



COMBINED MOTOR HOLDINGS LIMITED INTERIM RESULTS

FOR THE SIX MONTHS ENDED 31 AUGUST 2013



COMBINED MOTOR HOLDINGS LIMITED

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2013

CONDENSED GROUP STATEMENT OF FINANCIAL POSITION

	Unaudited 31 August 2013 R'000	Restated Unaudited 31 August 2012 R'000	Adjustment 31 August 2012 R'000	Previously reported Unaudited 31 August 2012 R'000	Restated Unaudited 12 months 28 February 2013 R'000	Adjustment 28 February 2013 R'000	Previously reported Audited 28 February 2013 R'000
ASSETS							
Non-current assets							
Plant and equipment	67 464	52 871		52 871	68 803		68 803
Goodwill	74 972	74 972		74 972	74 972		74 972
Investments	–	–	(231 167)	231 167	–	(233 613)	233 613
Deferred taxation	44 878	49 974		49 974	45 707		45 707
	187 314	177 817		408 984	189 482		423 095
Current assets							
Investments	–	–	(2 715)	2 715	–	(1 000)	1 000
Car hire fleet vehicles	440 734	391 617		391 617	520 162		520 162
Inventory	1 219 565	1 011 153		1 011 153	1 184 968		1 184 968
Trade and other receivables	235 324	301 243		301 243	264 113		264 113
Cash and cash equivalents	318 108	274 215		274 215	340 659		340 659
	2 213 731	1 978 228		1 980 943	2 309 902		2 310 902
Total assets	2 401 045	2 156 045		2 389 927	2 499 384		2 733 997
EQUITY AND LIABILITIES							
Capital and reserves							
Share capital	30 774	26 810		26 810	29 500		29 500
Share-based payment reserve	14 884	11 843		11 843	13 024		13 024
Non-distributable reserve	–	5 896		5 896	–		–
Retained earnings	669 740	548 071	(118 830)	666 901	638 027	(118 269)	756 296
Ordinary shareholders' equity	715 398	592 620		711 450	680 551		798 820
Non-controlling interest	82	18	9 394	(9 376)	120	8 102	(7 982)
Total equity	715 480	592 638		702 074	680 671		790 838
Non-current liabilities							
Non-controlling shareholders of subsidiaries	4 000	14 002	(117 446)	131 448	10 938	(117 446)	128 384
Assurance funds	7 778	7 963		7 963	7 548		7 548
Lease liabilities	90 645	102 106		102 106	97 481		97 481
	102 423	124 071		241 517	115 967		233 413
Current liabilities							
Non-controlling shareholders of subsidiaries	4 255	–	(7 000)	7 000	255	(7 000)	7 255
Trade and other payables	1 548 770	1 420 292		1 420 292	1 690 765		1 690 765
Lease liabilities	11 109	7 261		7 261	9 092		9 092
Current tax liabilities	19 008	11 783		11 783	2 634		2 634
	1 583 142	1 439 336		1 446 336	1 702 746		1 709 746
Total liabilities	1 685 565	1 563 407		1 687 853	1 818 713		1 943 159
Total equity and liabilities	2 401 045	2 156 045		2 389 927	2 499 384		2 733 997

CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 6 months 31 August 2013 R'000	Restated Unaudited 6 months 31 August 2012 R'000	Adjustment 31 August 2012 R'000	Previously reported Unaudited 6 months 31 August 2012 R'000	Restated Unaudited 12 months 28 February 2013 R'000	Adjustment 28 February 2013 R'000	Previously reported Audited 12 months 28 February 2013 R'000
Revenue	5 033 453	4 307 194	(32 882)	4 340 076	8 927 698	(44 113)	8 971 811
Cost of sales	(4 344 049)	(3 682 112)	–	(3 682 112)	(7 408 617)	–	(7 408 617)
Gross profit	689 404	625 082	(32 882)	657 964	1 519 081	(44 113)	1 563 194
Other income	–	–	(1 500)	1 500	–	(3 000)	3 000
Impairment of goodwill	–	(15 000)	–	(15 000)	(15 000)	–	(15 000)
Selling and administration expenses	(550 006)	(529 704)	–	(529 704)	(1 257 460)	–	(1 257 460)
Operating profit	139 398	80 378	(34 382)	114 760	246 621	(47 113)	293 734
Finance income	2 175	4 524	–	4 524	12 535	–	12 535
Finance costs	(21 068)	(15 540)	–	(15 540)	(36 662)	–	(36 662)
Profit before taxation	120 505	69 362	(34 382)	103 744	222 494	(47 113)	269 607
Tax expense	(34 344)	(24 136)	–	(24 136)	(65 680)	–	(65 680)
Total profit and comprehensive income	86 161	45 226	(34 382)	79 608	156 814	(47 113)	203 927
Attributable to:							
Equity holders of the company	86 199	45 474	(30 150)	75 624	156 810	(29 589)	186 399
Non-controlling interest	(38)	(248)	(4 232)	3 984	4	(17 524)	17 528
	86 161	45 226	(34 382)	79 608	156 814	(47 113)	203 927
Reconciliation of headline earnings							
Total profit and comprehensive income	86 161	45 226	(34 382)	79 608	156 814	(47 113)	203 927
Impairment of goodwill	–	15 000	–	15 000	15 000	–	15 000
Loss on sale of plant and equipment	–	–	–	–	542	–	542
Headline earnings	86 161	60 226	(34 382)	94 608	172 356	(47 113)	219 469
Attributable to:							
Equity holders of the company	86 199	60 473	(27 901)	88 374	172 352	(27 258)	199 610
Non-controlling interest	(38)	(247)	(6 481)	6 234	4	(19 855)	19 859
	86 161	60 226	(34 382)	94 608	172 356	(47 113)	219 469
Weighted average number of shares in issue ('000)	108 982	108 374		108 374	108 531		108 531
Earnings per share (cents)	79,1	42,0		69,8	144,5		171,7
Headline earnings per share (cents)	79,1	55,8		81,5	158,8		183,9
Dividend payable – December 3013 (cents)	28,0	–		–	–		–
Dividend paid (cents)	–	25,0		25,0	61,0		61,0
Dividend cover (times)	2,8	2,2		3,3	2,6		3,0

GROUP STATEMENT OF CHANGES IN EQUITY

	Share capital R'000	Non-distributable reserve 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
Opening balance at 1 March 2012	25 438	5 896	10 006	630 203	671 543	(5 301)	666 242
Adjustment for policy change				(88 680)	(88 680)	5 567	(83 113)
Restated balance at 1 March 2012	25 438	5 896	10 006	541 523	582 863	266	583 129
Issue of shares	1 372				1 372		1 372
Total profit and comprehensive income							
– restated				45 474	45 474	(248)	45 226
– previously reported				75 624	75 624	3 984	79 608
– adjustment for policy change				(30 150)	(30 150)	(4 232)	(34 382)
Dividends paid							
– restated				(38 926)	(38 926)		(38 926)
– previously reported				(38 926)	(38 926)	(8 059)	(46 985)
– adjustment for policy change						8 059	8 059
Share-based payment reserve			1 837		1 837		1 837
Balance at 31 August 2012	26 810	5 896	11 843	548 071	592 620	18	592 638
Issue of shares	1 772				1 772		1 772
Total profit and comprehensive income							
– restated				111 336	111 336	252	111 588
– previously reported				110 775	110 775	13 544	124 319
– adjustment for policy change				561	561	(13 292)	(12 731)
Dividends paid							
– restated				(27 276)	(27 276)	(150)	(27 426)
– previously reported				(27 276)	(27 276)	(12 150)	(39 426)
– adjustment for policy change						12 000	12 000
Transfer to share capital	918		(918)				
Transfer to retained earnings		(5 896)		5 896			
Share-based payment reserve			2 099		2 099		2 099
Balance at 28 February 2013	29 500		13 024	638 027	680 551	120	680 671
Issue of shares	1 274				1 274		1 274
Total profit and comprehensive income				86 199	86 199	(38)	86 161
Dividends paid				(54 486)	(54 486)		(54 486)
Share-based payment reserve			1 860		1 860		1 860
Balance at 31 August 2013	30 774		14 884	669 740	715 398	82	715 480

CONDENSED GROUP STATEMENT OF CASH FLOWS

	Unaudited 6 months 31 August 2013 R'000	Restated Unaudited 6 months 31 August 2012 R'000	Adjustment 31 August 2012 R'000	Previously reported Unaudited 6 months 31 August 2012 R'000	Restated Unaudited 12 months 28 February 2013 R'000	Adjustment 28 February 2013 R'000	Previously reported Audited 12 months 28 February 2013 R'000
Cash flows from operating activities							
Operating profit	139 398	80 378	(34 382)	114 760	246 621	(47 113)	293 734
Adjustments for non-cash items:							
Dividend accrued	–	–	32 882	(32 882)	–	44 113	(44 113)
Fair value discount reversed	–	–	1 500	(1 500)	–	3 000	(3 000)
Other	62 647	106 847		106 847	111 547		111 547
Sale of car hire vehicles	178 983	108 667		108 667	267 426		267 426
Purchase of car hire vehicles	(151 304)	(80 754)		(80 754)	(393 646)		(393 646)
	229 724	215 138		215 138	231 948		231 948
Working capital changes							
Inventory	(34 597)	(9 681)		(9 681)	(183 496)		(183 496)
Trade and other receivables	28 789	(88 375)		(88 375)	(51 245)		(51 245)
Trade and other payables	(141 995)	(125 909)		(125 909)	144 564		144 564
Cash generated from operations	81 921	(8 827)		(8 827)	141 771		141 771
Finance income received	–	–	(4 524)	4 524	–	(12 535)	12 535
Finance costs paid	–	–	15 540	(15 540)	–	36 662	(36 662)
Dividends paid	–	–	38 926	(38 926)	–	66 202	(66 202)
Taxation paid	(17 141)	(22 002)		(22 002)	(68 428)		(68 428)
Net cash movement from operating activities	64 780	(30 829)	49 942	(80 771)	73 343	90 329	(16 986)
Cash flows from investing activities							
Purchase of plant and equipment	(13 269)	(39 844)		(39 844)	(37 077)		(37 077)
Proceeds on disposal of plant and equipment	981	–		–	1 079		1 079
Investments	–	–	(8 000)	8 000	–	(20 000)	20 000
Net cash movement from investing activities	(12 288)	(39 844)	(8 000)	(31 844)	(35 998)	(20 000)	(15 998)
Cash flows from financing activities							
Non-controlling shareholders of subsidiaries	(2 938)	(1 950)	8 000	(9 950)	(4 909)	20 000	(24 909)
Proceeds of issue of shares	1 274	1 372		1 372	3 144		3 144
Finance income received	2 175	4 524	4 524	–	12 535	12 535	–
Finance costs paid	(21 068)	(15 540)	(15 540)	–	(36 662)	(36 662)	–
Dividends paid	(54 486)	(38 926)	(38 926)	–	(66 202)	(66 202)	–
Net cash movement from financing activities	(75 043)	(50 520)	(41 942)	(8 578)	(92 094)	(70 329)	(21 765)
Net movement in cash and cash equivalents	(22 551)	(121 193)		(121 193)	(54 749)		(54 749)
Cash and cash equivalents at beginning of period	340 659	395 408		395 408	395 408		395 408
Cash and cash equivalents at end of period	318 108	274 215		274 215	340 659		340 659

SEGMENTAL ANALYSIS

	Total		Retail motor		Car hire	
	2013 R'000	2012 R'000	2013 R'000	2012 R'000	2013 R'000	2012 R'000
Revenue						
– restated	5 033 453	4 307 194	4 761 101	4 077 841	161 232	150 895
– previously reported	5 033 453	4 340 076	4 761 101	4 077 841	161 232	150 895
– adjustment		(32 882)				
Operating profit						
– restated	139 398	80 378	109 913	89 141	14 925	11 003
– previously reported	139 398	114 760	109 913	89 141	14 925	11 003
– adjustment		(34 382)				
Net finance costs	(18 893)	(11 016)	(37 039)	(29 635)	–	–
Profit before taxation						
– restated	120 505	69 362	72 874	59 506	14 925	11 003
– previously reported	120 505	103 744	72 874	59 506	14 925	11 003
– adjustment		(34 382)				
Total assets						
– restated	2 401 045	2 156 045	1 592 381	1 404 380	437 657	422 283
– previously reported	2 401 045	2 389 927	1 592 381	1 404 380	437 657	422 283
– adjustment		(233 882)				
Total liabilities						
– restated	1 685 565	1 563 407	1 173 302	1 058 097	469 544	442 389
– previously reported	1 685 565	1 687 853	1 173 302	1 058 097	469 544	442 389
– adjustment		(124 446)				
Goodwill	74 972	74 972	74 972	74 972	–	–
Number of staff	2 973	2 768	2 472	2 290	376	315
	Marine and leisure		Financial services		Corporate services	
	2013 R'000	2012 R'000	2013 R'000	2012 R'000	2013 R'000	2012 R'000
Revenue						
– restated	53 174	55 548	29 670	9 581	28 276	13 329
– previously reported	53 174	55 548	29 670	9 581	28 276	46 211
– adjustment						(32 882)
Operating profit						
– restated	(1 730)	(9 156)	15 505	4 792	785	(15 402)
– previously reported	(1 730)	(9 156)	15 505	4 792	785	18 980
– adjustment						(34 382)
Net finance costs	(102)	(530)	465	210	17 783	18 939
Profit before taxation						
– restated	(1 832)	(9 686)	15 970	5 002	18 568	3 537
– previously reported	(1 832)	(9 686)	15 970	5 002	18 568	37 919
– adjustment						(34 382)
Total assets						
– restated	54 165	56 876	34 427	12 665	282 415	259 841
– previously reported	54 165	56 876	34 427	12 665	282 415	493 723
– adjustment						(233 882)
Total liabilities						
– restated	3 435	6 770	9 022	7 963	30 262	48 188
– previously reported	3 435	6 770	9 022	7 963	30 262	172 634
– adjustment						(124 446)
Goodwill	–	–	–	–	–	–
Number of staff	27	63	3	3	95	97

COMMENTARY ON THE RESULTS

The directors are pleased with the results which have been achieved during a relatively tough trading period. A number of the comparative figures have been restated following the change in accounting policies detailed below. However, on a comparable basis, the Group achieved a 17% increase in revenue, which translated into a 10% improvement in gross profit. Selling and administration expenses were contained at a 4% increase and the operating margin, excluding the prior year impairment of goodwill, increased from 2,2% to 2,8%. The overall result was a 91% improvement in total profit and comprehensive income. After eliminating the interests of non-controlling shareholders, the Group achieved a 89% and 42% increase in basic and headline earnings respectively. The dividend proposed is 28 cents per share, payable in December 2013.

OPERATING REVIEW

Within the Group's retail motor division, new vehicle sales volumes increased 9%, compared with the industry increase of 5%. Used vehicle volume sales increased 8%. Efforts to increase the penetration level of after-sale products, and tight expense control, was rewarded with an increase in the operating profit margin, from 2,2% to 2,3%.

The car hire segment enjoyed continued success. The operating profit margin improved from 7,3% to 9,3%, largely as the result of higher fleet utilisation rates and a hike in the average daily rental returns. In the face of tough competition, First Car Rental was awarded two large tender contracts, and four new branches were opened to provide customer service in outlying areas.

Within the marine and leisure division, the last retail outlet was sold in June 2013, and the division now concentrates only on its wholesale operation. The resultant reduction in overheads and release of working capital has enabled the division to reduce its operating loss from R9,7 million recorded last year, to R1,8 million.

The financial services segment recorded outstanding results. The substantial increase in policy sales over the past two years is starting to bear fruit and, coupled with a number of new products being marketed, provides a solid earnings base for the years ahead. The Group's joint venture finance operations recorded significant growth in earnings and, with prior period losses now eliminated, is expected to enjoy continued success.

Operating profit from the corporate services segment is principally investment income.

PROSPECTS

The significantly weaker rand and the prolonged debilitating strikes in the motor and allied industries have placed a dampener on consumer confidence and economic activity levels. Low to moderate vehicle price increases over the past three years have buoyed sales levels. However, the currency pressure has precipitated higher price increases and an adverse impact on sales volumes and margins. For the first time since late 2009, monthly year-on-year total industry vehicle sales have registered a decline.

On the positive side, continued stable and low interest rates, together with extremely competitive offerings, especially in the entry-level segment, are expected to retard a decline in demand. Also, it is expected that an increased gap between new and used car prices will give a much needed boost to the used car market. Management's challenge will be to react quickly to the changing environment and adapt working capital levels to an optimum. The restructured marine and leisure division will benefit from the summer months which fall in the second half of the financial year, and the Group's workshops, parts departments and financial services are expected to continue the steady earnings they have historically achieved.

BASIS OF PREPARATION

The results of the Group for the six months ended 31 August 2013 have been prepared under the supervision of SK Jackson CA(SA), financial director, in accordance with International Financial Reporting Standards, the information required by International Accounting Standards (IAS) 34: Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, the Listings Requirements of the JSE Limited, and in compliance with the requirements of the South African Companies Act, No 71 of 2008. Except as recorded below, the accounting policies are consistent with those used in the financial statements as at 31 August 2012 and 28 February 2013. The results have not been reviewed or audited by the Group's external auditors.

CHANGES IN ACCOUNTING POLICIES

Consolidated financial statements

IFRS 10, 'Consolidated Financial Statements' was issued in August 2012 and replaces the guidance on control and consolidation in IAS 17, 'Consolidated and Separate Financial Statements', and in SIC 12, 'Consolidation – Special Purpose Entities'.

The Group concluded a BEE transaction with Thebe Investment Corporation ('TIC') in 2006. In terms of the transaction, a special purpose entity, Main Street 445 Proprietary Limited ('Main Street') was formed as a wholly-owned subsidiary of TIC to acquire a 15% equity stake in CMH Holdings Proprietary Limited. The balance of 85% is owned by Combined Motor Holdings Limited ('CMH').

The Group has determined that, while it did not have control over Main Street under the principles of IAS 27, it does have control over that entity in terms of the current standard. Although the Group does not own any ordinary equity shares in Main Street, an agreement signed by CMH, TIC, and Main Street does enable CMH to control the activities of Main Street, and to earn variable returns therefrom. As a result, Main Street will be consolidated in the financial statements of the Group.

As required under IFRS 10, the change in accounting policy has been applied retrospectively and, as a consequence, adjustments have been made in the financial statements of all comparative periods presented.

Reclassification within Statement of Cash Flows

'Finance income received', 'Finance costs', and 'Dividends paid' were previously classified under the heading 'Cash movement from operating activities'. They have now been reclassified under the heading 'Cash movement from financing activities'. Comparative figures have been restated. The change has no impact on 'Net movement in cash and cash equivalents'.

EVENTS AFTER THE REPORTING PERIOD

Repurchase of shares and cautionary announcement

The directors have proposed the repurchase of 15 400 000 ordinary shares of no par value in Combined Motor Holdings Limited (the 'Company') at a price of R13,00 each. The Company will make an offer to all shareholders to voluntarily submit for repurchase all or a portion of their shareholding, or no shares. In the event that in excess of 15 400 000 shares are submitted for repurchase, then each shareholder who submits shares for repurchase will be paid pro rata to the number of shares submitted. If submissions total less than 15 400 000, then shareholders who have submitted shares for repurchase will be paid in full, and no further shares will be repurchased. The repurchase will be effected using the Group's existing cash resources.

Details of the repurchase proposal will be announced and a circular describing the details of the proposal will be sent to shareholders in due course. Shareholders are advised to exercise caution when dealing in the Company's securities, until a full announcement is made.

Disposal of preference share investment

The Company owns 124 387 'C' redeemable cumulative preference shares in Main Street, which were purchased in support of the Group's BEE transaction described above. Following the change in accounting policy and the decision to consolidate Main Street, this investment is eliminated in the Group annual financial statements presented.

The Company has entered into negotiations which, if successfully concluded, will result in the disposal of the investment to a third party finance house for the sum of approximately R200 million, which is the current book value of the original investment and accumulated, but unpaid, dividends.

CORPORATE GOVERNANCE

The Group is committed to maintaining the high standards of governance as embodied in the King report on Corporate Governance and complies with the principles of both the Report and the JSE Limited Listings Requirements.

DIVIDEND

A gross dividend (dividend number 51) of 28 cents per share for the interim period ended 31 August 2013 will be paid on Tuesday 17 December 2013 to members reflected in the share register of the Company at the close of business on the record date, Friday 13 December 2013. Last date to trade 'cum' dividend is Friday 6 December 2013. First date to trade 'ex' dividend is Monday 9 December 2013. Share certificates may not be dematerialised or rematerialised from Monday 9 December 2013 to Friday 13 December 2013, both days inclusive.

The number of shares in issue at the date of declaration is 109 073 498. Consequently, the gross dividend payable will be R30 540 579 and will be distributed from income reserves. There are no STC credits available for utilisation. The dividend will be subject to dividend withholding tax at a rate of 15%, which will result in a net dividend of 23,8 cents to those shareholders who are not exempt in terms of section 64F of the Income Tax Act.

CHAIRMAN

JTM Edwards was elected as chairman of the Company on 11 October 2013. He succeeds M Zimmerman who resigned on that date.

By order of the Board of Directors

K Fonseca CA(SA)

Company Secretary

15 October 2013





COMBINED MOTOR HOLDINGS LIMITED

("the Company" or "the Group")

Registration number: 1965/000270/06

Income tax reference number: 9471/712/71/2

Share code: CMH

ISIN: ZAE000088050

REGISTERED OFFICE

1 Wilton Crescent, Umhlanga Ridge, 4319

TRANSFER SECRETARIES

Computershare Investor Services (Pty) Limited

PO Box 61051, Marshalltown, 2107

SPONSOR

PricewaterhouseCoopers Corporate Finance (Pty) Limited

Private Bag X36, Sunninghill, 2157

DIRECTORS

JTM Edwards (Chairman), JD McIntosh (CEO)

LCZ Cele, MPD Conway, JS Dixon, SK Jackson,

VP Khanyile, D Molefe, M Zimmerman,

JW Alderslade (alternate)

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