2 854
DISABLED STAFF											
Top management				1							1
Senior management											
Professionally qualified and experienced specialists				1	1						2
Skilled technical and academically qualified											
Semi-skilled	5		1		1						7
Unskilled	1		4	3		1	1	3			13
Total permanent	**6**	**0**	**5**	**5**	**2**	**1**	**1**	**3**	**0**	**0**	**23**

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

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. 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. On completion of the learnership the learners obtain an NQF level 4 accreditation.

During the year under review 43 learnerships were registered. Of these, three learners resigned before completion of the learnership. Of the 40 that completed the learnership, 13 were retained within the Group. Management is confident that those who 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 38 learnerships have commenced for the 2018/2019 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 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 were independently audited during May 2017 using the amended, and considerably more challenging, scorecards. The Group as a whole is verified using the generic codes and First Car Rental using the tourism sector codes. Despite the onerous targets, First Car Rental achieved a level 3 rating. Hindered by the procurement element of the scorecard, the Group as a whole only scored sufficient points to achieve a level 7 rating, but having missed the minimum score for procurement, was then penalised by one level and so was rated a level 8. Improving on this rating will continue to be a significant challenge whilst the Group continues to procure more than 95% of its measurable procurement from the original equipment manufacturers, who are neither 51% black-owned nor 30% black women-owned.

Management has performed a self-assessment for the 2018 year and concluded that the ratings will remain unchanged. The directors are currently investigating plausible initiatives that will improve the rating of the Group.

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

B-BBEE SCORECARD RATINGS (independently audited)

	Max	2017
Car Hire and Fleet division		
Ownership	27	**27,0**
Management control	9	**4,1**
Employment equity	10	**7,5**
Skills development	20	**18,0**
Enterprise development	5	**5,0**
Supplier development	10	**10,0**
Procurement	25	**13,9**
Socio-economic development	5	**5,0**
	111	**90,5**
B-BBEE recognition level contributor		**3**
Total Group		
Ownership	25	**20,1**
Management control	9	**3,7**
Employment equity	10	**5,0**
Skills development	20	**9,4**
Enterprise development	5	**5,0**
Supplier development	10	**10,0**
Procurement	25	**6,1**
Socio-economic development	5	**5,0**
	109	**64,3**
B-BBEE recognition level contributor		**8**

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 minimise 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 an independent specialist who conducts monthly site inspections and quarterly audits. The audit results and improvement recommendations are reported to the Board.

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 invested substantial amounts in energy-efficient and automated timing devices in the vehicle dealerships and utilises the services of an independent consultant to assess and monitor its energy use and to implement measures designed to reduce the environmental impact.

The Group has installed three solar power systems since November 2016, cementing its continued commitment to reducing its environmental impact. Although the initial investment in these projects is costly, the result is an estimated saving of in excess of 50% 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 uses 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. The primary beneficiaries during the current year were:

- The Mazda Foundation;
- Teachers Across Borders South Africa;
- Namyeni Project Hope;
- JAM SA; and
- numerous childrens' homes and schools.

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

- the Unit for Students with Disabilities at the University of the Free State;
- Save the Children South Africa;
- Reach for a Dream; and
- Mike Proctor Foundation for Development Cricket.

REPORT OF THE AUDIT AND RISK ASSESSMENT COMMITTEE

This report has been compiled on behalf of the Board in compliance with section 94(7)(f) of the Companies Act, 2008.

The audit and risk assessment committee was appointed by shareholders in respect of the year ended 28 February 2018. All members are independent non-executive directors of the Company. The committee has adopted formal terms of reference agreed by the Board. These have been embodied in its charter and workplan which align with the Companies Act 2008, the King IV Code on Corporate Governance, and the JSE Listings Requirements.

The committee meets biannually. Attendance details are recorded on page 18. The chief executive officer, financial director, external auditor and chief audit executive of the Company are required to attend committee meetings and the Company chairman attends by invitation.

The role and functions of the committee, the manner in which it has discharged its responsibilities and the key areas of focus for the year, 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, and that the financial reporting procedures are operating effectively;
- considering and, when appropriate, has made recommendations on the effectiveness of internal financial control;
- dealing with concerns or complaints relating to accounting policies, internal audit and internal financial controls;
- 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;
- considering any whistle-blowing complaints; and
- reviewing the report of the external auditor and the key audit matters.

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. Details of the Group's combined assurance model are set out in the King IV Code: Principle 15 on the Group's website, www.cmh.co.za.

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 discharge its duties. Details of the Group's internal audit function are set out in the King IV Code: Principle 15 on the Group's website, www.cmh.co.za. 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. The committee meets with the internal auditors annually without management's presence.

Accept responsibility for the Group's risk management function

Details of the committee's role and function in this area are provided on page 19.

In discharging its responsibility the committee focused on financial reporting risks, internal financial controls and fraud and information technology risks in relation to financial reporting.

The committee is satisfied that these areas have been appropriately addressed.

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

- recommend to shareholders the appointment, reappointment and removal of the external auditor and designated partner, after ensuring that the external auditor is accredited by the JSE Limited and the designated partner is suitably qualified and eligible to fulfil the position;
- approve the external auditor's terms of engagement and remuneration;
- review, monitor and report on the external auditor's independence and objectivity;
- discuss the external audit process without management's presence;
- define, for Board approval, a policy addressing the nature, extent and terms under which the external auditor may perform non-audit services and ensure compliance therewith; 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, the external auditor's terms of engagement and proposed remuneration. It is satisfied that, despite the fact that the external auditor has been the auditor of the Company and the Group for the past 42 years, it is independent of the Group, and able to express an objective opinion. The re-appointment of PricewaterhouseCoopers, and the appointment of lead partner, R Klute, who, by rotation, replaces SF Randelhoff, were considered and are recommended for approval by shareholders at the forthcoming annual general meeting.

The committee is satisfied that, in respect of the financial year ended 28 February 2018, it has performed all of the functions required to be performed by an audit committee.

JS Dixon
Chairperson

Audit and Risk Assessment Committee
12 April 2018

REPORT OF THE REMUNERATION COMMITTEE

This Report has been compiled on behalf of the Board in compliance with the Companies Act 2008, the JSE Listings Requirements, and the King IV Code on Corporate Governance.

The Board has delegated to the Remuneration Committee ('Remco') the responsibility for ensuring statutory compliance under the direction of the Board. Remco has its own charter, approved by the Board, and meets independently. It comprises three independent non-executive directors elected annually by the Board, and provides feedback, through its chairman, at the next Board meeting. A summary of minutes of Remco meetings is circulated to the Board, and all directors are given the opportunity to raise questions or concerns arising therefrom.

The Remco chairman and committee members in office during the year under review, together with their attendance at meetings, are recorded on page 18. Where their input is sought, the Group CEO and CFO are requested to attend Remco meetings, but are required to recuse themselves when their remuneration is discussed.

REMUNERATION POLICY

The Board assumes responsibility for the governance of remuneration by setting the direction for how remuneration should be determined within the Group in a fair, responsible and transparent manner. The remuneration policy has been designed to achieve the following objectives:

- the attraction, motivation, reward and retention of the best possible human resources within each level of the sectors in which the Group operates;
- the achievement of positive outcomes in pursuit of the Group's strategic objectives;
- alignment with stakeholder interests; and
- the promotion of an ethical and responsible culture.

The policy aims to ensure that:

- the remuneration of executive management is fair and responsible in the context of overall Group employee remuneration;
- new engagements, and promotion opportunities, give consideration to transformation goals;
- due consideration is given to legislated minimum remuneration levels; and
- there is equal pay for equal value outcomes, with no discrimination based on gender or race.

The elements of remuneration offered within the Group are recorded in the table below:

	Purpose, and link to Group strategy	Earnings opportunity
GUARANTEED		
Base salary	Market-related level of remuneration commensurate with job function and CPI. Reviewed annually after consideration of personal performance and responsibilities measured against objectives, and individual behaviour in line with Group culture.	Market-related. In respect of executive directors and executive committee members, the base salary has, over the past three years, comprised 55% to 65% of total remuneration.
Pension, medical, other benefits	Benefits and allowances, both legislated and voluntary, which are appropriate to the job function. Benefits include: ▪ retirement funding ▪ health care ▪ UIF contributions ▪ use of Group-owned vehicles	Generally, benefit values align with base salaries. In respect of executive directors and executive committee members, the value of benefits has, over the past three years, comprised 10% to 12% of total remuneration. In respect of health care and retirement funding, the cost is shared between the Group and employees.

	Purpose, and link to Group strategy	Earnings opportunity
SHORT TERM		
Commission and profit-share	To motivate employees to achieve short-term strategic financial objectives. Criteria vary according to job function and level of responsibility, and include: ▪ product sales volume, market penetration and gross profit levels ▪ achievement of manufacturer sales and customer satisfaction targets ▪ working capital management ▪ department profit ▪ branch/dealership/franchise profit ▪ transformation targets ▪ Group headline earnings per share ▪ Group return on shareholders' funds	Target levels are set monthly, quarterly or annually, depending on the nature of the incentive scheme. No upper limits apply, other than in respect of executive directors (refer to Implementation Report on page 28 for details on executive directors). In respect of executive directors and executive committee members, the value of short term benefits has comprised 20% to 25% of total remuneration over the past three years.
MEDIUM TERM		
Profit-share	To motivate senior employees to achieve medium-term strategic financial objectives, and to provide an element of alignment with shareholder interests. Creates an element of key-employee retention as rewards are dependant on both sustainability of achieved levels, and continued employment. Applied to dealer principals, the performance award is based on dealership net profit earned in excess of agreed targets. The incentive is paid over three years provided profitability is sustained.	No limit applies. The value of this medium-term benefit comprises between 0% and 10% of dealer principals' total remuneration.
LONG TERM		
Share incentive scheme	To motivate senior employees to achieve long-term strategic financial objectives, and to provide full alignment with shareholder interests. Participation in the Group Share Appreciation Rights Scheme is limited primarily to executive directors, executive committee members, regional accountants, and regional finance and insurance managers. In terms of the Scheme, participants are given conditional rights to receive CMH shares, the number of which is determined with reference to the rise in the CMH share price over three to five years.	No limit applies to the value which may be earned. In respect of executive directors and executive committee members, the value of this long-term benefit has comprised 5% to 15% of total remuneration over the past three years.

IMPLEMENTATION REPORT

BACKGROUND STATEMENT

The year under review provided difficult trading circumstances. During January/February 2017, when budgets were being finalised, the economy was showing signs of a mild recovery. All the positivity was reversed in March/April by a few days of political mayhem. As a result it was difficult to set targets which would maintain management motivation and ensure fair reward for input.

Remco's key area of focus during the year was the setting of fair, but challenging, incentive schemes which recognised the depressed trading conditions, the need to retain and motivate key management, and the expectations of stakeholders. Remco recognises that the Group competes for a limited pool of talent in a competitive market sector. Attention was also given to those employees on lower pay rates to ensure that they were treated fairly and responsibly. A similar focus will be applied during the year ahead.

The Remco did not consult with independent remuneration consultants during the year, but was guided by national remuneration trends reports in respect of companies of similar size and complexity, and competitor offerings.

The Board is satisfied with Remco's assessment that the remuneration policy achieved the desired outcomes during the year under review, and that it has fulfilled its responsibilities in accordance with its terms of reference.

OVERVIEW OF EXECUTIVE DIRECTOR REMUNERATION

The policy of the Remco is to ensure that the executive directors are fairly rewarded for their individual contributions to the Group's overall performance, and to provide a competitive remuneration package commensurate with their management of the Group in the long-term interests of all stakeholders.

To this end, Remco believes that a meaningful proportion of executive directors' remuneration should be performance-driven, a feature which is common in the retail motor sector.

Executive directors' employment contracts are terminable after six months' notice, with no additional benefits accruing on termination.

The earnings of the executive directors in respect of the year ended 28 February 2018 are tabled on page 66. Other than in respect of share appreciation rights which have not yet vested, all variable incentive scheme earnings have been provided for in the attached financial statements. The performance-related payments in respect of JD McIntosh and SK Jackson were based on a combination of financial results, being:

- growth in headline earnings per share; and
- return on shareholders' funds

and the following non-financial key performance indicators:

- ensuring that the Group's effective risk management and reporting processes are maintained;
- continued mutually-beneficial relationships with manufacturers, customer finance houses and Group financiers; and
- improving, or at least maintaining, the Group's and Car Hire's black empowerment scorecard rating, employment equity statistics and skills development programmes.

Of the performance-related payments, those relating to financial issues have a weighting of 70%, and non-financial issues, 30%.

In respect of BWJ Barritt, a lesser emphasis was placed on the above factors, and a greater focus on the car hire division's growth in profitability.

Remco considers that these measures represent the most appropriate alignment with stakeholder interests. In all instances the aim is for "on target" variable earnings to represent approximately 30% to 35% of total remuneration.

The planned areas of focus remain unchanged in respect of the year ending 28 February 2019. The table below indicates the components of remuneration that will be paid to each director under minimum, on-target, and maximum performance outcomes. The values exclude the expected vesting outcomes of long-term share appreciation rights.

	Minimum R'000	On-target R'000	Maximum R'000
BWJ Barritt			
– guaranteed basic salary and benefits	4 316	4 316	4 316
– annual performance-related	–	2 495	4 100
	4 316	6 811	8 416
Ratio	63	100	124
SK Jackson			
– guaranteed basic salary and benefits	5 369	5 369	5 369
– annual performance-related	–	2 550	4 150
	5 369	7 919	9 519
Ratio	68	100	120
JD McIntosh			
– guaranteed basic salary and benefits	6 958	6 958	6 958
– annual performance-related	–	4 150	7 300
	6 958	11 108	14 258
Ratio	63	100	128

Remco reserves the right to amend performance targets to recognise extraordinary and unexpected circumstances which may impact negatively or positively on actual results.

NON-EXECUTIVE DIRECTORS' FEES

The fees of the non-executive directors in respect of the year ended 28 February 2018 are tabled on page 66, and reflect an average increase of 6,8%. A similar increase is proposed in respect of the year ahead, and full details of the fee structure are recorded in the Notice of Annual General Meeting, on page 70.

VOTING ON REMUNERATION

In terms of the Companies Act requirements, the fees of non-executive directors for their services as directors must be approved by special resolution of shareholders. The proposed resolution is contained in the Notice of Annual General Meeting, on page 70. At the 2017 annual general meeting 100% of voting shareholders approved the corresponding resolution.

In terms of the JSE Listings Requirements and King IV, each of the above Remuneration Policy and Implementation Report should be tabled before shareholders for a separate non-binding advisory vote of approval. The Notice of Annual General Meeting, on page 70, records the proposed resolutions. At the 2017 annual general meeting 93% of voting shareholders approved the 'old format' non-binding advisory resolution in favour of the Remuneration Report.

Remco undertakes that, in the event that either the Remuneration Policy or the Implementation Report, or both, are voted against by 25% or more of the voting rights exercised at the annual general meeting, it will, in good faith, and using its best reasonable efforts:

- disclose in the voting results announcement, which will be issued on the day after the annual general meeting, an invitation for dissenting shareholders to engage with management;
- detail the manner and timing of such engagement;
- engage with dissenting voters to ascertain the reasons for the dissenting votes;
- appropriately address legitimate and reasonable objections and concerns raised;
- amend the Remuneration Policy and/or Implementation Report if necessary; and
- record in next year's Report of the Remuneration Committee, the details and results of such engagements, and the steps taken to address legitimate and reasonable objections and concerns.

LCZ Cele
Chairman

Remuneration Committee
12 April 2018

REPORT OF THE SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE

This report has been compiled on behalf of the Board in compliance with Regulation 43(5)(c) of the Companies Act Regulations, 2011. The social, ethics and transformation committee is a statutory committee established in compliance with the Companies Act 2008. The committee has adopted formal terms of reference agreed by the Board. These have been embodied in its charter which aligns with Companies Act Regulations 2011, the King IV Code on Corporate Governance, and the JSE Listings Requirements.

The committee meets biannually. Attendance details are recorded on page 18.

The qualifications of the committee members are disclosed on pages 4 and 5.

The purpose of the committee is to:

- assist the Board in ensuring that the Group is, and remains, a committed socially responsible corporate citizen;
- review policies, plans and processes aimed at facilitating transformation in the Group; and
- supplement, support, advise and provide guidance on the effectiveness or otherwise of management's efforts in respect of sustainable development, ethics and transformation.

To fulfil this purpose, the associated responsibilities of the committee are to:

- monitor the Group's activities, having regard to relevant legislation and other legal requirements or prevailing codes of best practice, with regard to matters relating to:
  - social and economic development;
  - good corporate citizenship;
  - the environment, health and public safety, including the impact of the Group's activities and of its products and services;
  - consumer relationships; and
  - labour and employment
- ensure that the Group's transformation strategy and goals align with its business objectives and strategies;
- approve, review and monitor progress toward achievement of B-BBEE scorecard targets;
- approve, review and monitor progress toward achievement of Employment Equity targets and transformation objectives; and
- approve, review and monitor progress toward achievement of skills development targets.

The committee's main area of focus during the year under review was understanding the impact of the revised B-BBEE Codes of Good Practice and maximising the points scored on the latest B-BBEE scorecard of the Group and its various subsidiaries.

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.

The Board is satisfied that the committee has performed all the functions required to be performed by it as set out in Regulation 43(5) of the Companies Act Regulations, 2011.

LCZ Cele
Chairman

Social, Ethics and Transformation Committee
12 April 2018

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The directors are responsible for the preparation, integrity and fair presentation of the financial statements. The financial statements presented on pages 38 to 69 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

12 April 2018

JTM Edwards
Chairman

CERTIFICATION BY THE COMPANY SECRETARY

In my capacity as company secretary, I hereby confirm that, for the year ended 28 February 2018, 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

12 April 2018

DIRECTORS' REPORT

Your directors have pleasure in submitting their report on the affairs of the Group during the year ended 28 February 2018.

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 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:

	2018 R'000	2017 R'000
Dividend number 59: 61 cents, declared 12 October 2017	**45 628**	–
Dividend number 58: 100 cents, declared 13 April 2017	**74 802**	–
Dividend number 57: 55 cents, declared 12 October 2016	**–**	41 141
Dividend number 56: 85 cents, declared 14 April 2016	**–**	63 581
	120 430	104 722

RESOLUTIONS

At the annual general meeting of shareholders held on 31 May 2017, the following special resolution was passed:

- 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)

The executive directors, together with the members of the executive committee reflected on page 19, represent the key management of the Group.

JTM Edwards has confirmed that he will retire with effect from 31 May 2018. JS Dixon will succeed him as chairman of the Company. ME Jones retires by rotation at the forthcoming annual general meeting but, being eligible, has offered himself for re-election. A brief curriculum vitae of ME Jones appears in the Notice of Annual General Meeting on page 70.

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

Business
1 Wilton Crescent
Umhlanga Ridge
4319

Postal
PO Box 1033
Umhlanga Rocks
4320

DIRECTORS' SHAREHOLDINGS

Details of the directors' direct and indirect shareholdings in the Company are reflected on page 68.

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 65.

The results of the subsidiaries, so far as concerns the Company, comprise aggregate income and losses for the year, after taxation, of R285 504 000 (2017: R207 721 000) and Rnil (2017: R16 363 000) respectively.

AUDITOR

PricewaterhouseCoopers Inc. will continue in office in accordance with section 90(6) of the Companies Act 2008. At the annual general meeting, shareholders will be requested to appoint PricewaterhouseCoopers Inc. as the Group's auditor for the 2019 financial year. It is noted that R Klute will replace SF Randelhoff, who retires by rotation, as the individual registered auditor who will undertake the audit.

SUBSEQUENT EVENTS

Other than that recorded in note 30 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
12 April 2018

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 2018, 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 consolidated financial statements set out on pages 38 to 68 comprise:

- the Group statement of financial position as at 28 February 2018;
- 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 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

OVERVIEW

Materiality Overall Group materiality: R52,8 million
How we tailored our Group audit scope The Group financial statements present a consolidation of 11 companies. For Group reporting requirements seven of the entities were subject to an audit. The remaining companies were considered to be insignificant in relation to the Group and on those we performed analytical procedures for Group reporting purposes.
Key audit matters Significant accounting estimates relating to the carrying value of 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	R52,8 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 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 present a consolidation of 11 companies, comprising the Group's operating businesses, in the retail motor, car hire and financial services sectors, and centralised functions. Seven of the companies were considered to be significant due to their contribution to Group revenue and therefore full scope audits were performed for Group reporting purposes. The remaining companies were considered to be insignificant in relation to the Group and on those we performed analytical procedures for Group reporting purposes. All testing was performed by the Group engagement team.

KEY AUDIT MATTER

Key audit matters are those matters that, in our professional judgement, 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 estimates relating to the carrying value of car hire fleet vehicles As at 28 February 2018 the carrying value of the Group's car hire fleet vehicles was R760,3 million. In determining the estimated residual value and remaining useful life of the car hire fleet vehicles, management considered the kilometers travelled, condition of the vehicles, the number of similar vehicles expected to be retired within a short timeframe 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, management has recognised a current depreciation charge of R111,6 million. Any change to the estimates made by management, regarding residual value and remaining useful life, may result in material changes to the depreciation charge for the year and the carrying value of the car hire fleet vehicles at year-end. Furthermore, these estimates involve a high degree of uncertainty. Accordingly, the assessment of management's estimates is considered a matter of most significance to the audit. 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 management's estimates by determining an independent expectation of the residual value and useful life. Our assessment included, amongst others, the following procedures: ▪ We obtained the latest independent automotive industry forecasts to understand the prevailing market conditions. ▪ We performed a physical asset inspection for a sample of car hire fleet vehicles on hand at year-end and noted no potential impairment indicators. ▪ We considered realised residual values on disposals in the current and previous five years in determining our independent expectation of residual value. ▪ For a sample of car hire fleet vehicles on hand at year-end, we 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 considered the average age of fleet vehicles disposed of during the current year and of the fleet vehicles on hand at year-end in determining our independent expectation of useful lives. We recalculated the current year's depreciation charge and the carrying value of the car hire fleet vehicles at year-end based on our independent expectations, as determined above, and found no material differences to the amounts recognised by management.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the Combined Motor Holdings Limited 2018 Integrated Annual Report and the Combined Motor Holdings Limited Company Financial Statements, which 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. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not 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, 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 42 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.

Director: SF Randelhoff
Registered Auditor

Durban
12 April 2018

SEGMENT INFORMATION

FOR THE YEAR ENDED 28 FEBRUARY 2018

	TOTAL		RETAIL MOTOR		CAR HIRE		FINANCIAL SERVICES		CORPORATE SERVICES/OTHER	
	R'000	%	R'000	%	R'000	%	R'000	%	R'000	%
2018										
Segment revenue	10 603 356	100	9 958 756	93	497 415	5	74 585	1	72 600	1
Inter-segment revenue	(30 760)	100	–	–	–	–	–	–	(30 760)	100
External revenue	10 572 596	100	9 958 756	94	497 415	5	74 585	1	41 840	–
Operating profit/(loss)	438 378	100	307 472	70	115 479	26	28 775	7	(13 348)	(3)
Finance income	24 452	100	–	–	–	–	5 379	22	19 073	78
Finance costs	(124 871)	100	(70 838)	57	(51 279)	41	–	–	(2 754)	2
Profit before taxation	337 959	100	236 634	70	64 200	19	34 154	10	2 971	1
After charging										
– employee costs	745 005	100	597 303	80	88 864	12	–	–	58 838	8
– depreciation	139 133	100	20 352	15	115 002	82	–	–	3 779	3
– impairment of goodwill	2 000	100	2 000	100	–	–	–	–	–	–
Total assets										
– per statement of financial position	2 772 650	100	1 449 200	52	875 734	32	45 144	2	402 572	14
– set off of inter-segment balances	205 000	100	–	–	–	–	–	–	205 000	100
	2 977 650	100	1 449 200	49	875 734	29	45 144	2	607 572	20
Total liabilities										
– per statement of financial position	2 073 018	100	1 371 537	66	646 327	31	–	–	55 154	3
– set off of inter-segment balances	205 000	100	–	–	205 000	100	–	–	–	–
	2 278 018	100	1 371 537	60	851 327	37	–	–	55 154	3
Goodwill at year-end	8 078	100	8 078	100	–	–	–	–	–	–
2017										
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	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	–	–	–	–	–	–

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 2018

	Notes	2018 R'000	2017 R'000
ASSETS			
Non-current assets			
Plant and equipment	4	**64 967**	74 864
Car hire fleet vehicles	5	**760 282**	757 085
Goodwill	6	**8 078**	10 078
Insurance receivable	7	**45 144**	38 162
Deferred taxation	8	**43 865**	39 454
		922 336	919 643
Current assets			
Inventories	9	**1 164 428**	1 118 563
Trade and other receivables	10	**311 635**	254 843
Taxation paid in advance		**1 369**	4 539
Cash and cash equivalents	11	**372 882**	489 218
		1 850 314	1 867 163
Total assets		**2 772 650**	2 786 806
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	12	**38 091**	38 091
Share-based payment reserve	13	**8 873**	6 981
Retained earnings		**651 439**	527 358
Ordinary shareholders' equity		**698 403**	572 430
Non-controlling interest		**1 229**	1 127
Total equity		**699 632**	573 557
Non-current liabilities			
Borrowings	16	**60 081**	–
Lease liabilities	14	**49 780**	44 945
		109 861	44 945
Current liabilities			
Trade and other payables	15	**1 452 888**	1 322 376
Borrowings	16	**503 600**	841 196
Lease liabilities	14	**1 292**	1 755
Current tax liabilities		**5 377**	2 977
		1 963 157	2 168 304
Total liabilities		**2 073 018**	2 213 249
Total equity and liabilities		**2 772 650**	2 786 806

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 28 FEBRUARY 2018

		Notes	2018 R'000	2017 R'000
Revenue		17	**10 572 596**	10 224 900
Cost of sales			**(8 806 119)**	(8 539 618)
Gross profit			**1 766 477**	1 685 282
Other income		18	**29 659**	25 905
Impairment of goodwill		6	**(2 000)**	(17 000)
Selling and administration expenses		19	**(1 355 758)**	(1 314 535)
Operating profit			**438 378**	379 652
Finance income		20	**24 452**	21 498
Finance costs		21	**(124 871)**	(126 338)
Profit before taxation			**337 959**	274 812
Tax expense		22	**(90 499)**	(77 424)
Total profit and comprehensive income			**247 460**	197 388
Attributable to:				
Equity holders of the company			**247 358**	196 983
Non-controlling interest			**102**	405
			247 460	197 388
Earnings per share		23		
Basic	(cents)		**330,7**	263,3
Diluted basic	(cents)		**325,8**	261,8

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 28 FEBRUARY 2018

	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 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**
Total profit and comprehensive income			**247 358**	**247 358**	**102**	**247 460**
Release following exercise of share appreciation rights		**(2 349)**	**2 349**			
Cost of shares delivered in terms of share appreciation rights scheme			**(5 196)**	**(5 196)**		**(5 196)**
Share-based payment charge		**4 241**		**4 241**		**4 241**
Dividends paid			**(120 430)**	**(120 430)**		**(120 430)**
Balance at 28 February 2018	**38 091**	**8 873**	**651 439**	**698 403**	**1 229**	**699 632**

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 28 FEBRUARY 2018

	Notes	2018 R'000	2017 R'000
Cash flows from operating activities			
Cash generated from operations	24	**223 241**	273 354
Taxation paid	25	**(89 340)**	(79 754)
Net cash movement from operating activities		**133 901**	193 600
Cash flows from investing activities			
Purchase of plant and equipment		**(20 616)**	(36 242)
Proceeds on disposal of plant and equipment		**3 406**	5 146
Proceeds on disposal of businesses		**–**	49 890
Insurance receivable		**(6 982)**	(8 130)
Net cash movement from investing activities		**(24 192)**	10 664
Cash flows from financing activities			
Repayment of advance from non-controlling shareholder of subsidiary		**–**	(255)
Cost of shares delivered in terms of share appreciation rights scheme		**(5 196)**	(3 483)
Finance income received	20	**24 452**	21 498
Finance costs paid	21	**(124 871)**	(126 338)
Dividends paid	26	**(120 430)**	(104 722)
Net cash movement from financing activities		**(226 045)**	(213 300)
Net movement in cash and cash equivalents		**(116 336)**	(9 036)
Cash and cash equivalents at beginning of year		**489 218**	498 254
Cash and cash equivalents at end of year	11	**372 882**	489 218

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2018

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 2018 or early adopted by the Group
There are no standards, amendments or interpretations that became effective in 2018 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

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.

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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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.

1.7 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 independent 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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, and 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.

1.14 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 external financial services providers 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, 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 R3 967 000 (2017: R4 545 000) 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 1 to 60 days after sale. There are no significant concentrations of credit risk. The maximum exposure to credit risk at year-end is the carrying amount of each class of financial assets. 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 Baa3.

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.

4. PLANT AND EQUIPMENT

4.1 DETAILS OF PLANT AND EQUIPMENT

	Total R'000	Leasehold improve-ments R'000	Plant and machinery R'000	Furniture and office equipment R'000	Motor vehicles R'000
At 28 February 2018					
Cost	**219 350**	**42 160**	**55 222**	**116 488**	**5 480**
Accumulated depreciation	**(154 383)**	**(33 357)**	**(37 526)**	**(81 824)**	**(1 676)**
Net book value	**64 967**	**8 803**	**17 696**	**34 664**	**3 804**
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

4.2 RECONCILIATION OF MOVEMENT

	Total R'000	Leasehold improve-ments R'000	Plant and machinery R'000	Furniture and office equipment R'000	Motor vehicles R'000
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
Additions	20 616	14	7 165	9 673	3 764
Disposals	(2 961)	(10)	(1 300)	(332)	(1 319)
Depreciation charge	(27 552)	(4 212)	(6 659)	(15 175)	(1 506)
Net book value 28 February 2018	**64 967**	**8 803**	**17 696**	**34 664**	**3 804**

4.3 The insurance replacement value of plant and equipment is R335 273 000 (2017: R304 794 000).

4.4 R45 000 000 (2017: 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".

	2018 R'000	2017 R'000
5. CAR HIRE FLEET VEHICLES		
5.1 DETAILS OF CAR HIRE FLEET VEHICLES		
Cost	**950 914**	911 842
Accumulated depreciation	**(190 632)**	(154 757)
Net book value	**760 282**	757 085
5.2 RECONCILIATION OF MOVEMENT		
Opening net book value	**757 085**	643 882
Additions	**471 433**	497 022
Disposals	**(356 655)**	(294 124)
Depreciation charge	**(111 581)**	(89 695)
Closing net book value	**760 282**	757 085

5.3 Car hire fleet vehicles with a cost of R563 518 000 (2017: R810 909 000), held under capitalised finance arrangements have been pledged as security for interest-bearing borrowings aggregating R563 681 000 (2017: R841 196 000).

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

	2018 R'000	2017 R'000
6. GOODWILL		
6.1 Cost at beginning of year	**19 313**	36 313
Amounts fully impaired	**(11 235)**	(17 000)
Cost at end of year	**8 078**	19 313
6.2 Accumulated impairment at beginning of year	**9 235**	9 235
Amounts impaired during year	**2 000**	17 000
Amounts fully impaired	**(11 235)**	(17 000)
Accumulated impairment at end of year	**–**	9 235
6.3 Net book value at beginning of year	**10 078**	27 078
Amounts impaired during the year as a result of:		
– closed dealerships	**(2 000)**	–
– loss-making dealerships	**–**	(15 000)
– sold dealerships	**–**	(2 000)
Net book value at end of year	**8 078**	10 078

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

7. INSURANCE RECEIVABLE

	2018 R'000	2017 R'000
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	**74 585**	68 884
– investment income	**5 892**	5 379
– increase in assurance funds	**(2 511)**	(1 190)
– claims paid	**(15 044)**	(14 400)
– other expenses	**(33 815)**	(30 381)
– profit before taxation	**29 107**	28 292
7.4 Reflected in the statement of financial position as:		
– insurance receivable	**45 144**	38 162

	2018 R'000	2017 R'000
8. DEFERRED TAXATION		
8.1 Balance at beginning of year	**39 454**	39 934
Temporary differences arising during year	**4 411**	(480)
Balance at end of year	**43 865**	39 454
8.2 Balance at end of year comprises:		
Impairment of receivables		
– gross	**2 128**	2 379
– less: related taxation allowances	**(532)**	(595)
	1 596	1 784
Receipts in advance		
– gross	**13 654**	10 107
– less: related taxation allowances	**(12 008)**	(8 710)
	1 646	1 397
Lease liabilities	**14 300**	13 076
Accruals and provisions	**22 689**	21 560
Share-based payment reserve	**3 856**	2 251
Prepayments	**(222)**	(614)
	43 865	39 454

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

	Closing balance 28 February 2018 R'000	Movement during the year 2018 R'000	Closing balance 28 February 2017 R'000	Movement during the year 2017 R'000	Closing balance 29 February 2016 R'000
Impairment of receivables					
– gross	**2 128**	**(251)**	2 379	732	1 647
– less: related taxation allowances	**(532)**	**63**	(595)	(183)	(412)
	1 596	**(188)**	1 784	549	1 235
Receipts in advance					
– gross	**13 654**	**3 547**	10 107	(3 774)	13 881
– less: related taxation allowances	**(12 008)**	**(3 298)**	(8 710)	3 354	(12 064)
	1 646	**249**	1 397	(420)	1 817
Lease liabilities	**14 300**	**1 224**	13 076	(1 248)	14 324
Accruals and provisions	**22 689**	**1 129**	21 560	(1 159)	22 719
Assessed losses	**–**	**–**	–	280	(280)
Share-based payment reserve	**3 856**	**1 605**	2 251	1 753	498
Prepayments	**(222)**	**392**	(614)	(235)	(379)
Total	**43 865**	**4 411**	39 454	(480)	39 934

	2018 R'000	2017 R'000

8. DEFERRED TAXATION (CONTINUED)

8.4 At 28 February 2018, certain subsidiaries had assessable losses aggregating R19 038 000 (2017: R49 052 000). Subsidiaries with assessed losses, at 28 February 2017, of R22 735 000 were deregistered during the year. No deferred taxation asset has been raised for the remaining assessable losses as it is not probable that taxable profit will be available to utilise the assessed losses.

9. INVENTORIES

9.1 Inventories have been valued as stated in note 1.7 and comprise:

	2018 R'000	2017 R'000
– new vehicles	**630 333**	592 016
– used vehicles	**293 152**	296 652
– demonstration vehicles	**195 818**	184 494
– parts and accessories	**33 875**	32 829
– petrol, oils and other inventory	**11 250**	12 572
	1 164 428	1 118 563

9.2 Inventories of new and demonstration vehicles and parts aggregating R858 521 000 (2017: R804 705 000) form security for trade payables aggregating R1 151 449 000 (2017: R1 065 084 000).

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:

	2018 R'000	2017 R'000
– used vehicles	**17 829**	22 117
– demonstration vehicles	**16 460**	17 598
– parts and accessories	**3 082**	5 447
	37 371	45 162

10. TRADE AND OTHER RECEIVABLES

	2018 R'000	2017 R'000
10.1 Trade receivables	**259 854**	239 772
Less: impairment	**(7 601)**	(8 606)
	252 253	231 166
Other receivables	**59 382**	23 677
	311 635	254 843

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 and an expected refund of value-added tax. 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.

10.5 Trade receivables can be analysed as follows:

	2018 R'000	2017 R'000
0 to 30 days, neither overdue nor impaired	**199 552**	180 134
31 to 60 days, overdue less than 61 days and impaired	**40 373**	37 156
Impairment	**(393)**	(222)
	39 980	36 934
61 to 90 days, overdue more than 60, less than 91 days and impaired	**5 721**	6 424
Impairment	**(448)**	(660)
	5 273	5 764
91+ days, overdue more than 90 days and impaired	**14 208**	16 058
Impairment	**(6 760)**	(7 724)
	7 448	8 334
Total	**259 854**	239 772
Impairment	**(7 601)**	(8 606)
	252 253	231 166

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

	2018 R'000	2017 R'000
At beginning of year	**8 606**	8 667
Utilised during year	**(5 238)**	(5 170)
Increase in impairment	**4 233**	5 109
At end of year	**7 601**	8 606

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.

	2018 R'000	2017 R'000
11. CASH AND CASH EQUIVALENTS		
Bank balances	**372 882**	489 218

The effective interest rate earned on bank balances was 6,65% (2017: 6,5%).

Bank balances are held at financial institutions with a national long-term credit rating of Baa3.

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

	2018 R'000	2017 R'000
At beginning and 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:

	2018 R'000	2017 R'000
Balance at beginning of year	**6 981**	5 987
Charged as "selling and administration expenses" during year	**4 241**	3 561
Released during year following exercise of share appreciation rights	**(2 349)**	(2 567)
Balance at end of year	**8 873**	6 981

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

		2018	2017
At beginning of year	('000 rights)	**4 322**	3 594
Granted during year	('000 rights)	**1 175**	1 575
Exercised/forfeited during year	('000 rights)	**(760)**	(847)
At end of year	('000 rights)	**4 737**	4 322

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.

	2018 R'000	2017 R'000
14. LEASE LIABILITIES		
At beginning of year	**46 700**	51 158
Movement during year	**4 372**	(4 458)
At end of year	**51 072**	46 700
Less: current portion	**(1 292)**	(1 755)
Non-current portion	**49 780**	44 945

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

15. TRADE AND OTHER PAYABLES

	2018 R'000	2017 R'000
15.1 Trade payables	**1 228 703**	1 135 711
Other payables (note 15.4)	**222 785**	184 565
Provisions	**1 400**	2 100
	1 452 888	1 322 376

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 9,0% and 10,25% per annum (2017: 9,25% and 12,0%) for the period they are outstanding in excess of an initial interest-free period.

15.4 Other payables comprise:

	2018 R'000	2017 R'000
Accrued expenses	**158 007**	131 882
Deposits received in advance	**58 830**	47 064
Value-added tax	**5 948**	5 619
	222 785	184 565

	2018 R'000	2017 R'000
16. BORROWINGS		
16.1 CAR HIRE FLEET LIABILITY		
Current portion	**503 600**	841 196
Non-current portion	**60 081**	–
	563 681	841 196

16.2 These borrowings are secured by car hire fleet vehicles (refer note 5). The underlying contracts have a maturity of 1 to 18 months after year-end and bear interest at rates varying between 8,8% and 9,25% per annum (2017: 9,0% and 9,5%). The carrying amounts of borrowings approximate their fair value.

16.3 The movement in borrowings is reflected as an operating activity in the statement of cash flows.

17. REVENUE

	2018 R'000	2017 R'000
17.1 Revenue is derived from the various segments of the business as follows:		
Retail motor	**9 958 756**	9 627 137
Car hire	**497 415**	483 672
Financial services	**74 585**	68 884
Corporate services/other	**41 840**	45 207
	10 572 596	10 224 900
17.2 Analysis of revenue by goods and services is as follows:		
Sales of goods	**9 310 338**	9 036 003
Services	**1 262 258**	1 188 897
	10 572 596	10 224 900

18. OTHER INCOME

	2018 R'000	2017 R'000
Rental income	**14 504**	10 949
Recoupment of skills development and training costs	**3 716**	6 870
Compensation for loss of franchise	**7 412**	–
Profit on sale of plant and equipment	**445**	1 954
Other	**3 582**	6 132
	29 659	25 905

	2018 R'000	2017 R'000
19. EXPENSES BY NATURE		
Cost of sales	**8 806 119**	8 539 618
Selling and administration expenses		
– Employee benefit expense (note 19.1)	**688 654**	679 733
– Depreciation	**27 552**	27 629
– Auditor's remuneration	**5 333**	5 124
– Operating lease charges		
– Properties	**202 187**	178 921
– Equipment	**5 621**	6 961
– Impairment charge for bad and doubtful debts (note 10.6)	**4 233**	5 109
– Advertising expenses	**45 228**	48 295
– Other expenses	**376 950**	362 763
Selling and administration expenses	**1 355 758**	1 314 535
19.1 EMPLOYEE BENEFIT EXPENSE		
Employee costs – selling and administration	**621 848**	614 038
– workshop labour	**51 419**	52 394
Pension fund contributions	**39 586**	39 166
Medical aid contributions	**27 911**	28 082
Share-based payment expense	**4 241**	3 561
Total employee benefit expense	**745 005**	737 241
Less: portion included in "cost of sales"	**(56 351)**	(57 508)
Included in "selling and administration expenses"	**688 654**	679 733
19.2 KEY MANAGEMENT EMPLOYEE BENEFIT EXPENSE		
Short-term employee benefits	**50 128**	43 236
Share-based payment expense	**2 669**	2 189
	52 797	45 425

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

	2018 R'000	2017 R'000
20. FINANCE INCOME		
Bank	**24 452**	21 498
21. FINANCE COSTS		
Trade payables	**(73 134)**	(71 465)
Borrowings	**(51 737)**	(54 873)
Total interest paid	**(124 871)**	(126 338)
22. TAX EXPENSE		
22.1 SOUTH AFRICAN NORMAL TAXATION		
– current year	**94 910**	76 944
– deferred – current year	**(4 411)**	480
	90 499	77 424

	%	%
22.2 RECONCILIATION OF RATE OF TAXATION		
Statutory rate	**28,0**	28,0
Adjusted for:		
Disallowable expenditure	**0,5**	2,3
Exempt income and allowances	**(0,9)**	(0,6)
Assessed losses	**(0,8)**	(1,5)
Effective rate	**26,8**	28,2

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

		2018 R'000	2017 R'000
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 (2017: 74 802 000) 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.			
Weighted average number of shares in issue during year	('000 shares)	**74 802**	74 802
Adjustment for share appreciation rights	('000 shares)	**1 110**	432
Weighted average number of shares for dilution calculation		**75 912**	75 234
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 practice will continue in respect of future entitlements. On this basis there will be no fresh issue of shares.			
23.3 RECONCILIATION OF HEADLINE EARNINGS			
Total profit and comprehensive income attributable to equity holders of the company		**247 358**	196 983
Re-measurement items:			
– impairment of goodwill		**2 000**	17 000
– profit on sale of plant and equipment			
– gross		**(445)**	(1 954)
– impact of income tax		**125**	547
Headline earnings attributable to equity holders of the Company		**249 038**	212 576
23.4 EARNINGS PER SHARE			
Basic	(cents)	**330,7**	263,3
Diluted basic	(cents)	**325,8**	261,8
Headline	(cents)	**332,9**	284,2
Diluted headline	(cents)	**328,1**	282,6

	2018 R'000	2017 R'000
24. CASH GENERATED FROM OPERATIONS		
Operating profit	**438 378**	379 652
Adjustments for non-cash items:		
Movement in lease liabilities	**4 372**	(4 458)
Movement in share-based payment reserve	**4 241**	3 561
Depreciation	**139 133**	117 324
Movement in provisions	**(700)**	(1 800)
Profit on sale of plant and equipment	**(445)**	(1 954)
Impairment of goodwill	**2 000**	17 000
Profit on sale of car hire fleet vehicles	**(42 841)**	–
Sale of car hire fleet vehicles	**399 496**	294 124
Purchase of car hire fleet vehicles	**(471 433)**	(497 022)
	472 201	306 427
Working capital changes:		
Inventories	**(45 865)**	36 364
Trade and other receivables	**(56 792)**	11 837
Trade and other payables	**131 212**	(196 333)
Borrowings	**(277 515)**	115 059
	(248 960)	(33 073)
Cash generated from operations	**223 241**	273 354
25. TAXATION PAID		
Taxation paid is reconciled to the amount disclosed in the statement of comprehensive income as follows:		
Amounts paid in advance/(unpaid) at beginning of year	**1 562**	(1 248)
Amounts charged to the statement of comprehensive income	**(94 910)**	(76 944)
Amounts unpaid/(paid in advance) at end of year	**4 008**	(1 562)
	(89 340)	(79 754)
26. DIVIDENDS PAID		
Ordinary dividends		
Dividend number 59: 61 cents, declared 12 October 2017	**(45 628)**	–
Dividend number 58: 100 cents, declared 13 April 2017	**(74 802)**	–
Dividend number 57: 55 cents, declared 12 October 2016	**–**	(41 141)
Dividend number 56: 85 cents, declared 14 April 2016	**–**	(63 581)
	(120 430)	(104 722)

	2018 R'000	2017 R'000
27. RELATED PARTY TRANSACTIONS		
27.1 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	**46 048**	47 149
27.2 Other transactions conducted and balances with related entities were as follows:		
Pension fund contributions		
– contributions to Combined Motor Holdings Pension Fund	**–**	10 041
Operating expenses		
– purchases from Excel Cars Proprietary Limited	**4 729**	4 615
Year-end balances		
– trade payables owing to Excel Cars Proprietary Limited	**435**	389
Excel Cars Proprietary Limited is controlled by a director of the Company.		
28. COMMITMENTS		
28.1 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	**190 809**	188 268
Years 2 to 5	**397 351**	390 542
Years 6+	**235 809**	268 548
	823 969	847 358
Less: accrued in statement of financial position	**(51 072)**	(46 700)
Future expense	**772 897**	800 658
28.2 FUTURE SUBLEASE RECEIVABLES		
The future minimum amount expected to be received under non-cancellable subleases is	**7 276**	13 750

29. EMPLOYEE BENEFIT INFORMATION

29.1 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 the Sygnia Umbrella Pension Fund.

29.2 The funds operate as defined contribution funds governed by the Pension Funds Act.

29.3 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.

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

30. SUBSEQUENT EVENTS

Dividend declaration

A dividend (dividend number 60) of 115 cents per share will be paid on Monday, 18 June 2018 to members reflected in the share register of the Company at the close of business on the record date, Friday, 15 June 2018. Last day to trade *cum* dividend is Tuesday, 12 June 2018. First day to trade *ex* dividend is Wednesday, 13 June 2018. Share certificates may not be dematerialised or rematerialised from Wednesday, 13 June 2018 to Friday, 15 June 2018, 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 R86 022 298 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 92 cents to those shareholders who are not exempt in terms of section 64F of the Income Tax Act.

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

The following new standards, and amendments to existing standards and interpretations have been published that are mandatory for the Group's future accounting periods, but that the Group has not early adopted:

IFRS 9 Financial Instruments (effective for periods beginning on or after 1 January 2018)

IFRS 9 replaces existing guidance in IAS 39 on the classification and measurement of financial instruments. In relation to the impairment of financial assets, IFRS 9 introduces an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. Management does not expect the change in the measurement of impairment losses recognised in relation to financial assets to have a material impact on the Group's future financial statements.

IFRS 15 Revenue from Contracts with Customers (effective for periods beginning on or after 1 January 2018)

IFRS 15 introduces a five-step approach to the timing of revenue recognition based on performance obligations in customer contracts. The Group recognises revenue from the following principal activities:

– retailing motor vehicles, parts and accessories;
– providing services through the workshop departments; and
– providing car hire services.

Management has performed an assessment of the impact of IFRS 15 and has concluded that revenue recognition under IFRS 15 will be consistent with current accounting policies.

31. NEW STANDARDS AND AMENDMENTS TO EXISTING STANDARDS AND INTERPRETATIONS THAT ARE NOT YET EFFECTIVE (CONTINUED)

IFRS 16 Leases (effective for periods beginning on or after 1 January 2019)

IFRS 16 will replace IAS 17: Leases for the Group's financial year commencing 1 March 2019, and will have a significant impact on the financial statements. In terms of the new standard, the Group will recognise, within the statement of financial position, a right of use asset and a related lease liability for all applicable property leases. Within the statement of comprehensive income, rent expense will be replaced by depreciation of the right of use asset, and finance costs. This will result in a decrease in selling and administration expenses and an increase in finance costs. Operating profit will be materially affected to a positive or negative degree depending on whether the lease agreement is in the early or late stage of the contract period. During the early stages of a lease, the combined depreciation and finance charge will be significantly higher than the cash rental payments. This position will reverse during the latter stages.

The Group's commitments in terms of non-cancellable operating lease agreements are recorded in note 28, and amount to R772 897 000. However, a number of significant operating leases are in the process of being renewed for periods up to 10 years, and more are expected to be renewed in the months ahead. These will materially increase the level of commitments and the impact of the new standard. In addition, the Group has not yet determined which of the various transition methods it will adopt. As a result, the directors believe that the presentation of figures which indicate the effect that the new standard would have had on the presented financial statements would be meaningless, and misleading as a guide to the expected future impact.

SUBSIDIARIES

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

		Effective holding (indirect)/direct	
Name of company	**Activity**	**2018 %**	**2017 %**
CMH Car Hire	2	**(48)**	(85)
CMH Car Hire Fleet	2	**(85)**	–
CMH Green Machine	3	**(85)**	(85)
CMH Holdings	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	3	**(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 corporate services/other
3. *No business of a subsidiary was managed by a third party during the year under review.*
4. *Although the Company does not own any of the issued ordinary share capital of Main Street 445 Proprietary Limited ("Main Street"), an agreement entered into with the shareholders of Main Street enables the Company to control the activities of Main Street. Consequently Main Street has been consolidated in the financial statements of the Group.*
5. *With effect from 1 December 2017, the Group concluded a black economic empowerment transaction with Azepha Proprietary Limited ("Azepha"), a company owned by Company director, LCZ Cele and her family. In terms of the transaction, Azepha acquired a 43% equity interest in the restructured CMH Car Hire Proprietary Limited. The purchase price was funded by the Group, and will be repaid from future dividends. The terms and nature of the transaction are such that it does not meet the requirements of IAS 39 in terms of the transfer of risks and rewards of ownership to the subscriber. Consequently the issue of shares to Azepha has not been recognised in the financial statements.*

DIRECTORS' EMOLUMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2018

Executive directors	Total R'000	BWJ Barritt R'000	SK Jackson R'000	JD McIntosh R'000
2018				
Salary	**13 680**	**3 780**	**4 320**	**5 580**
Performance-related payments	**7 920**	**2 020**	**2 200**	**3 700**
Share-based payment award	**824**	**460**	**364**	**–**
Other benefits	**859**	**113**	**373**	**373**
Contributions to pension and medical aid funds	**1 471**	**369**	**491**	**611**
	24 754	**6 742**	**7 748**	**10 264**
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

Non-executive directors' fees	2018 R'000	2017 R'000
LCZ Cele	**251**	239
JS Dixon	**372**	338
JTM Edwards	**693**	663
ME Jones	**217**	200
JA Mabena	**211**	195
MR Nkadimeng	**217**	200
Total	**1 961**	1 835

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. *BWJ Barritt was appointed on 25 April 2016.*

DIRECTORS' SHARE APPRECIATION RIGHTS

Rights of directors held subject to the terms and conditions of the Combined Motor Holdings Share Appreciation Rights Scheme 2010:

('000 rights)	Total	Granted June 2012 at R10,84	Granted June 2013 at R13,70	Granted June 2015 at R17,75	Granted June 2016 at R17,15	Granted June 2017 at R21,97
At 28 February 2017						
– BWJ Barritt	475	42	83	150	200	
– SK Jackson	300			150	150	
	775	42	83	300	350	
Movements during the year						
– rights granted						
– BWJ Barritt	150					150
– SK Jackson	125					125
– rights exercised						
– BWJ Barritt at R21,97	(84)	(42)	(42)			
	191	(42)	(42)			275
At 28 February 2018						
– BWJ Barritt	**541**		**41**	**150**	**200**	**150**
– SK Jackson	**425**			**150**	**150**	**125**
	966		**41**	**300**	**350**	**275**
The rights may be exercised as follows:						
– June 2018	141		41	100		
– June 2019	217			100	117	
– June 2020	309			100	117	92
– June 2021	208				116	92
– June 2022	91					91
	966		**41**	**300**	**350**	**275**

DIRECTORS' SHAREHOLDING

('000 shares)	Total	BWJ Barritt	JTM Edwards	SK Jackson	JD McIntosh
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
Shares acquired during the year					
– direct	39	39	–	–	–
– indirect	63	63	–	–	–
Beneficial shareholding at 28 February 2018					
– direct	**333**	**239**	**7**	**87**	**–**
– indirect	**32 042**	**184**	**–**	**5 788**	**26 070**
	32 375	**423**	**7**	**5 875**	**26 070**

ANALYSIS OF ORDINARY SHAREHOLDERS

AS AT 28 FEBRUARY 2018

	Number of shareholders		Number of shares held ('000)		Percentage of shares held	
	2018	2017	2018	2017	2018	2017
Individuals	**1 076**	835	**5 112**	4 898	**6,8**	6,5
Nominee companies and trusts	**157**	150	**4 168**	4 974	**5,6**	6,6
Other corporate bodies	**160**	136	**65 522**	64 930	**87,6**	86,9
	1 393	1 121	**74 802**	74 802	**100,0**	100,0
Holdings						
1 – 2 500	**860**	686	**597**	539	**0,8**	0,7
2 501 – 5 000	**161**	125	**605**	477	**0,8**	0,6
5 001 – 10 000	**138**	95	**1 037**	687	**1,4**	0,9
Over 10 000	**234**	215	**72 563**	73 099	**97,0**	97,8
	1 393	1 121	**74 802**	74 802	**100,0**	100,0
Public shareholders	**1 389**	1 117	**42 427**	42 529	**56,7**	56,9
Non-public shareholders – directors of Company	**4**	4	**32 375**	32 273	**43,3**	43,1
	1 393	1 121	**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 (Pty) Ltd, Protea Asset Management LLC, Constantia Insurance Company Limited, Constantia Life Limited and Constantia Life and Health Assurance (Pty) Ltd, collectively – 16,0%*
   - *Nedbank Limited Group – 5,9%*
2. *A copy of the detailed share register as at 28 February 2018 is available on written request to the company secretary.*

STOCK EXCHANGE PERFORMANCE

			2018	2017
Closing price	28 February 2018	(cents)	**2 610**	2 050
Volume of shares traded		('000)	**15 924**	11 977
Value of shares traded		(R'000)	**383 281**	206 038
Volume of shares traded as percentage of total issued shares		(%)	**21,3**	16,0
JSE General Retailers Index			**8 647**	7 333
JSE All-share Index			**58 325**	51 146
Lowest price	3 April 2017	(cents)	**1 950**	1 300
Highest price	16 October 2017	(cents)	**2 800**	2 100
Earnings yield	28 February 2018	(%)	**12,8**	13,9
Dividend yield	28 February 2018	(%)	**6,2**	6,8

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the thirty-first public annual general meeting of shareholders of Combined Motor Holdings Limited will be held in the boardroom at the CMH Head Office located at 1 Wilton Crescent, Umhlanga Ridge, on Thursday, 31 May 2018 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 of the Company and the Group for the year ended 28 February 2018, such financial statements having been approved by the Board as required by section 30(3)(c) of the Companies Act 2008 ("the Act"), and the reports of the directors, the audit and risk assessment committee, the social, ethics and transformation committee, and the remuneration committee, which are presented to the shareholders in the integrated annual report.

2. ORDINARY RESOLUTION NUMBER 2

Re-election of director

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

A brief curriculum vitae of ME Jones is recorded on page 72. The Board recommends his re-election.

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, as required by section 94(2) of the Act. The Board proposes the election of the following members:

ME Jones (chairman)
JA Mabena
MR Nkadimeng

4. ORDINARY RESOLUTION NUMBER 4

Appointment of external auditor

To appoint, as required by section 90(1) of the Act, PricewaterhouseCoopers Inc. and designated partner R Klute, 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 42 years, the audit and risk assessment committee has rigorously reviewed their independence and objectivity, and recommends their reappointment.

5. ORDINARY RESOLUTION NUMBER 5

5.1 REMUNERATION POLICY

To confirm, on a non-binding advisory basis, the remuneration policy of the Group.

5.2 IMPLEMENTATION REPORT

To confirm, on a non-binding advisory basis, the implementation report of the Group.

Both the remuneration policy and the implementation report are contained in the Report of the Remuneration Committee on pages 26 to 29.

6. SPECIAL RESOLUTION NUMBER 1

Approval of financial assistance

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

7. SPECIAL RESOLUTION NUMBER 2

Approval of fees of non-executive directors

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

	2019 R'000
Chairman of the Board	**700**
Lead independent director	**250**
Director	**155**
Audit and risk assessment committee	
– chairman	**210**
– member	**45**
– per meeting	**18**
Remuneration committee	
– chairman	**37**
– member	**16**
– per meeting	**10**
Social, ethics and transformation committee	
– chairman	**37**
– member	**16**
– per meeting	**10**
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, smart ID card, driver's licence or passport will be acceptable. Shareholders are requested, but are not obliged, to deliver their completed proxy forms to the Company's transfer secretaries before 10:00 on Wednesday, 30 May 2018. The purpose of this request is to provide guidance to the chairman of the meeting regarding the number of participants. Accordingly, shareholders will not be prejudiced in any manner if they do not deliver their completed proxy forms to the Company's transfer secretaries by the aforementioned time and date, and will still be able to deliver their completed proxy forms to the chairman of the meeting at any time prior to the commencement of the meeting.

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, 20 April 2018.

The last day to trade in order to be eligible to vote is Tuesday, 22 May 2018. 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, 25 May 2018.

By order of the board of directors

Fonseca

K Fonseca
Company secretary

12 April 2018

CURRICULUM VITAE

ME JONES

A brief curriculum vitae of ME Jones, who is standing for re-election is as follows:

Mike Jones, CA (SA), was appointed to the board of directors in April 2015 and to the audit and risk assessment committee in May 2015. He was a partner at PricewaterhouseCoopers for 27 years before retiring from that firm in 2013. During that time he was leader of KwaZulu-Natal Transactions Services, Risk Management and Technical Standards and later the leader of the Assurance practice from 2007 to 2013. Subject to his re-election, Mike has been proposed to succeed James Dixon as chairman of the audit and risk assessment committee.

FORM OF PROXY

COMBINED MOTOR HOLDINGS LIMITED ANNUAL GENERAL MEETING 31 MAY 2018

I/We the undersigned,

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

do hereby appoint

or

or failing him the chairman of the meeting as my/our proxy to transact on my/our behalf at the annual general meeting of the Company to be held at 15:00 on Thursday, 31 May 2018 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			
Ordinary resolution number 3.1: ME Jones			
Ordinary resolution number 3.2: JA Mabena			
Ordinary resolution number 3.3: MR Nkadimeng			
Ordinary resolution number 4			
Ordinary resolution number 5.1: Remuneration policy			
Ordinary resolution number 5.2: Implementation report			
Special resolution number 1			
Special resolution number 2			

Notes:

1. A shareholder who is entitled to attend and vote at the meeting is entitled to appoint a proxy to attend, speak and vote in his stead. The person so appointed need not be a shareholder.
2. Forms of Proxy should be signed and dated and, where possible, forwarded to reach the registered office of the Company, 1 Wilton Crescent, Umhlanga Ridge, 4319, by no later than 10:00 on Wednesday, 30 May 2018. Nevertheless, completed Forms of Proxy may be lodged with the chairman of the meeting at any time prior to the commencement of the meeting.
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 2008, any shareholder or proxy who attends the meeting must provide satisfactory identification. A South African green bar-coded identification document, smart ID card, 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
C Downs
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.

SPONSOR
PricewaterhouseCoopers Corporate Finance Proprietary Limited
4 Lisbon Lane
Waterfall City
Jukskei View, 2090

BANKER
First National Bank of South Africa

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