COMBINED MOTOR HOLDINGS LIMITED

INTEGRATED ANNUAL REPORT 2020

CLICK TO ENTER

CMH GROUP

SCOPE OF THIS REPORT

This integrated annual report is a holistic and integrated representation of the Group's performance, in terms of both finances and sustainability, for the year ended 29 February 2020. 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 and financial sustainability.

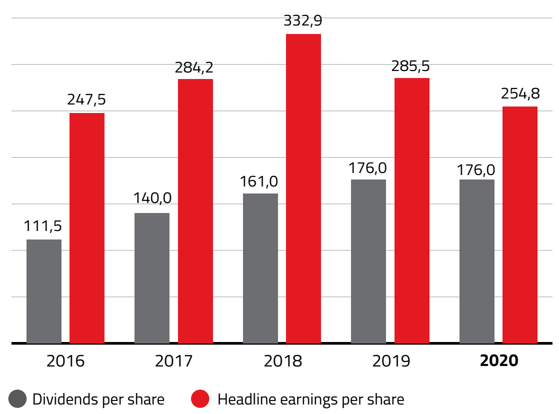
In doing so, to become a valued, respected and committed contributor to the society in which we all coexist.

GROUP FINANCIAL HIGHLIGHTS

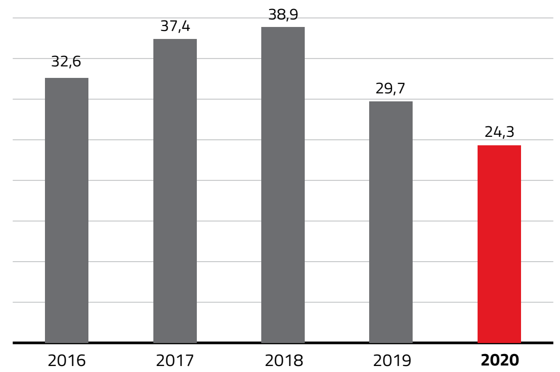
		2020	Restated 2019	% change
Total assets	(R'000)	3 650 301	3 591 076	1,6
Cash resources	(R'000)	659 622	675 966	(2,4)
Net asset value per share	(cents)	1 090	1 010	7,9
Revenue	(R'000)	11 156 167	11 154 757	–
Operating profit	(R'000)	417 280	449 384	(7,1)
Net profit attributable to ordinary shareholders	(R'000)	190 519	213 373	(10,7)
Return on shareholders' funds	(%)	24,3	29,7	(18,2)
Basic earnings per share	(cents)	254,7	285,3	(10,7)
Headline earnings per share	(cents)	254,8	285,5	(10,8)
Dividends paid per share	(cents)	176,0	176,0	–
Dividend declared	(cents)	–	115,0	(100,0)

Figures presented in the graphs below for years prior to 2019 have not been restated for the change in accounting policy reflected in note 33 to the financial statements.

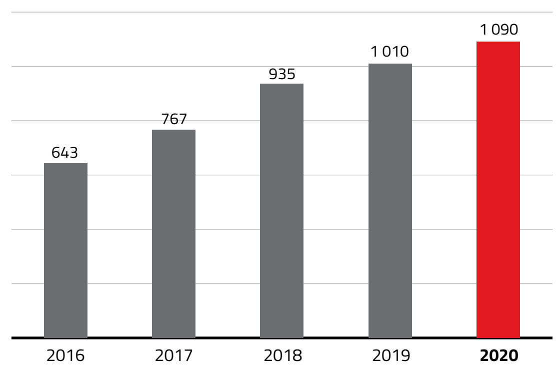
Headline earnings and dividends per share (cents)



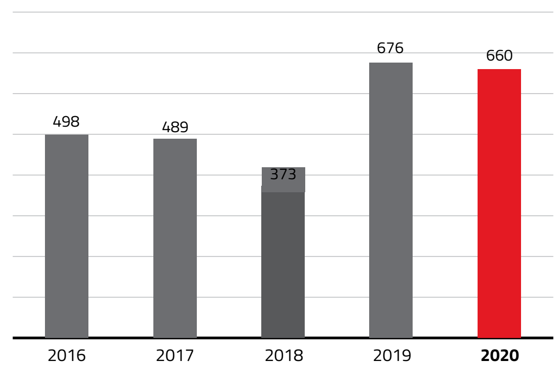
Return on shareholders' funds (%)



Net asset value per share (cents)



Cash resources (R'million)



BOARD OF DIRECTORS

JAMES DIXON Age: 68

CA (SA)

Independent non-executive chairman
Board appointment: 2010
Member of social, ethics
and transformation committee
Member of remuneration committee
Chairman of nominations committee

JEBB MCINTOSH Age: 74

CA (SA)

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

BRUCE BARRITT Age: 62

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

ZEE CELE Age: 67

BCom, Postgrad Dip Tax, MAcc (Tax)

Independent non-executive
Board appointment: 2007
Chairman of remuneration committee
Chairman of social, ethics and
transformation committee
Member of nominations committee

STUART JACKSON Age: 67

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

Financial director
Board appointment: 1986

MIKE JONES Age: 67

CA (SA)

Independent non-executive
Board appointment: 2015
Chairman of audit and risk
assessment committee

JERRY MABENA Age: 50

BCom

Independent non-executive
Board appointment: 2014
Member of remuneration committee
Member of social, ethics
and transformation committee
Member of nominations committee

REFILOE NKADIMENG Age: 39

CA (SA)

Independent non-executive
Board appointment: 2015
Member of audit and risk
assessment committee

GROUP FIVE-YEAR STATISTICAL REVIEW

STATEMENT OF FINANCIAL POSITION		2020	Restated 2019	Restated 2018	2017	2016
Borrowings to total assets	(%)	**19,0**	22,3	17,9	30,2	26,1
Borrowings to total equity	(%)	**85,3**	106,1	82,5	146,7	151,0
Current ratio	(ratio)	**1,0**	1,0	0,9	0,9	0,8
Current ratio, including car hire fleet and attendant borrowings	(ratio)	**1,3**	1,3	1,3	1,2	–
Net asset value per share	(cents)	**1 090**	1 010	913	767	643
Total assets per employee	(R'000)	**1 293**	1 302	1 172	1 041	1 042

Figures presented for years prior to 2018 have not been restated in line with the changes in accounting policies reflected in note 33 to the financial statements.

STATEMENT OF COMPREHENSIVE INCOME		2020	Restated 2019	2018	2017	2016
Weighted average number of shares in issue	('000)	**74 802**	74 802	74 802	74 802	81 653
Headline earnings per share	(cents)	**254,8**	285,5	332,9	284,2	247,5
Basic earnings per share	(cents)	**254,7**	285,3	330,7	263,3	223,5
Dividends per share	(cents)	**176,0**	176,0	161,0	140,0	111,5
Dividend cover	(times)	**1,4**	1,6	2,1	2,0	2,2
Net interest cover	(times)	**2,7**	2,8	4,4	3,6	3,6
Number of employees		**2 823**	2 759	2 688	2 676	2 671
Revenue per employee	(R'000)	**3 952**	4 043	3 933	3 821	4 124
Operating profit on average total equity	(%)	**53,1**	62,5	68,9	72,0	66,5
Return on shareholders' funds	(%)	**24,3**	29,7	38,9	37,4	32,6

Figures presented for years prior to 2019 have not been restated in line with the changes in accounting policy reflected in note 33 to the financial statements.

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 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	2020 R'000	Restated 2019 R'000	Restated 2018 R'000	2017 R'000	2016 R'000
ASSETS					
Plant and equipment	**84 818**	71 431	64 967	74 864	71 715
Right-of-use assets	**466 094**	468 126	370 432	–	–
Car hire fleet vehicles	**713 315**	813 102	760 282	757 085	–
Goodwill	**31 828**	8 078	8 078	10 078	27 078
Insurance receivable	**43 078**	37 530	45 144	38 162	30 032
Deferred taxation	**60 068**	50 945	50 381	39 454	39 934
Current assets	**2 251 100**	2 141 864	1 850 314	1 867 163	2 614 710
Total assets	**3 650 301**	3 591 076	3 149 598	2 786 806	2 783 469
EQUITY AND LIABILITIES					
Ordinary shareholders' equity	**813 763**	753 953	681 648	572 430	480 091
Non-controlling interest	**1 358**	1 502	1 229	1 127	722
Borrowings	**695 066**	801 613	563 681	841 196	726 137
Advance from non-controlling shareholder of subsidiary	**–**	–	–	–	255
Lease liabilities	**584 439**	567 945	444 775	46 700	51 158
Other current liabilities	**1 555 675**	1 466 063	1 458 265	1 325 353	1 525 106
Total equity and liabilities	**3 650 301**	3 591 076	3 149 598	2 786 806	2 783 469

Figures presented for years prior to 2018 have not been restated in line with the changes in accounting policy reflected in note 33 to the financial statements.

STATEMENT OF COMPREHENSIVE INCOME		2020 R'000	Restated 2019 R'000	2018 R'000	2017 R'000	2016 R'000
Revenue		**11 156 167**	11 154 757	10 572 596	10 224 900	11 016 150
Operating profit to revenue	(%)	**3,7**	4,0	4,1	3,7	3,4
Operating profit		**417 280**	449 384	438 378	379 652	372 905
Net finance costs		**(154 500)**	(157 951)	(100 419)	(104 840)	(102 738)
Profit before taxation		**262 780**	291 433	337 959	274 812	270 167
Tax expense		**(72 405)**	(77 787)	(90 499)	(77 424)	(87 218)
Total profit		**190 375**	213 646	247 460	197 388	182 949
Non-controlling interest		**144**	(273)	(102)	(405)	(447)
Attributable profit		**190 519**	213 373	247 358	196 983	182 502
Dividends		**(131 651)**	(131 651)	(120 430)	(104 722)	(97 140)
Attributable profit after dividends		**58 868**	81 722	126 928	92 261	85 362

Figures presented for years prior to 2019 have not been restated in line with the changes in accounting policy reflected in note 33 to the financial statements.

GROUP OPERATIONS

Retail motor dealerships

FRANCHISE		LOCATIONS	EMPLOYEES	MANAGEMENT
	Volvo	Bryanston, Cape Town, Hatfield, Pretoria East, Umhlanga Rocks, West Rand	214	D Gray, F Heystek, N Kelly, O Robertse, C Walters, S Atkinson (franchise manager)
	Land Rover	Cape Town, Pretoria, Umhlanga Rocks	120	W Edgar, D Gray, E Vorster, C Walters, S Atkinson (franchise manager)
	Jaguar	Cape Town, Pretoria, Umhlanga Rocks	53	D Gray, E Vorster, C Walters, S Atkinson (franchise manager)
	Mitsubishi	The Glen, Hatfield, Menlyn, Pinetown, West Rand	44	R Downs, N Kelly, D Pepperell, O Robertse, P Voges, S Atkinson (franchise manager)
	Honda	The Glen, Hatfield, Menlyn, Pinetown, Umhlanga Rocks	198	D Pepperell, P Francisco, F Robertse, D Schlanders, C Thirion, R van der Walt, S Singleton (franchise manager)
	Ford	Durban, Durban South, Hatfield, Pretoria, Pretoria North, Randburg, Umhlanga Rocks	450	M Buck, P Gething, O Mashava, R Nortje, V Ramsunder, P Ras, W van Zyl, H Venter, T Morey (franchise manager)
	Mazda	Durban, Hatfield, Menlyn, Randburg, Umhlanga Rocks	214	D Govender, N Grobler, A Jordaan, D McCulloch, P Voges, T Morey (franchise manager)
	Isuzu	Boksburg, Umhlanga Rocks	72	C McHaffie, D McCulloch, S Singleton (franchise manager)
	Opel	Boksburg, Umhlanga Rocks	8	P Francisco, C McHaffie, S Singleton (franchise manager)
	Haval	Cape Town, Pinetown, Pretoria East, West Rand	48	C Bentley, N Kelly, O Robertse, C Walters, S Atkinson (franchise manager)
	Mahindra	Pinetown	10	C Bentley, S Singleton (franchise manager)

Retail motor dealerships

FRANCHISE		LOCATIONS	EMPLOYEES	MANAGEMENT
	Nissan	Ballito, Durban, Hillcrest, Midrand, Pietermaritzburg, Pinetown, Sandton	345	R Downs, B Faulds, D Govender, J Grey, M Mansoor, S Singleton, V Subramoney, C Webber (franchise manager)
	Datsun	Ballito, Durban, Hillcrest, Midrand, Pietermaritzburg, Pinetown, Sandton	45	R Downs, B Faulds, D Govender, J Grey, S Singleton, V Subramoney, C Webber (franchise manager)
	UD Trucks	Cornubia, Pietermaritzburg, Pinetown	75	R Byng, S Singleton (franchise manager)
	Eicher	Pietermaritzburg, Pinetown	5	R Byng, S Singleton (franchise manager)
	Toyota	Alberton, Umhlanga Rocks	208	P de Villiers, A Hughes, M van Heerden, C Webber (franchise manager)
	Lexus	Umhlanga Rocks	8	M van Heerden, C Webber (franchise manager)
	Suzuki	Ballito, Hillcrest, Pinetown, Umhlanga Rocks	12	B Faulds, D McCulloch, D Schlanders, S Singleton (franchise manager)
	Subaru	Boksburg	8	C McHaffie, S Singleton (franchise manager)
	Renault	Ballito, Midrand	22	J Grey, V Subramoney, C Webber (franchise manager)
	Used Car Buyers	Hatfield, Menlyn, Umhlanga Rocks	44	H Leppan, H Louw, R Nortje, T Morey (franchise manager)

GROUP OPERATIONS CONTINUED

Financial and support services

DIVISION		LOCATIONS	EMPLOYEES	MANAGEMENT
CMH GROUP	CMH Finance CMH Insurance CMH IT	All Group operations	62	C Downs, K Fonseca, A Julius, N Khowa, G Liebenberg, R Minnaar, V Naidoo, N Peterson

Marketing and distribution

DIVISION		LOCATIONS	EMPLOYEES	MANAGEMENT
CMH GROUP	CMH Fleet	Durban, Gauteng	9	T Govender, M Johnson, S Singleton (franchise manager)
ROKKIT	Rokkit Digital Agency, Carshop	Durban, Gauteng	24	C Massey-Hicks, S-L McIntosh
NWE NATIONAL WORKSHOP EQUIPMENT	National Workshop Equipment	Herriotdale, Pinetown	13	S McCulloch
CMH GREEN Our journey to a greener world	CMH Green	Countrywide	28	S McCulloch

Car hire

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, Cape Town central, Centurion, Durban, Klerksdorp, Menlyn, Midrand, Pinetown, Pomona, Pretoria, Rondebosch, Roodepoort, Rustenburg, Sandton, Stellenbosch, Umhlanga Ridge, Witbank	484	**Executive committee** B Barritt (managing director), U Crouse, N Khowa, R McKay, A Nel, M Nortje, B Troeberg **Other senior management** C Ault, S Dunston, 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 sustained difficulties which the domestic economy has faced over the past three to four years, and the inevitable impact on the retail motor industry, have been characterised by low economic growth, and a sideways movement in new car volume sales. The reintroduction of peak-time load-shedding in the second half of the year had a significant impact on our business. In past times, the motor industry has endured periods of high interest rates, unfavourable currency exchange rates, depressions and political upheaval. However, they were relatively short-lived, and normal service was resumed within 12 to 18 months.

I am disappointed with the 11% fall in headline earnings, but, given the circumstances, am satisfied that it is the result of the best efforts of management and staff.

FINANCIAL OVERVIEW

The financial statements presented have been restated in compliance with the new accounting standard in respect of property leases. The restatements have had a material effect on the Group's statements of financial position and comprehensive income. Components within the cash flow statements have also been restated. In the "new look" financial statements, comparative figures presented have been amended, but a trend analysis for prior periods is both difficult and meaningless.

Revenue was not affected by the accounting restatement and it, together with the gross profit margin are in line with the prior year.

Selling and administration expenses were well contained, having increased only 4,9% over the restated previous year. The increase was partly due to inflationary pressures, particularly in respect of employee costs and other fixed overheads, and partly as the result of an increased depreciation charge on the newly-created right-of-use assets. The mid-year acquisition of two new dealerships also added to the expense base.

Net finance costs were down 2,2%. The effective tax rate increased marginally, to 27,6%, and overall earnings declined by 10,7%.

The statement of financial position is materially changed by the introduction of a notional "right-of-use" asset, and attendant "lease liabilities". Goodwill has increased by R23,8 million following the acquisition of two new motor dealerships. The Group's borrowings relate directly to the car hire fleet, and will be increased or decreased in response to movements in the fleet size. Those changes aside, the values presented are self-explanatory, and in line with expectations.

Conservative cash management over many years, supported by strong cash generation from operations has enabled the accumulation of a healthy bank balance at year-end of R660 million. Despite this, the directors have taken a conservative view, following the COVID-19 pandemic and the resultant lockdown, not to declare a dividend but rather to preserve cash to sustain the Group's operations into the foreseeable future.

OPERATIONAL OVERVIEW

Motor retail

This segment suffered a 19,2% decline in profit, due mainly to the pressure of increasing overheads against a flat revenue and gross profit margin. Total new vehicle volume sales decreased 7%, against a national market decline in passenger and light commercial sales of 3%. The reason for the Group's lagging performance is that three of the Group's highest-volume contributors lost an average of 17% market share. Each manufacturer has introduced new product, and began to regain market share late in the year. Used vehicle sales volumes increased by 0,9%, against an estimated national sales decline of 6% to 7%. The Group added two stand-alone used car outlets during the year.

The parts and service departments yielded steady returns, despite increased consumer affordability pressures.

Two new dealerships, in Umhlanga and Pinetown, were acquired during the first half of the year and a loss-making dealership in Gauteng has been sold. Regulatory approval has been obtained, and the business will be transferred during June 2020.

The Group's digital marketing platform, Rokkit, has been an area of focus. In an era of increased use of the internet for vehicle sourcing, the facility has enhanced the generation of vehicle sales leads, and enabled sales managers to measure and improve the follow-up process. The majority of the Group's advertising, sales promotion and customer communication spend has been directed to this avenue.

Last year I wrote about the potential threat of the draft Code of Conduct for the motor industry, which has been proposed by the Competition Commission ("CC"). The so-called "right to repair" code proposes, *inter alia*, to allow independent, non-franchised workshops to service and maintain new vehicles within the manufacturer warranty period. The first draft published for comment was criticised and rejected by various motor industry bodies. However, the revised draft prepared by the CC contains few changes in response to public submissions. Whilst I believe that the motor industry will continue to resist the Code, I believe that the final regulations will not have a material effect on the in-warranty, aftersales market which is presently the preserve of the franchised dealer network. The high value of investment required in terms of special tooling, diagnostic equipment, and staff training, required to meet manufacturer quality and safety standards, will likely be beyond the resources of all, but a few, independent operators, and not generate a sustainable return. In any event, estimates indicate that only 25% of a vehicle's lifetime repairs and servicing is performed by franchised dealers, the remainder being conducted within the less formal sector.

With effect from 1 March 2020, the Group acquired Mandarin Motor Spares, a parts importer, distributor and retailer. The business has 17 independent franchisees, and its historic focus has been on replacement parts sourced in China and India. The product range and spread of franchisees are planned to be expanded during the year ahead.

Car hire

First Car Rental performed well to maintain its revenue and market share in a competitive environment. In anticipation of a tough trading year, the fleet size was reduced by 8%. The smaller fleet yielded improved utilisation levels, especially during the off-peak winter months, and helped offset the fleet holding costs, being interest and depreciation. Overhead expense increases were aligned with general inflation. Continued pressure within the used car market reduced the values at which the retired fleet was able to be offloaded, and was the principal reason for the segment's 6,4% fall in profit.

Financial services

This segment comprises special purpose insurance underwriting cells, relating to products sold in tandem with vehicle sales, and joint ventures in respect of the financing and collection of credit facilities granted to vehicle purchasers, and produced a pleasing 8% profit growth. There has been a concerted effort, over the past two years, to increase the product sales penetration levels in the depressed vehicle sales market, and the 12% increase in policy premiums is evidence of the successful endeavours.

In order to reduce the cost structure of the insurance underwriting entities, new partnership alliances were formed during November 2019. The cost savings will become apparent during the next 6 to 18 months, as the volumes through the new structures grow.

PROSPECTS

The economic outlook for the year ahead is bleak. Since the February year-end, the world has been hit by the COVID-19 pandemic, resulting in an economic lockdown in many parts of the world, including South Africa.

The lockdown has had a disastrous impact on the South African economy where consumer confidence and affordability levels were already touching record lows, and unemployment had reached a record high. The consensus view is that once vehicle trading commences, following the lockdown, national new vehicle sales volumes will decline year-on-year by about 30%. The impact on used car sales volumes is not expected to be as great as that of new car sales. The parts and services divisions, which operated to a limited extent under level 4, have begun to rebound since the easing to level 3.

Management has had to respond quickly and implement extraordinary measures to manage this crisis, the most significant of which are initiatives to reduce expenses to offset the decline in revenue, both during the lockdown and once the lockdown eases. The accumulated drop in interest rates by 250 basis points since the year-end, together with significantly reduced stockholding is expected to result in a decrease in finance costs of approximately 40%. Variable costs which account for a significant portion of total expenses should reduce in line with the drop in revenue and our biggest expense, employee costs, is expected to reduce by approximately 40% in the short-term after carrying out an unfortunate reduction in head count and temporary salary cuts. Once salaries revert to the pre-lockdown levels, the impact is an expected long-term reduction of between 20% and 25%.

On a positive note, the Group has a strong balance sheet with significant cash resources. This will ensure the future sustainability of the Group and allow it to bounce back and gain market share in a motor retail industry that will no doubt have fewer players following the events of recent months.

ACKNOWLEDGEMENTS

I once again thank the Group's principal trading partners, the manufacturers, finance houses and insurers, for their continued support during a tough year. Our ongoing partnerships are a source of reassurance and comfort.

I acknowledge the efforts of the executive team and their staff, who have strived to make the best of the limited opportunities which the year presented.

My appreciation is extended to James Dixon and the non-executive directors for their wise counsel, insight, and valued input during a challenging year.

JD McIntosh
Chief executive officer

22 June 2020

REPORT OF THE CEO ON THE IMPACT ON THE GROUP OF THE COVID-19 PANDEMIC

At the time of publishing these results, the Group finds itself in the unprecedented circumstances of the COVID-19 pandemic, with South Africa operating under a National State of Disaster and in an extended economic and social lockdown. Whilst the Group supports the measures that the Government has taken to contain the spread of the COVID-19 virus, the lockdown is certain to have a devastating effect on the country's economy. The full economic impact of the lockdown has still to be determined, and the prognosis will remain fluid and uncertain for many months to come.

This report aims to provide a commentary on the impact of the lockdown on trading conditions and a summary of our actions in response thereto. The Group does not provide "essential" products or services. All outlets were thus closed for the initial lockdown period and limited operations commenced under the level 4 regulations. Activity increased from 1 June 2020, when the country moved to level 3.

GROUP

The Group as a whole is soundly structured, with a substantial equity base. Conservative cash management over many years has enabled the accumulation of a healthy bank balance, which at end-February stood at R660 million. The decision by the Board not to declare a year-end dividend will assist in the preservation of this cash and allow the Group to service its expenses in the medium-term.

All borrowings, and the most part of trade payables, are directly aligned to working capital assets and the car hire fleet. Cash outflows to settle these debts are generated from inflows arising from the sale of these assets. Accordingly, the liquidity risk associated with these liabilities is limited and easily managed. We will continue to manage our liquidity through tightly-managed operating costs and delay of all non-critical spend.

Trade receivables are of relatively low value. The majority of balances relate to vehicle sales, which are settled by the finance houses within a few days of delivery, and warranty/service plan claims, which are underwritten by the motor manufacturers. A significant portion of the February year-end value was collected prior to the start of the lockdown. Parts debtors, particularly panel shops, represent the highest risk area as their cash flow is dependent on their future revenue generation. However they comprised only 18% of the year-end balance. The year-end provision for impairment of trade receivables has been re-assessed having regard for the balances that remain unpaid and is considered adequate.

The profitability risk lies in the overhead structure, and the period for which this can be borne with no sales, or with a severely reduced level of business activity. The majority of the expenses are controllable and can be adjusted to a greater or lesser extent in line with sales volumes. However a proportion of costs, such as property rental, is contractually fixed for periods longer than 12 months.

Expenses have been carefully reviewed by management and the following initiatives have been identified and, where possible, implementation has begun:

- reduce stockholdings to most efficient levels so as to strike a balance between maximising trading opportunities, managing cash flows and minimizing holding costs;
- reduce employee costs. This will be achieved through salary cuts on a sliding scale, early retirement, retrenchments, termination of fixed-term contracts and a freeze on salary increases;
- all non-essential expenses have been eliminated and the balance of expenses are being restructured to have regard for the expected sales volumes;
- reduce finance costs as a result of the 29% drop in interest rates since March 2019, coupled with the planned reduction in stock holding of new, demonstration and car hire fleet vehicles; and
- maximise the take-home pay of staff during the lockdown by:
  - paying staff in lieu of leave and allowing them to go into negative leave, up to 10 days depending on their tenure;
  - negotiating a contribution holiday to the post-retirement funds;
  - paying the shortfall on medical aid contributions for those employees who have insufficient net pay to cover their portion; and
  - successfully claiming and timeously paying to staff TERS benefits claimed from the UIF.

The Group realises that to maximise efficiencies going forward and adapt to the post-COVID-19 trading world, it will be required to modernise and streamline organisational structures, allocation of responsibilities and decision-making processes. It will identify technologies and tools that can be used to achieve this and build on those already identified through necessity during the lockdown process.

MOTOR RETAIL

The principal asset risk lies in the valuation and saleability of inventories. In respect of vehicles, the risk is believed to be low as inventory levels are generally at 30 to 40 days. The forward order book for new vehicles has been frozen for the duration of the lockdown and acquisition of new stock will be carefully controlled and monitored. I expect that, within 2 to 3 months after lockdown, inventory levels will be aligned with the new demand levels for most product ranges. The Group has credit facilities which are repayable following sale and delivery of the new vehicle inventory. Certain manufacturers have increased the interest-free period of this debt during the lockdown period. New vehicle volumes are expected to be sharply down in the initial period after lockdown, and then, hopefully, gradually increase. Post lockdown, the year-on-year decline for calendar 2020 is expected to exceed 30%.

Despite the lockdown, the net realisable value of vehicle inventory at year-end is considered to be appropriate. Values will be preserved, if not boosted, by the increases in new vehicle prices that have already been observed and will no doubt continue to rise sharply over the balance of the year, primarily as a result of the weakening exchange rate. Purchases of used vehicles, other than trade-ins, will be temporarily suspended, and, instead, each dealership will assist with the de-fleeting of the car hire division, and the reduction of demonstration and customer courtesy vehicles.

Parts and accessories inventory is of relatively low value, at only 3% of total inventory and, subject to supply constraints, can be quickly adjusted to the new demand.

The used vehicles, parts and service departments are anticipated to return to some form of normality much quicker than the new vehicle departments.

An important factor which will receive further management consideration is the manufacturers' supply chain, especially where vehicles or components are sourced from countries that are still under lockdown restrictions. With the possibility that supply may be disrupted, coupled with the expectation that future vehicle pricing will be adversely affected by the deteriorated currency exchange rate, it may be prudent to hold new vehicle stock at a level higher than usual.

CAR HIRE

This segment presents the Group's highest risk exposure. It was the earliest affected, is the most severely affected, and is likely to be the slowest to return to some form of normality. The asset risk lies in the car hire fleet. The down-sizing of the fleet is estimated to take 3-4 months, and will be accompanied by a moth-balling of low-mileage vehicles that are fit for use in a further season. It is anticipated that competitors will follow a similar approach. The Group is fortunate that the retail motor dealerships are able to assist, through their used vehicle departments, in the disposal process. Most of the vehicles are affordable models, less than 18 months old, and with low mileage. A benefit of the Group's fleet is that the model mix is different from that of the major car hire operators, and will present less of a clash in a crowded market. Approximately 8% of the vehicles are on short-term rental, and able to be returned to the manufacturers in the short-term.

Over the past two months the fleet has been reduced by almost 15%, and it is expected that, after business resumes, it will be further reduced by 2-3% per week, until the optimum level is reached. What that level will be is still unclear. The staff complement has also been reduced by 15% and a further 15% to 20% reduction is anticipated over the coming months.

ACSA, the Group's landlord at major national airports, has granted a rental holiday during the lockdown period, and it is possible that further relief may be received during the recovery months. This welcome gesture by ACSA represents a substantial saving at a time when the airports are effectively closed. It is anticipated that, in the near future, and having regard for the uncertainty surrounding air travel going forward, the car hire industry will seek to amend the rental structure at the airports from that of a minimum base rental plus a revenue-based surcharge, to a revenue-based rental only. This amendment could have a significant positive impact on the rental expenses of the industry.

FINANCIAL SERVICES

Financial services, which contributed R44,6 million profit before taxation during the financial year, comprises the Group's finance joint ventures, and various insurance underwriting entities. These are likely to be the least affected in the short-to medium-term. However, both are vulnerable to the risks of policy cancellations and bad debt as customer affordability pressures grow.

SAFETY PROTOCOLS

As the lockdown eases and our operations recommence trading, the Group's key priority is the health and wellbeing of its employees, customers and business partners, while it maintains its high standards of service to customers. It is the Group's objective to ensure that any infection is detected before entering the dealership and to prevent any possible infection whilst at a dealership. To meet this objective the Group has formalised and implemented policies and procedures developed in accordance with prevailing legislation and guidance from the Department of Health. These include:

- rigorous cleaning, sanitising and disinfecting of our premises on an ongoing basis;
- temperature screening and health checks, carried out by a trained person, on anyone who wishes to enter the dealership;
- social distancing measures for employees and customers including limiting the number of customers, appropriately-distanced floor markings and rearranging employee and customer furniture to facilitate enforcement of the recommended 1.5 metre social distancing;
- providing appropriate personal protective equipment ("PPE") to every employee depending on their function and their assessed risk profile; and
- providing ongoing training to employees, security contractors and service providers on:
  - reinforcement of personal hygiene to minimise the risks of exposure to the virus;
  - the objectives of, and policies and procedures implemented by, the Group to minimise the risk of exposure to the virus;
  - the correct use, wear and disposal of PPE provided; and
  - the correct procedures to be followed when a suspected infection has been detected.

CONCLUSION

There will, no doubt, be many business casualties as a result of the trading disruption caused by the lockdown. A number of smaller entities have been on the financial edge following five years of low economic growth, and this event may be the tipping-point. This could, indirectly, lead to the Group gaining market share. The key to sustainability is a strong cash position and the ability to swiftly align operating expenses to fluctuating levels of income both during the lockdown and in the months that follow. Both of these attributes are proven strengths of the Group and management is of the opinion that these will provide the Group with the necessary foundation to continue trading on a sustainable basis.

JD McIntosh
Chief executive officer

22 June 2020

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 with 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 web site, 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 five 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 58 years old;
- have served on the Board an average of 7,5 years;
- comprise two white, and three african members, which meets the Board's race diversity policy target of 45%-50% of independent non-executives, and 25%-35% of the total Board, being from previously-disadvantaged races;
- comprise three males and two females, which is within the Board's gender diversity policy target of 30%-40% of independent non-executives, and 20%-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 CMH investment does not constitute a significant proportion of its portfolio. Consequently, the CMH impact on the value of TIC's shares is not material in value to their respective 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 JS Dixon meet the independence criteria despite having served on the Board for twelve and nine 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
- ME Jones meets the independence criteria.

Chairman of the Board

The Board has elected independent non-executive director, JS Dixon, 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;
- is one of five members of the social, ethics and transformation committee; and
- chairs the *ad hoc* meetings of the nominations 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.

CORPORATE GOVERNANCE CONTINUED

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

ATTENDANCE AT MEETINGS DURING THE YEAR UNDER REVIEW

Director	Full Board	Audit and risk assessment committee	Remuneration committee	Social, ethics and transformation committee	Nominations committee	Executive committee
BWJ Barritt	3/3			2/2		6/6
LCZ Cele	3/3		2/2	2/2	1/1	
JS Dixon	3/3	2/2*	2/2	2/2*	1/1	
SK Jackson	3/3	2/2*	2/2*		1/1*	6/6
ME Jones	3/3	2/2				
JA Mabena	3/3	2/2	2/2	2/2	1/1	
JD McIntosh	3/3	2/2*	2/2*	2/2	1/1*	6/6
MR Nkadimeng	2/3	2/2				

** By invitation*

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 21 years' post-graduate experience, of which 14 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 32.

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 its 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 above.

Remuneration committee
Members:

- LCZ Cele (independent non-executive) – chairman
- JS Dixon (independent non-executive)
- JA Mabena (independent non-executive)

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

Nominations committee
Members:

- JS Dixon (independent non-executive) – chairman
- LCZ Cele (independent non-executive)
- JA Mabena (independent non-executive)

Audit and risk assessment committee
Members:

- ME Jones (independent non-executive) – chairman
- JA Mabena (independent non-executive)
- MR Nkadimeng (independent non-executive)

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

Social, ethics and transformation committee
Members:

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

The Report of the Social, Ethics and Transformation Committee is recorded on page 31.

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.

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.

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 51. 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 below.

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

  Operating as it does in the retail industry, the Group has a relatively low environmental impact. However, measures are 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.

CORPORATE GOVERNANCE CONTINUED

KEY SUSTAINABILITY ISSUES AT A GLANCE

		2020	Restated 2019
Financial			
Revenue	(R'000)	**11 156 167**	11 154 757
Operating profit	(R'000)	**417 280**	449 384
Headline earnings per share	(cents)	**254,8**	285,5
Dividends paid per share	(cents)	**176,0**	176,0
Cash generated from operations	(R'000)	**540 119**	784 608
Cash resources	(R'000)	**659 622**	675 966
Return on shareholders' funds	(%)	**24,3**	29,7
Employment			
Number of employees		**2 823**	2 759
Revenue per employee	(R'000)	**3 952**	4 043
Total employee costs	(R'000)	**817 551**	789 491

TRANSFORMATION AND EMPLOYMENT EQUITY

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

EMPLOYMENT EQUITY

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

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

The Board's philosophy regarding the appointment of management has been based on the concept of "merit with bias". Where there are a number of candidates who merit promotion to a particular position, then bias will be shown towards those from a disadvantaged background. It is not considered wise to promote managers, from whatever background, beyond their 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 2019, are tabled on page 21.

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

ALL EMPLOYEES	Male				Female				Foreign nationals		
Occupational levels	**A**	**C**	**I**	**W**	**A**	**C**	**I**	**W**	**M**	**F**	**Total**
Top management	1		6	48	4	3	1	9	1		**73**
Senior management	34	10	62	108	32	4	35	82	1		**368**
Professionally qualified and experienced specialists	260	38	155	201	126	21	41	76	4		**922**
Skilled technical and academically qualified	112	13	40	16	121	12	33	47	2		**396**
Semi-skilled	324	32	108	20	122	32	38	49	4		**729**
Unskilled	172	2	6	2	133	4	1	2	3	3	**328**
Total permanent	903	95	377	395	538	76	149	265	15	3	**2 816**
Temporary employees	6		3		2			1			**12**
Total August 2019	**909**	**95**	**380**	**395**	**540**	**76**	**149**	**266**	**15**	**3**	**2 828**
Total August 2018	**875**	**91**	**349**	**405**	**497**	**66**	**141**	**286**	**11**	**5**	**2 726**
DISABLED STAFF											
Occupational levels											
Top management				1			1				2
Senior management	1		2	2	1						6
Professionally qualified and experienced specialists	1		2	3	1		2	1			10
Skilled technical and academically qualified					1			2			3
Semi-skilled	3	1	2	1	2	1		1			11
Unskilled	4		4	2	1		1	2			14
Total August 2019	**9**	**1**	**10**	**9**	**6**	**1**	**4**	**6**			**46**
Total August 2018	**10**	**2**	**9**	**10**	**3**		**3**	**5**			**42**

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

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, and management believes in the value of skills transfer. The Group is mindful of the fact that many employees strive for career growth, and consequently the Group's focus 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 has 44 apprentices employed on this programme. In total 215 apprentices have qualified whilst employed in the Group in the past 11 years. In the current year 78% of those that qualified were retained as artisan technicians within the Group.

The Group continues to run various 12-month learnerships, specifically aligned towards the development of workshop and First Car Rental front-line personnel. The learnerships are aimed at unemployed and first-time employees from previously disadvantaged backgrounds, with a particular focus on African learners and learners with a disability. 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.

CORPORATE GOVERNANCE CONTINUED

During the year under review 40 new learnerships were registered. 34 Learners completed the learnership, of whom 10 were retained within the Group in a permanent capacity. 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 35 learners have registered for the 2020/2021 year across one of three different learnerships being offered.

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 2019 were independently audited during May 2019. The Group as a whole is verified using the generic codes and First Car Rental using the tourism sector codes. Despite the onerous targets and the challenging business environment, First Car Rental achieved a level 2 rating and the Group a level 4 rating. First Car Rental expects to maintain its rating in the coming year. The Group expects to drop one level to a level 5 rating as a result of amended regulations released in March 2020 which negatively impact the scorecard retrospectively.

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

B-BBEE SCORECARD RATINGS (independently audited)

	Max	Result 2019
Car Hire and Fleet division		
Ownership	27	**27,0**
Management control	19	**14,1**
Skills development	20	**18,7**
Enterprise and supplier development	40	**33,7**
Socio-economic development	5	**5,0**
	111	**98,5**
B-BBEE recognition level contributor		2
Total Group		
Ownership	25	**21,5**
Management control	19	**9,8**
Skills development	20	**12,8**
Enterprise and supplier development	40	**31,0**
Socio-economic development	5	**5,0**
	109	**80,1**
B-BBEE recognition level contributor		4

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.

Safety is the priority and responsibility of all employees. The dealer principal is the main responsible individual for HS matters at each dealership, with the CEO assuming ultimate responsibility for the Group. Dealer principals are supported by an independent specialist who conducts monthly site inspections and quarterly compliance audits across all operating sites controlled by the Group. Reports are provided to the relevant levels of management who are obliged to undertake any required remedial actions within agreed time frames. The audit results and improvement recommendations are reported to the audit and risk assessment committee.

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. It does, however, continue to focus on environmentally friendly business practices. Taking into consideration the nature of the business, the most significant opportunities for minimising its environmental impact are:

Reducing the consumption of water

In a water-scarce country like South Africa, management recognises that responsible use of this resource is critical. The Group rents the "CMH Green" waterless car wash system to 105 third party customers and uses the system 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 to reduce water consumption.

Reducing electricity consumption

The directors are aware of the negative impact which the above-inflationary increases in electricity have had on Group profitability and has continued to focus on reducing energy consumption. The Group has invested substantial amounts in energy-efficient lighting 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. In new properties that have been developed by third parties for use by the Group, management has ensured that similar initiatives are put in place by the owners of the properties.

The Group has four sites utilising solar power systems and the Board has committed to a further seven solar installations over the next 24 months at a cost of approximately R15 million.

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, particularly those with disabilities. The primary beneficiaries during the current year were:

- Teachers Across Borders South Africa;
- Namyeni Project Hope;
- Zimileni School for intellectually impaired Children;
- Zamokuhle Preschool;
- Ditsaba Primary School;
- Pure Hope Primary School;
- Feed a Nation Foundation;
- Action school for the blind; and
- Numerous children's homes and schools.

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

- Fulton School for the Deaf;
- the Unit for Students with Disabilities at the University of the Free State (two vehicles provided);
- The Mr Price Foundation; and
- The Domino Foundation.

REPORT OF THE AUDIT AND RISK ASSESSMENT COMMITTEE

This report has been compiled 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 29 February 2020. 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 work plan which aligns 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 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 chief executive officer attended portions of the meetings, if requested to by the committee.

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 Company and 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;
- taking appropriate steps to ensure that all entities included in the consolidated financial statements have established appropriate financial reporting procedures to allow the effective preparation of the financial statements, and that those procedures are operating effectively;
- considering and, when appropriate, making recommendations on the effectiveness of the internal financial controls;
- dealing with concerns or complaints relating to accounting policies, internal audit and internal financial controls;
- considering any whistle-blowing complaints;
- reviewing the report of the external auditor and the key audit matters; and
- recommending to the Board that the financial statements and integrated report be approved, and that the Group's status as a going concern be confirmed.

ENSURE THAT A COMBINED ASSURANCE MODEL IS APPLIED TO PROMOTE A CO-ORDINATED APPROACH TO ASSURANCE ACTIVITIES

The committee has satisfied itself that the combined assurance provided by internal and external assurance providers and management is sufficient to address significant risk areas within the Group and to ensure that suitable controls exist to mitigate and reduce these risks. Details of the Group's combined assurance model are set out in the King IV Code: Principle 15 on the Group's web site, 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 web site, 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 chairman meets with the chief audit executive 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 CMH and the Group for the past 44 years, it is independent of the Group, and able to express an objective opinion. The re-appointment of PricewaterhouseCoopers Inc, and lead partner, R Klute, 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 29 February 2020, it has performed all of the functions required to be performed by an audit committee.

ME Jones
Chairman, Audit and Risk Assessment Committee

22 June 2020

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 biannually 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;
- employees are incentivised to meet targets that align with stakeholder objectives;
- 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 collectively, the base salary has, over the past three years, comprised 54% 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 collectively, the value of benefits has, over the past three years, comprised 11% to 13% 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 collectively, the value of short term benefits has comprised 16%-28% 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 dependent 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 8% of dealer principals' total remuneration.
LONG TERM		
Share incentive scheme	To motivate senior employees to achieve long-term strategic financial objectives, aligned 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. Employees are encouraged, but not forced to retain the shares awarded. 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 collectively, the value of this long term benefit has comprised 6% to 15% of total remuneration over the past three years. The number of share appreciation rights granted during the year is recorded in note 14.2 to the consolidated financial statements.

REPORT OF THE REMUNERATION COMMITTEE CONTINUED

IMPLEMENTATION REPORT

Background statement

Remco's key area of focus during the year continued to be 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.

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 performance-related earnings of the executive directors in respect of the year ended 29 February 2020 are tabled on page 29. 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 had a weighting of 72%-79%, and non-financial issues, 21%-28%.

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

During January/February 2019, when the budgets for the year were being finalised, much hope was centred on the new dispensation promised by the upcoming May elections. Unfortunately this did not lead to meaningful economic growth. National car sales were flat, and a boost to the revenue line, the missing ingredient from the 2019 year, was again absent. The difficulty of setting challenging, fair, and motivational remuneration structures in an unstable and unpredictable climate necessitates the periodic revisit and reset of targets. This is a standing Remco agenda item and will be done each year after the half-year results are analysed.

The short-term performance-related remuneration of executive directors was calculated as follows:

Director	Minimum R'000	On-target R'000	%	Maximum R'000	Achievement R'000
BWJ Barritt					
HEPS growth %	–	175	7	400	–
Return on shareholder funds %	–	70	3	150	–
Car Hire profit growth %	–	1 750	70	2 700	415
Non-financial KPIs	–	500	20	850	750
	–	2 495	100	4 100	1 165
SK Jackson					
HEPS growth %	–	1 200	47	2 050	–
Return on shareholder funds %	–	650	25	900	–
Non-financial KPIs	–	700	28	1200	1 050
	–	2 550	100	4 150	1 050
JD McIntosh					
HEPS growth %	–	1 950	47	3 650	–
Return on shareholder funds %	–	1 000	24	1 650	–
Non-financial KPIs	–	1 200	29	2 000	1 785
	–	4 150	100	7 300	1 785

Performance-related payments

At the time of finalising remuneration structures the country was under Covid-19 lockdown restrictions, level 4. None of the Group's businesses was fully operational, and there had been no decision as to when they would be allowed to open.

As a consequence, the performance-related structures prepared in drafts earlier in the year are now considered to be redundant and will need to be revised. In the current scenario it is impossible to gauge the start date, the initial level of business, or the time-frame over which it will return to some form of normality and predictability.

In the circumstances, Remco has decided that performance-related awards in respect of the year ahead are unable to be determined in advance. Using, as a guideline, the scale of awards applied during the year past, Remco will determine fair levels of remuneration on a subjective retrospective basis. The determination will take into account the performance of the Group relative to that of the economy, specifically the retail motor market, and comparison with the Group's peers.

By way of general guidelines, Remco has agreed with the executive directors that:

- there will be no increase in their basic salary during the year ahead;
- they will accept a reduction in basic salary of 15-20%. The salary reduction will apply from 1 June 2020 to a date to be decided by Remco at its October meeting, or 28 February 2021, whichever is sooner; and
- scale of performance-related remuneration will not exceed the minimum, on-target, and maximum values targeted last year.

Non-executive directors' fees

The fees of the non-executive directors comprise an annual retainer component and attendance fee for scheduled meetings. Non-executive directors do not receive short-term incentives nor do they participate in any long-term incentive schemes. The non-executive directors have agreed not to increase their fees and to accept a reduction of 20% of the retainer component of their fees. The fee reduction will apply from 1 June 2020 to a date to be decided by Remco at its October meeting, or 28 February 2021, whichever is sooner.

Full details of the fee structure are recorded in the Notice of Annual General Meeting, on page 87.

REPORT OF THE REMUNERATION COMMITTEE CONTINUED

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 resolutions are contained in the Notice of Annual General Meeting, on page 87. At the 2019 annual general meeting 100% of voting shareholders approved the resolutions for non-executive directors' fees, other than those of the Chairman, where dissenting votes of 5% were recorded.

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 86, records the proposed resolutions. At the 2019 annual general meeting the Remuneration Policy was endorsed by 94% of voting shareholders and the Implementation Report by 100% of voting shareholders. Remco did engage with those who voted against the Remuneration Policy in 2019. Their concerns have been considered and where appropriate incorporated into the Remuneration Policy.

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

22 June 2020

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 the 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 social, ethics and transformation 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 fulfill this purpose, the associated responsibilities of the committee are to:

- monitor the Group's activities, having regard to relevant legislation, 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 areas of focus during the reporting period were:

- oversight of initiatives to improve the B-BBEE scorecard rating; and
- approval of the Employment Equity Plan and the strategies in place to eliminate employment barriers and to promote demographic representation in the workplace.

The committee is pleased with the Group's current scorecard ratings and will continue to focus on maintaining these ratings, with particular emphasis on meeting the minimum criteria on each of the priority elements.

Key areas of focus will be to:

- assess progress towards the achievement of targets and goals set out in the Employment Equity Plan ("Plan") approved in 2019. Page 14 of this integrated annual report sets out the measures implemented by management in response to the lockdown of the South African economy arising from the COVID-19 pandemic. The committee will assess the impact of those measures, in particular those implemented to reduce employee costs, on the Group's ability to meet the targets and goals set out in the Plan. Should the Plan be determined to no longer be achievable, a new Plan will need to be developed in accordance with the Employment Equity Act; and
- assess and monitor the COVID-19 related measures that have been put in place by management, in particular as they relate to health and safety of the company's employees, customers and other stakeholders.

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 and that there are no instances of material non-compliance to disclose.

The committee is satisfied that it 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

22 June 2020

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

FOR THE YEAR ENDED 29 FEBRUARY 2020

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

The directors are responsible for the preparation, integrity and fair presentation of the financial statements. The financial statements presented on pages 40 to 85 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the SAICA Financial Reporting Guides, as issued by the Accounting Practices committee, Financial Pronouncements, as issued by the Financial Reporting Standards Council, and in the manner required by the Companies Act, 2008, and include amounts based on judgements and estimates made by management.

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

The directors are satisfied that the information contained in the financial statements fairly presents the results of operations for the year and the financial position of the Company and 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 Company and the Group to enable the directors to ensure that the financial statements comply with the relevant legislation.

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

The Company and the Group operated in compliance with the provisions of the Companies Act, 2008 and their Memoranda of Incorporation.

The going-concern basis has been adopted in preparing the financial statements. The directors believe that the Company and 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 Company and the Group.

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

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

JD McIntosh
Chief executive officer
22 June 2020

SK Jackson
Financial director

CERTIFICATION BY THE COMPANY SECRETARY

In my capacity as company secretary, I hereby confirm that, for the year ended 29 February 2020, 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

22 June 2020

DIRECTORS' REPORT

FOR THE YEAR ENDED 29 FEBRUARY 2020

Your directors have pleasure in submitting their report on the affairs of the Company and the Group during the year ended 29 February 2020.

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

OPERATING RESULTS

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

SHARE CAPITAL

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

DIVIDENDS

The following dividends were declared during the year under review:

	2020 R'000	2019 R'000
Dividend number 63: 61 cents, declared 18 October 2019	**45 628**	–
Dividend number 62: 115 cents, declared 16 April 2019	**86 023**	–
Dividend number 61: 61 cents, declared 11 October 2018	**–**	45 628
Dividend number 60: 115 cents, declared 12 April 2018	**–**	86 023
	131 651	131 651

RESOLUTIONS

At the annual general meeting of shareholders held on 30 May 2019, 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:

JS Dixon (independent non-executive chairman)

JD McIntosh (chief executive officer)

BWJ Barritt (executive)

LCZ Cele (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, represent the key management of the Group.

LCZ Cele and JA Mabena retire by rotation at the forthcoming annual general meeting but, being eligible, offer themselves for re-election. A brief curriculum vitae of each of the directors appears in the Notice of Annual General Meeting on page 88.

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

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

DIRECTORS' REPORT CONTINUED

FOR THE YEAR ENDED 29 FEBRUARY 2020

DIRECTORS' SHAREHOLDING

Details of the directors' direct and indirect shareholding in the Company are reflected on page 83.

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

SUBSIDIARIES

Full details of the Company's subsidiaries are set out on page 80.

The results of the subsidiaries, so far as concerns the Company, comprise aggregate income and losses for the year, after taxation, of R175 523 000 (2019: R214 326 000) and R1 257 000 (2019: Rnil) respectively.

AUDITOR

At the annual general meeting, shareholders will be requested to appoint PricewaterhouseCoopers Inc. as the Group's auditor for the 2021 financial year. It is noted that R Klute will be the individual registered auditor who will undertake the audit.

SUBSEQUENT EVENTS

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

Umhlanga Ridge
22 June 2020

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 29 FEBRUARY 2020

To the Shareholders of Combined Motor Holdings Limited

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

OUR OPINION

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Combined Motor Holdings Limited (the Company) and its subsidiaries (together the Group) as at 29 February 2020, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

WHAT WE HAVE AUDITED

Combined Motor Holdings Limited's consolidated and separate financial statements set out on pages 40 to 83 comprise:

- the Group and Company statements of financial position as at 29 February 2020;
- the Group and Company statements of comprehensive income for the year then ended;
- the Group and Company statements of changes in equity for the year then ended;
- the Group and Company statements 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 and separate 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 sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the International Ethics Standards Board for Accountants' International *Code of Ethics for Professional Accountants (including International Independence Standards)* respectively.

OUR AUDIT APPROACH

Overview

Materiality

Overall Group materiality:

- R55,8 million, which represents 0.5% of consolidated revenue.

Group scoping

Group audit scope:

- The consolidated financial statements are a consolidation of eleven components. For Group reporting requirements, eight of the components were subject to full scope audits based on their financial significance. We performed analytical review procedures over the remaining components.

Key audit matters

Key audit matters:

- Determination of the carrying value of car hire fleet vehicles; and
- Implementation of International Financial Reporting Standard 16: Leases ("IFRS 16")

INDEPENDENT AUDITOR'S REPORT CONTINUED

FOR THE YEAR ENDED 29 FEBRUARY 2020

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate 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	**R55,8 million**
How we determined it	0.5% of consolidated revenue
Rationale for the materiality benchmark applied	We have selected consolidated 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 value per unit, 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 consolidated financial statements are a consolidation of eleven companies (the "components"), comprising the Group's operating businesses, including retail motor, car hire, financial services, and corporate services. Eight of these components were considered to be significant to the Group due to their contribution to consolidated revenue, consolidated assets and consolidated profit before taxation. Full scope audits were performed on these components for Group reporting purposes. We performed analytical review procedures over the remaining components. In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed by us, as the Group engagement team, to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We communicate the key audit matters that relate to the audit of the consolidated financial statements of the current period in the table below. We have determined that there are no key audit matters with regard to the audit of the separate financial statements of the Company of the current period to communicate in our report.

Key audit matter	How our audit addressed the key audit matter
DETERMINATION OF THE CARRYING VALUE OF CAR HIRE FLEET VEHICLES	
This key audit matter relates to the audit of the consolidated financial statements. As at 29 February 2020, the carrying value of the Group's car hire fleet vehicles was R713 million. The Group reviews the car hire fleet vehicles' useful lives and residual values and adjusts these, if appropriate, at each financial year-end. The depreciation is calculated by reducing the vehicles' cost to the estimated residual value over the estimated useful life. In determining the estimated residual value and remaining useful life of the car hire fleet vehicles, management considers the kilometres travelled, condition of the vehicles, 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. The estimates require judgement due to the uncertainty involved in estimating the useful lives and selling prices. Any material change to the estimates in determining the residual values and remaining useful lives of car hire fleet vehicles, may result in changes to the depreciation charge for the year and the carrying value of the car hire fleet vehicles. Accordingly, the determination of the carrying value of car hire fleet vehicles was considered to be a matter of most significance to the current year audit. Refer to notes 1.3, 3.1 and 6 to the consolidated financial statements for the relevant disclosures in respect of the car hire fleet vehicles..	We assessed the reasonableness of management's estimates applied in determining the carrying value of car hire fleet vehicles by performing the following procedures: ▪ We obtained the latest third party automotive industry forecasts to understand the prevailing market conditions and found the residual value judgements made by management to be in line with the industry forecasts; ▪ We performed a physical asset inspection for a sample of car hire fleet vehicles at year end to assess the condition of the vehicles and found them to be in line with the condition estimated by management; ▪ We considered realised residual values on disposals in the current and previous five years and found the current year judgements made by management to be in line with this five-year history; ▪ For a sample of car hire fleet vehicles at year end, we tested management's estimate based on 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 found that, for this sample, management's estimate was within a reasonable range of current selling prices of similar vehicles at the end of their useful lives; and ▪ 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 establishing our independent expectation of useful lives. Based on our work performed, we accepted management's estimate.
IMPLEMENTATION OF INTERNATIONAL FINANCIAL REPORTING STANDARD 16: LEASES ("IFRS 16")	
This key audit matter relates to the audit of the consolidated financial statements. IFRS 16 became effective in the current year and was adopted using the retrospective approach. As at 29 February 2020, the Group recognised a right-of-use asset of R466 million (2019: R468 million) and a lease liability of R584 million (2019: R568 million). Management has applied judgement in calculating the discount rate applicable, determining the lease terms as well as the classification of short-term lease agreements. The Group has elected the practical expedient to apply a single, Group discount rate to its portfolio of property leases. These property leases are considered to have similar characteristics and therefore carry the same degree of risk.	We obtained the Group's IFRS 16 calculation of the right-of-use asset, lease liability, depreciation charge and interest on the lease liability and performed the following procedures: ▪ We tested the mathematical accuracy of the calculation and noted no material differences; ▪ For a sample of leases, we agreed key inputs used in the calculation to the original lease agreements and found no exceptions; ▪ We assessed the completeness of the leases included in management's calculations by agreeing a sample of the Group's existing lease commitments to the leases included in the IFRS 16 calculation, as well as inspecting minutes of meetings to identify new lease arrangements. We noted no material differences; ▪ Making use of our IFRS expertise, we assessed the judgement applied by management in applying a single discount rate to their portfolio of property leases by comparing the characteristics across the leases and we accepted management's assessment as being reasonable;

INDEPENDENT AUDITOR'S REPORT CONTINUED

FOR THE YEAR ENDED 29 FEBRUARY 2020

Key audit matter	How our audit addressed the key audit matter
IMPLEMENTATION OF INTERNATIONAL FINANCIAL REPORTING STANDARD 16: LEASES ("IFRS 16") CONTINUED	
The Group has lease agreements that contain extension options. When management has exercised their judgement that it is not reasonably certain that extension options will be exercised, these have been excluded from the lease liability and right-of-use asset as at 29 February 2020. Management has also exercised their judgement that leases for which either party has a right to cancel within a 12-month period with no significant consequential termination costs, have been classified as short-term leases. The Group has a high volume of leases, some of which have been in place for a number of years. Given the complexity and judgements involved in applying the new standard, as well as the new disclosure requirements, the implementation of IFRS 16 was considered to be a matter of most significance to the current year audit. Refer to notes 1.4, 3.2, 5, 16, 30 and 33.1 to the consolidated financial statements for the relevant disclosures in respect of the IFRS 16 implementation and the key estimates and judgements applied.	▪ Making use of our IFRS expertise, we assessed the judgement applied by management in determining the classification of short-term leases and the exclusion of extension options on certain leases. For a sample of leases, we evaluated the lease terms applied by management, including extension options, by inspecting the underlying contracts and considering factors such as past history of terminating or renewing a lease, the economic incentive to extend the lease and the likelihood of the option being exercised. Based on the work that we performed, we accepted the lease terms used by management, as well as management's classification of short term leases; ▪ We independently calculated the discount rates used by management based on the Group's incremental borrowing rate and the prime lending rates at inception of the leases. We compared these to the discount rates used by management in their calculation and found no exceptions; and ▪ We assessed the disclosures made by management against the requirements of IFRS 16.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the document titled "Combined Motor Holdings Limited Integrated Annual Report 2020", 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. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate 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 and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether it is materially inconsistent with the consolidated and separate 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 AND SEPARATE FINANCIAL STATEMENTS

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

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's and the Company'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 and/or the Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 and separate 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 and separate 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 and the Company'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 and the Company'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 and separate 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 and / or Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate 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 and separate 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 44 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.

Director: RD Klute
Registered Auditor

Durban
22 June 2020

SEGMENT INFORMATION

FOR THE YEAR ENDED 29 FEBRUARY 2020

	Total R'000	%	Retail motor R'000	%	Car hire R'000	%	Financial services R'000	%	Corporate services/other R'000	%
2020										
Segment revenue	11 192 934	100	10 511 616	94	508 514	5	92 724	1	80 080	–
Inter-segment revenue	(36 767)	100	–	–	–	–	–	–	(36 767)	100
External revenue	11 156 167	100	10 511 616	94	508 514	5	92 724	1	43 313	–
Operating profit	417 280	100	280 945	67	104 870	25	38 049	9	(6 584)	(1)
Finance income	38 743	100	–	–	13	–	6 588	17	32 142	83
Finance costs	(193 243)	100	(130 896)	68	(59 705)	31	–	–	(2 642)	1
Profit before taxation	262 780	100	150 049	57	45 178	17	44 637	17	22 916	9
After charging										
– employee costs	817 551	100	671 362	82	91 031	11	–	–	55 158	7
– depreciation										
– plant and equipment	33 881	100	26 077	77	3 545	10	–	–	4 259	13
– car hire fleet vehicles	118 713	100	–	–	118 713	100	–	–	–	–
– right-of-use assets	112 583	100	103 549	92	7 032	6	–	–	2 002	2
Total assets	3 650 301	100	2 099 491	58	803 262	22	43 078	1	704 470	19
Total liabilities	2 835 180	100	1 991 667	70	763 967	27	–	–	79 546	3
Goodwill at year-end	31 828	100	31 828	100	–	–	–	–	–	–

	Total R'000	%	Retail motor R'000	%	Car hire R'000	%	Financial services R'000	%	Corporate services/other R'000	%
2019 (restated)										
Segment revenue	11 196 974	100	10 523 718	93	512 561	5	82 591	1	78 104	1
Inter-segment revenue	(42 217)	100	–	–	–	–	–	–	(42 217)	100
External revenue	11 154 757	100	10 523 718	94	512 561	5	82 591	1	35 887	–
Operating profit	449 384	100	315 716	70	96 591	21	34 824	8	2 253	1
Finance income	23 769	100	–	–	203	1	6 601	28	16 965	71
Finance costs	(181 720)	100	(129 954)	72	(48 504)	27	–	–	(3 262)	1
Profit before taxation	291 433	100	185 762	64	48 290	17	41 425	14	15 956	5
After charging										
– employee costs	789 491	100	643 266	82	89 111	11	–	–	57 114	7
– depreciation										
– plant and equipment	28 774	100	21 314	74	3 395	12	–	–	4 065	14
– car hire fleet vehicles	118 716	100	–	–	118 716	100	–	–	–	–
– right-of-use assets	100 180	100	91 442	91	6 736	7	–	–	2 002	2
Total assets	3 591 076	100	1 907 591	53	916 329	26	37 531	1	729 625	20
Total liabilities	2 835 621	100	1 875 435	66	877 482	31	–	–	82 704	3
Goodwill at year-end	8 078	100	8 078	100	–	–	–	–	–	–

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

GROUP STATEMENT OF FINANCIAL POSITION

AS AT 29 FEBRUARY 2020

	Notes	2020 R'000	Restated 2019 R'000	Restated 2018 R'000
ASSETS				
Non-current assets				
Plant and equipment	4	**84 818**	71 431	64 967
Right-of-use assets	5	**466 094**	468 126	370 432
Car hire fleet vehicles	6	**713 315**	813 102	760 282
Goodwill	7	**31 828**	8 078	8 078
Insurance receivable	8	**43 078**	37 530	45 144
Deferred taxation	9	**60 068**	50 945	50 381
		1 399 201	1 449 212	1 299 284
Current assets				
Inventories	10	**1 323 858**	1 160 680	1 164 428
Trade and other receivables	11	**267 606**	304 770	311 635
Taxation paid in advance		**14**	448	1 369
Cash and cash equivalents	12	**659 622**	675 966	372 882
		2 251 100	2 141 864	1 850 314
Total assets		**3 650 301**	3 591 076	3 149 598
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	13	**38 091**	38 091	38 091
Share-based payment reserve	14	**12 747**	10 927	8 873
Retained earnings		**762 925**	704 935	634 684
Ordinary shareholders' equity		**813 763**	753 953	681 648
Non-controlling interest		**1 358**	1 502	1 229
Total equity		**815 121**	755 455	682 877
Non-current liabilities				
Borrowings	15	**95 764**	287 419	60 081
Lease liabilities	16	**481 750**	476 420	370 072
		577 514	763 839	430 153
Current liabilities				
Trade and other payables	17	**1 552 939**	1 460 215	1 452 888
Borrowings	15	**599 302**	514 194	503 600
Lease liabilities	16	**102 689**	91 525	74 703
Current tax liabilities		**2 736**	5 848	5 377
		2 257 666	2 071 782	2 036 568
Total liabilities		**2 835 180**	2 835 621	2 466 721
Total equity and liabilities		**3 650 301**	3 591 076	3 149 598

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 29 FEBRUARY 2020

		Notes	2020 R'000	Restated 2019 R'000
Revenue		18	11 156 167	11 154 757
Cost of sales		20	(9 291 278)	(9 329 488)
Gross profit			1 864 889	1 825 269
Other income		19	19 971	22 634
Selling and administration expenses		20	(1 467 580)	(1 398 519)
Operating profit			417 280	449 384
Finance income		21	38 743	23 769
Finance costs		22	(193 243)	(181 720)
Profit before taxation			262 780	291 433
Tax expense		23	(72 405)	(77 787)
Total profit and comprehensive income			190 375	213 646
Attributable to:				
Equity holders of the company			190 519	213 373
Non-controlling interest			(144)	273
			190 375	213 646
EARNINGS PER SHARE		24		
Basic	(cents)		254,7	285,3
Diluted basic	(cents)		254,7	282,8

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 29 FEBRUARY 2020

	Share capital R'000	Share-based payment reserve R'000	Retained earnings R'000	Attributable to equity holders of the company R'000	Non-controlling interest R'000	Total equity R'000
Balance at 28 February 2018 (as previously reported)	38 091	8 873	651 439	698 403	1 229	699 632
Impact of change in accounting policy			(16 755)	(16 755)		(16 755)
Balance at 28 February 2018 (restated)	38 091	8 873	634 684	681 648	1 229	682 877
Total profit and comprehensive income (restated)			213 373	213 373	273	213 646
Release following exercise of share appreciation rights		(3 160)	3 160			
Cost of shares delivered in terms of share appreciation rights scheme			(14 631)	(14 631)		(14 631)
Share-based payment charge		5 214		5 214		5 214
Dividends paid			(131 651)	(131 651)		(131 651)
Balance at 28 February 2019 (restated)	38 091	10 927	704 935	753 953	1 502	755 455
Total profit and comprehensive income			190 519	190 519	(144)	190 375
Release following exercise of share appreciation rights		(3 653)	3 653			
Cost of shares delivered in terms of share appreciation rights scheme			(4 531)	(4 531)		(4 531)
Share-based payment charge		5 473		5 473		5 473
Dividends paid			(131 651)	(131 651)		(131 651)
Balance at 29 February 2020	38 091	12 747	762 925	813 763	1 358	815 121

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 29 FEBRUARY 2020

	Notes	2020 R'000	Restated 2019 R'000
Cash flows from operating activities			
Cash generated from operations	25	**540 119**	784 608
Taxation paid	26	**(78 818)**	(74 435)
Net cash movement from operating activities		**461 301**	710 173
Cash flows from investing activities			
Purchase of plant and equipment		**(50 115)**	(38 927)
Proceeds on disposal of plant and equipment		**3 377**	3 470
Investment in special purpose entities conducting insurance underwriting activities		**(3 500)**	–
Dividend received from special purpose entities conducting insurance underwriting activities		**11 371**	13 905
Acquisition of dealerships	34	**(47 615)**	–
Net cash movement from investing activities		**(86 482)**	(21 552)
Cash flows from financing activities			
Cost of shares delivered in terms of share appreciation rights scheme		**(4 531)**	(14 631)
Finance income received	27	**32 155**	17 168
Finance costs paid	22	**(193 243)**	(181 720)
Principal element of lease liability repayments	28	**(93 893)**	(74 703)
Dividends paid	29	**(131 651)**	(131 651)
Net cash movement from financing activities		**(391 163)**	(385 537)
Net movement in cash and cash equivalents		**(16 344)**	303 084
Cash and cash equivalents at beginning of year		**675 966**	372 882
Cash and cash equivalents at end of year	12	**659 622**	675 966

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 financial statements are for the Group consisting of Combined Motor Holdings Limited and its subsidiaries as disclosed on page 80.

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

New and revised standards and interpretations in issue and effective which are applicable to the Group

The Group has applied IFRS 16: Leases from 1 March 2019. This has necessitated a change in accounting policy in respect of operating lease contracts. The Group has transitioned to IFRS 16 using the retrospective approach. As a consequence, adjustments made have been recognised in the financial statements of all comparative periods presented. Further details are provided in note 33.

Other than IFRS 16, there are no standards, amendments or interpretations that became effective during the year that are relevant to the Group and no standards, amendments or 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, 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 amongst 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".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29 FEBRUARY 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

1.4 Leases

The Group leases all the properties from which it operates. At inception of a contract the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group determines that it has the right to control the use of an identified asset when it has the right to obtain substantially all of the economic benefits from the use of the asset or where it has the right to direct the use of the asset, for the period of the agreement.

Lease periods vary from 12 months to 10 years. Lease terms are negotiated on an individual basis and contain a range of different terms and conditions. Lease rentals payable escalate at a fixed rate as set out in the lease agreements and there are no variable lease payments based on sales or any other index. The lease agreements do not impose any covenants on the Group. Leased assets may not be used as security for borrowing purposes.

In prior financial years, leases of property, plant and equipment were classified as operating leases under IAS17: Leases. From 1 March 2019, leases are accounted for in terms of IFRS 16: Leases (see note 33 for details of the change in accounting policy). Accordingly, the Group now recognises right-of-use assets and corresponding lease liabilities at the lease commencement date.

Right-of-use assets

Right-of-use assets are initially measured at cost comprising the amount of the initial measurement of the lease liability.

The right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment. Depreciation is provided using the straight-line method over the shorter of each asset's useful life and the lease term.

Lease liabilities

The lease liabilities are initially measured at the present value of the contractual lease payments that are unpaid at the commencement date, calculated using the Group's incremental borrowing rate at the lease commencement date.

The incremental borrowing rate is the estimated rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. To determine the incremental borrowing rate, the Group uses recent third-party financing received and applies adjustments specific to the lease, such as term and security, and to reflect changes in financing conditions since third party financing was last received.

Lease payments included in the measurement of the lease liability comprise fixed contractual payments, including those to be made under reasonably certain extension options.

The lease liability is subsequently increased by the finance cost on the liability, calculated using the effective-interest-rate method, and decreased by repayments made, such that the remaining liability at the end of each reporting period is the present value of the remaining lease payments. The finance cost is charged to profit or loss over the lease period.

Short-term leases and leases of low-value assets

Short-term leases are those where the Group has an unconditional right-of-use for a period not exceeding 12 months. Low-value assets comprise primarily office equipment. Payments made under short-term leases and leases of low-value assets are charged to the statement of comprehensive income when incurred.

Extension options

Certain lease agreements contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period.

The Group assesses at lease commencement whether it is reasonably certain to exercise the extension options. If so, the lease liability on commencement date will include the present value of rentals payable under the extended period.

The Group has concluded that it is not reasonably certain to exercise any of the options available to it at the end of the reporting period. In the event that the Group does decide to exercise an option that it did not include in the initial lease liability, the lease liability will be recalculated as at the date that it becomes reasonably certain that the option will be exercised, having regard for the lease payments in respect of the extended period. The value of the right-of-use asset will be adjusted accordingly and the resultant asset depreciated over the extended lease period or the remaining useful life of the asset, whichever is the shorter.

Sub-leases

The Group acts as a lessor where it sub-leases some of its leased properties on a short-term basis. These sub-leases are classified as operating leases and the lease income is included in "Other income" in the statement of comprehensive income on a straight-line basis.

1.5 Goodwill

Goodwill represents the future economic benefits arising from assets that are not capable of being individually identified and separately recognised in a business combination and is determined as the excess of the cost of acquisition over the fair value of the Group's share of 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 is recognised as an asset and 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 is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment is recognised. Impairment losses on goodwill are not reversed.

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

1.6 Financial assets

Financial assets comprise "Trade receivables" and "Cash and cash equivalents" which the Group classifies as those to be measured at amortised cost. The classification depends on the Group's business model for managing the asset, and the cash flow characteristics of the asset. Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal debt, are classified as those to be measured at amortised cost. The classification is determined at initial recognition. These 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. 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 impairment of financial assets is determined by assessing, on a forward-looking basis, the expected credit losses associated with its financial assets. The amount of the impairment is recognised in the statement of comprehensive income within "Selling and administration expenses".

Trade receivables

The Group holds trade receivables with the objective of collecting the contractual cash flows, and therefore classifies them as those to be measured at amortised cost.

Trade receivables are impaired using the simplified approach permitted by IFRS 9. This requires expected credit losses from all possible default events over the expected life of the trade receivables to be recognised on inception.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, a failure to make contractual payments for a period of greater than 90 days after initial recognition and the failure of a debtor to engage in a repayment plan with the Group. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29 FEBRUARY 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

1.7 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income and is calculated on the basis of 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 at the year-end and are expected to apply when the related deferred taxation asset is realised or the deferred taxation liability is settled.

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

1.8 Inventories

Inventories are stated at the lower of cost and net realisable value, due recognition having been made for 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.

1.9 Share capital

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

1.10 Financial liabilities

The Group has the following financial liabilities:

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

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

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

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

1.11 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.

1.12 Revenue recognition

Revenue recognised under IFRS 15: Revenue from Contracts with Customers

Revenue accounted for using IFRS 15 is recognised when control of the goods or services transfers to the customer, the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity. Revenue is measured at the transaction price, after discount, of the sale of goods and services in the ordinary course of business, excluding value-added tax, and after eliminating sales within the Group. Revenue is measured as a fixed fee and has no variability nor recoupment. No significant element of financing is deemed present as the sales are made with a credit term of 30 days or less, which is consistent with market practice.

The Group derives revenue from the sale of the following products and services:

Products and services	Nature, timing of satisfaction of performance obligations and significant payment terms
Sales of motor vehicles, parts and accessories	Revenue on the sale of motor vehicles, parts and accessories is recognised "at a point in time" when the goods have been supplied to the customer. The satisfaction of the performance obligation occurs on delivery or collection of the product. Included in the selling price of certain new vehicles are vehicle manufacturer warranties and/ or service plans. The Group acts as an agent in this regard, and the performance obligations arising therefrom lie with the vehicle manufacturer. When the vehicles are returned to the Group to fulfil the terms of the warranty or service plan, the costs incurred by the Group are reimbursed by the manufacturer. Where an incentive is received from a vehicle manufacturer and is passed onto a customer, the amount of the incentive is taken into account in determining the revenue amount. Where the customer trades in a vehicle immediately prior to purchasing another vehicle, the fair value of the trade-in is applied as non-cash consideration in part-settlement of the customer's obligation in relation to the transaction price. Vehicles are paid for prior to delivery, though the finance houses may take a few days to settle outstanding amounts. Parts are either paid for on delivery or within 30 days, dependent upon whether the customer has pre-approved trade terms.
Services through the workshop departments	Revenue arising from services provided through the workshop is recognised "at a point in time" upon completion of the service. Where the Group services a customer's vehicle, a job card is maintained for each service keeping track of labour, parts and costs incurred on a particular job. Revenue is recognised upon completion of the service as this is when, in the Group's judgement, the Group has obtained the right to receive payment and the customer has obtained benefits from the service provided. Other than in exceptional circumstances, vehicles are received, serviced and delivered back to the customer on the same day. Consequently this revenue is classified as recognised "at a point in time". The number of vehicles that are serviced over a longer period is immaterial and does not justify alternative recognition classification. Payment of the transaction price in respect of services through workshop is due upon completion of the service or within one month, dependent upon whether the customer has pre-approved trade terms.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29 FEBRUARY 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

1.12 Revenue recognition continued

Commission income	The Group earns revenue in the form of commission from the facilitation of customer finance, and the sale of vehicle accessories, short-term insurance policies and extended warranty and service plans. The commission arises where the Group acts as an agent on behalf of various service providers. Commission income is recognised "at a point in time" when the Group's obligation in terms of these transactions is satisfied. This occurs when control of the associated vehicle transfers to the customer, typically on delivery to the customer. Thereafter the Group has no further obligation to the service provider nor to the end customer as all performance obligations relating to these products are underwritten by the service provider. Commission revenue is received within a few days after delivery of the vehicle to the customer.

Other forms of revenue

Revenue relating to car hire services is recognised on a straight-line basis over the hire period applying the principles of IFRS 16: Leases.

Premium income on insurance products from underwriting activities (refer note 1.16) is recognised over the contract period, calculated on a time-proportionate basis, applying the principles of IFRS 4: Insurance Contracts.

1.13 Finance income

Interest income is recognised as it accrues, taking into account the effective yield on the asset.

1.14 Dividends

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

1.15 Segment reporting

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

The various segments of the Group are each subject to risks and returns that are different to other business segments. The principal business segments identified within the Group are retail motor, car hire and financial services. The corporate services/other segment contains the Group's treasury function, 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.

1.16 Underwriting activities

Underwriting activities are conducted through special purpose entities, managed by external financial service providers, on commercial terms and conditions and at market rates. 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.

In accordance with IFRS 4: Insurance Contracts, the activities for the year are included in the statement of comprehensive income on a line-by-line basis.

The value of the Group's investment in the special purpose entities, being its initial share investment plus the net result of the special purposes entities' current and prior years' activities, is presented in the statement of financial position as "Insurance receivable".

The results of these activities are recorded in the segment report in "Financial Services".

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 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 at year-end, the profit before taxation for the year would have been lower or higher by R3 341 000 (2019: R4 008 000) 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

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 taking into account their financial position, past experience and other factors. All trade receivables are subject to the Group's standard credit terms and are due within a period of 1 to 60 days after sale and are therefore classified as current. There are no significant concentrations of credit risk.

To measure the expected credit losses, trade receivables are grouped based on the days outstanding since initial recognition. When calculating the impairment, the Group first considers those receivables where there are clear indicators that there has been a significant increase in the expected credit loss since initial recognition. The impairment of these receivables is calculated taking into consideration all reasonable and supportable information that is available, and that is relevant for assessing the extent of the increase in credit risk since initial recognition. Having considered those trade receivables, the remainder are categorised based on their ageing profile and an impairment determined using the following provisioning matrix:

		Expected loss rate for ageing profile		
	Terms	0 to 60 days	61 to 90 days	90+ days
Banks with the country's highest long-term credit rating	1 day	0%	–	–
Corporate and fleet customers	30 days	*0%	10%	30%
Individual, parts and workshop customers	1 to 60 days	*0%	10%	30%
Fleet and warranty claims from motor manufacturers	30 days	0%	–	–

** Rounded down to nearest percentage*

The expected loss rates are based on the historical credit losses experienced on each category of trade receivables over the past 60 months. Where there have been no bad debts, the expected credit loss is 0%. The historical loss rates are adjusted, if necessary, to reflect current and forward-looking information on macro-economic factors affecting the ability of the customers to settle the receivables. The Group has identified the South African lending rate and the national economic growth rate to be the most relevant factors, and accordingly considers the historical loss rates based on expected changes in these factors. The Group has not deemed it necessary to adjust the loss rates during the current financial year.

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 11.

Cash and cash equivalents

Cash and cash equivalents are placed only with major financial institutions with the country's highest long-term credit rating. These institutions have a low risk of default and a strong capacity to meet contractual cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29 FEBRUARY 2020

2. FINANCIAL RISK MANAGEMENT CONTINUED

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 contractual undiscounted maturities of the Group's financial and lease liabilities are:

	Less than 1 year	1 – 2 years	3 – 5 years	More than 5 years
Borrowings	599 302	95 764	–	–
Lease liabilities	154 852	134 382	290 977	219 131
Trade and other payables	1 552 989	–	–	–
Total	2 307 093	230 146	290 977	219 131

These liabilities are expected to be settled from the proceeds of ongoing operations, and 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 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 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. Management has the option to shorten or lengthen the actual life of fleet vehicles, so as to optimise the relationship between the carrying value and the resale value. This exercise requires judgement because the estimate of future lives and selling prices carries a level of uncertainty.

3.2 Classification of short-term lease agreements

The Group occupies a number of properties in terms of lease contracts which may be terminated by both the lessor and the lessee, without penalty, after a notice period of 12 months or less. Management has considered the guidance in IFRS 16: Leases, and the IFRIC decision issued in November 2019. It has concluded that, despite the Group having occupied some of the premises for a lengthy period, its right of future occupation is contractually restricted and management does not consider consequential termination costs to be significant. Consequently the leases have been classified as short-term in terms of IFRS 16: Leases.

4. 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
4.1 Details of plant and equipment					
At 29 February 2020					
Cost	258 830	31 610	62 646	159 296	5 278
Accumulated depreciation	(174 012)	(29 676)	(43 066)	(99 699)	(1 571)
Net book value	84 818	1 934	19 580	59 597	3 707
At 28 February 2019					
Cost	236 707	40 063	59 833	131 810	5 001
Accumulated depreciation	(165 276)	(34 355)	(39 588)	(89 383)	(1 950)
Net book value	71 431	5 708	20 245	42 427	3 051
4.2 Reconciliation of movement					
Net book value 28 February 2018	64 967	8 803	17 696	34 664	3 804
Additions	38 927	1 050	11 465	23 935	2 477
Disposals	(3 689)	–	(1 483)	(552)	(1 654)
Depreciation charge	(28 774)	(4 145)	(7 433)	(15 620)	(1 576)
Net book value 28 February 2019	71 431	5 708	20 245	42 427	3 051
Additions	50 727	181	8 517	38 181	3 848
Disposals	(3 459)	–	(985)	(755)	(1 719)
Depreciation charge	(33 881)	(3 955)	(8 197)	(20 256)	(1 473)
Net book value 29 February 2020	84 818	1 934	19 580	59 597	3 707

4.3 The insurance replacement value of plant and equipment is R375 000 000 (2019: R368 800 000).

4.4 R20 000 000 (2019: R30 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. The Group has committed to the purchase, for the sum of R72 000 000, of a property currently leased and occupied by a Group dealership. The property is intended to be on-sold during the year ahead, at cost, to a black economic empowerment partner. Both amounts will be financed from existing cash resources.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29 FEBRUARY 2020

	2020 R'000	Restated 2019 R'000
5. RIGHT-OF-USE ASSETS		
5.1 Property		
Balance at beginning of year	**468 126**	370 432
Additions	**110 551**	197 873
Depreciation charge	**(112 583)**	(100 179)
Balance at end of year	**466 094**	468 126

5.2 Depreciation is recognised in the statement of comprehensive income within "Selling and administration expenses".

	2020 R'000	Restated 2019 R'000
6. CAR HIRE FLEET VEHICLES		
6.1 Details of car hire fleet vehicles		
Cost	**851 388**	959 848
Accumulated depreciation	**(138 073)**	(146 746)
Net book value	**713 315**	813 102
6.2 Reconciliation of movement		
Opening net book value	**813 102**	760 282
Additions	**388 503**	525 558
Disposals	**(369 577)**	(354 022)
Depreciation charge	**(118 713)**	(118 716)
Closing net book value	**713 315**	813 102

6.3 Car hire fleet vehicles with a cost of R851 388 000 (2019: R933 445 000), held under capitalised finance arrangements have been pledged as security for interest-bearing borrowings aggregating R695 066 000 (2019: R801 613 000).

6.4 Depreciation is recognised in the statement of comprehensive income within "Cost of sales".

	2020 R'000	2019 R'000
7. GOODWILL		
7.1 Cost and net book value at beginning of year	**8 078**	8 078
Acquisition of dealerships (refer note 34)	**23 750**	–
Cost and net book value at end of year	**31 828**	8 078

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

8. INSURANCE RECEIVABLE

8.1 Underwriting activities are conducted through special purpose entities ("SPEs"), managed by external financial service providers, 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.

8.2 The Group has applied IFRS 10: Consolidated Financial Statements in determining whether to consolidate its investment in these SPEs and has determined that the entities do not constitute "deemed separate entities" as envisaged in IFRS 10, and have not been consolidated.

8.3 The activities of the SPEs are included in the statement of comprehensive income on a line-by-line basis. The effect is as follows:

	2020 R'000	2019 R'000
– gross written premium	**92 724**	82 591
– investment income	**6 588**	6 601
– increase in assurance funds	**(14 448)**	(1 121)
– claims paid	**(3 721)**	(16 924)
– other expenses	**(41 836)**	(37 332)
– profit before taxation	**39 307**	33 815

8.4 Dividends received from the SPEs are reflected in the statement of cash flows as "Dividend received from special purpose entities conducting insurance underwriting activities", and are applied in reduction of "Insurance receivable" in the statement of financial position.

8.5 The value of the Group's investment in the SPEs, being its initial share investment plus the net result of the SPEs' current and prior years' activities, is presented in the statement of financial position as:

	2020 R'000	2019 R'000
– Insurance receivable	**43 078**	37 530

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29 FEBRUARY 2020

	2020 R'000	Restated 2019 R'000
9. DEFERRED TAXATION		
9.1 Balance at beginning of year	50 945	50 381
Temporary differences arising during year	9 123	564
Balance at end of year	60 068	50 945
9.2 Balance at end of year comprises:		
Impairment of receivables		
– gross	2 032	2 123
– less: related taxation allowances	(508)	(531)
	1 524	1 592
Receipts in advance		
– gross	13 389	11 661
– less: related taxation allowances	(11 694)	(10 064)
	1 695	1 597
Lease liabilities	163 643	159 025
Right-of-use assets	(130 506)	(131 075)
Accruals and provisions	22 290	17 965
Share-based payment reserve	642	817
Assessed loss	1 199	1 588
Prepayments	(419)	(564)
	60 068	50 945

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

	Closing balance 29 February 2020 R'000	Movement during the year 2020 R'000	Restated closing balance 28 February 2019 R'000	Restated movement during the year 2019 R'000	Restated closing balance 28 February 2018 R'000
Impairment of receivables					
– gross	2 032	(91)	2 123	(5)	2 128
– less: related taxation allowances	(508)	23	(531)	1	(532)
	1 524	(68)	1 592	(4)	1 596
Receipts in advance					
– gross	13 389	1 728	11 661	(1 993)	13 654
– less: related taxation allowances	(11 694)	(1 630)	(10 064)	1 944	(12 008)
	1 695	98	1 597	(49)	1 646
Lease liabilities	163 643	4 618	159 025	34 488	124 537
Right-of-use assets	(130 506)	569	(131 075)	(27 354)	(103 721)
Accruals and provisions	22 290	4 325	17 965	(4 724)	22 689
Share-based payment reserve	642	(175)	817	(3 039)	3 856
Assessed loss	1 199	(389)	1 588	1 588	–
Prepayments	(419)	145	(564)	(342)	(222)
Total	60 068	9 123	50 945	564	50 381

9.4 At 29 February 2020, subsidiaries had assessable losses aggregating R2 199 000 (2019: R9 455 000). No deferred taxation asset has been raised in respect of these assessable losses as it is not probable that taxable profit will be available to utilise them.

	2020 R'000	2019 R'000
10. INVENTORIES		
10.1 Inventories have been valued as stated in note 1.8 and comprise:		
– new vehicles	728 737	629 765
– used vehicles	337 819	289 878
– demonstration vehicles	203 861	190 280
– parts and accessories	38 861	36 925
– petrol, oils and other inventory	14 580	13 832
	1 323 858	1 160 680

10.2 Inventories of new and demonstration vehicles and parts aggregating R970 291 000 (2019: R855 839 000) form security for trade payables aggregating R1 265 454 000 (2019: R1 170 394 000).

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

	2020 R'000	2019 R'000
10.4 Inventories are stated after deduction of the following provisions:		
– used vehicles	27 184	22 272
– demonstration vehicles	17 268	18 262
– parts and accessories	5 596	3 268
	50 048	43 802
11. TRADE AND OTHER RECEIVABLES		
11.1 Trade receivables	232 083	262 374
Less: impairment	(7 256)	(7 580)
	224 827	254 794
Other receivables	42 779	49 976
	267 606	304 770

11.2 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 60 days after year-end. No interest is charged on these accounts. The Group's impairment accounting policy and its credit risk policy are outlined in notes 1.6 and 2.2 respectively.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29 FEBRUARY 2020

	2020 R'000	2019 R'000
11. TRADE AND OTHER RECEIVABLES CONTINUED		
11.5 Trade receivables can be analysed as follows:		
0 to 30 days, neither overdue nor impaired	186 278	200 142
31 to 60 days, overdue less than 61 days and impaired	31 234	41 924
Impairment	(230)	(340)
	31 004	41 584
61 to 90 days, overdue more than 60, less than 91 days and impaired	4 170	4 263
Impairment	(500)	(427)
	3 670	3 836
91+ days, overdue more than 90 days and impaired	10 401	16 045
Impairment	(6 526)	(6 813)
	3 875	9 232
Total	232 083	262 374
Impairment	(7 256)	(7 580)
	224 827	254 794
11.6 The movement in the allowance for impairment is as follows:		
At beginning of year	7 580	7 601
Utilised during year	(4 818)	(3 494)
Increase in impairment	4 494	3 473
At end of year	7 256	7 580
11.7 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.		
11.8 Trade receivables can be further analysed as follows:		
Banks with the country's highest long-term credit rating	45 801	48 035
Corporate and fleet customers	59 294	71 050
Individual, parts and workshop customers	97 206	107 976
Fleet and warranty claims from motor manufacturers	29 782	35 313
	232 083	262 374

		2020 R'000	2019 R'000
12. CASH AND CASH EQUIVALENTS			
Bank balances		659 622	675 966
Bank balances are held at financial institutions with the country's highest long-term credit rating. The effective interest rate earned on bank balances was 6.4% per annum (2019: 6.9%).			
13. SHARE CAPITAL			
13.1 Preference share capital			
Authorised			
1 032 400 7,5% "C" redeemable cumulative preference shares of R1 each			
Issued			
Nil shares			
13.2 Ordinary share capital			
Authorised			
143 590 560 ordinary shares of no par value			
Issued			
At beginning and end of year – 74 801 998 shares		38 091	38 091
14. SHARE-BASED PAYMENT RESERVE			
14.1 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:			
Balance at beginning of year		10 927	8 873
Charged as "Selling and administration expenses" during year		5 473	5 214
Released during year following exercise of share appreciation rights		(3 653)	(3 160)
Balance at end of year		12 747	10 927
14.2 A reconciliation of the movement in the number of rights granted to employees is as follows:			
At beginning of year	('000 rights)	4 925	4 737
Granted during year	('000 rights)	835	1 075
Exercised/forfeited during year	('000 rights)	(1 075)	(887)
At end of year	('000 rights)	4 685	4 925

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29 FEBRUARY 2020

	2020 R'000	Restated 2019 R'000
15. BORROWINGS		
15.1 Car hire fleet liability		
Current portion	599 302	514 194
Non-current portion	95 764	287 419
	695 066	801 613

15.2 These borrowings are secured by car hire fleet vehicles (refer note 6). The underlying contracts have a maturity of 1 to 18 months after year-end and bear interest at rates varying from prime -1% to prime -1,45% per annum. The carrying amounts of borrowings approximate their fair value since the interest payable thereon is either close to current market rates, or the borrowings are of a relatively short-term nature.

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

	2020 R'000	Restated 2019 R'000
16. LEASE LIABILITIES		
16.1 Arising in respect of property leases capitalised in compliance with IFRS 16: Leases		
Current portion	102 689	91 525
Non-current portion	481 750	476 420
	584 439	567 945
16.2 The undiscounted future minimum lease payments in respect of these liabilities is as follows:		
Next 12 months	154 852	152 366
Years 2 to 5	425 359	492 374
Years 6+	219 131	303 252
	799 342	947 992

	2020 R'000	2019 R'000
17. TRADE AND OTHER PAYABLES		
17.1 Trade payables	1 347 276	1 255 049
Other payables (note 17.4)	205 663	204 470
Provisions	–	696
	1 552 939	1 460 215

17.2 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 and as such, the carrying amounts approximate their fair value.

17.3 All payables are interest-free except those in respect of vehicle purchases which bear interest at rates varying between prime -1.5% and prime +1,5% per annum for the period they are outstanding in excess of an initial interest-free period.

	2020 R'000	2019 R'000
17.4 Other payables comprise:		
Accrued expenses	157 018	150 923
Deposits received in advance	40 887	37 472
Value-added tax	7 758	16 075
	205 663	204 470
18. REVENUE		
18.1 Revenue is derived from the various segments of the business as follows:		
Retail motor	10 511 616	10 523 718
Car hire	508 514	512 561
Financial services	92 724	82 591
Corporate services/other	43 313	35 887
	11 156 167	11 154 757
18.2 Revenue from contracts with customers		
Revenue from contracts with customers is further disaggregated by segment and timing of revenue recognition as follows:		
At a point in time		
Retail motor		
New vehicles	5 970 303	6 115 726
Used vehicles	2 895 321	2 822 108
Parts and accessories	914 239	889 591
Workshop services	444 483	419 625
Commission income	287 270	276 667
	10 511 616	10 523 718
Corporate services/other	20 253	18 518
	10 531 869	10 542 236
Over the service period		
Car hire	508 514	512 561
Financial services	92 724	82 591
Corporate services/other	23 060	17 369
	624 298	612 521
	11 156 167	11 154 757

18.3 Revenue is earned from a large, widespread customer base, within South Africa, with no one customer contributing a significant portion.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29 FEBRUARY 2020

	2020 R'000	Restated 2019 R'000
19. OTHER INCOME		
Rental income	8 099	9 634
Recoupment of skills development and training costs	4 224	8 570
Other	7 648	4 430
	19 971	22 634
20. EXPENSES BY NATURE		
Cost of sales	9 291 278	9 329 488
Selling and administration expenses		
– Employee benefit expense (note 20.1)	748 294	722 393
– Depreciation		
– Plant and equipment (note 4.2)	33 881	28 774
– Right-of-use assets (note 5)	112 583	100 179
– Auditor's remuneration	5 997	5 669
– Lease charges		
– Short-term leases	92 544	97 881
– Low value assets (not classified as short-term leases)	7 340	6 024
– Impairment charge for bad and doubtful debts (note 11.6)	4 494	3 473
– Loss on sale of plant and equipment	82	219
– Advertising expenses	50 415	53 285
– Other expenses	411 950	380 622
Selling and administration expenses	1 467 580	1 398 519
20.1 Employee benefit expense		
Employee costs		
– selling and administration	672 301	649 395
– workshop labour	62 851	61 369
Pension fund contributions	44 970	42 218
Medical aid contributions	31 956	31 295
Share-based payment expense	5 473	5 214
Total employee benefit expense	817 551	789 491
Less: portion included in "Cost of sales"	(69 257)	(67 098)
Included in "Selling and administration expenses"	748 294	722 393
20.2 Key management employee benefit expense		
Short-term employee benefits	51 765	48 175
Share-based payment expense	3 354	3 341
	55 119	51 516

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

	2020 R'000	Restated 2019 R'000
21. FINANCE INCOME		
Bank	32 155	17 168
Insurance special purpose entities	6 588	6 601
	38 743	23 769
22. FINANCE COSTS		
Trade payables	(77 216)	(77 276)
Lease liabilities	(58 900)	(58 749)
Borrowings	(57 127)	(45 695)
Total interest paid	(193 243)	(181 720)
23. TAX EXPENSE		
23.1 South African normal taxation		
– current year	81 435	78 435
– prior year	93	(84)
– deferred – current year	(9 123)	(564)
	72 405	77 787

	%	%
23.2 Reconciliation of rate of taxation		
Statutory rate	28,0	28,0
Adjusted for:		
Disallowable expenditure		
– depreciation of leasehold improvements	0,4	0,4
– share-based payment expense	0,4	–
– capital expenditure	0,1	–
S12H learnership allowance	(0,5)	(0,7)
Assessed losses	(0,8)	(0,9)
Effective rate	27,6	26,8

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29 FEBRUARY 2020

		2020 R'000	Restated 2019 R'000
24. EARNINGS PER SHARE			
24.1 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 (2019: 74 802 000) shares in issue during the year.			
24.2 The Group's Share Appreciation Rights Scheme 2010 ("the scheme") is described in note 14.1. 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)	–	642
Weighted average number of shares for dilution calculation		74 802	75 444
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.			
24.3 Reconciliation of headline earnings			
Total profit and comprehensive income attributable to equity holders of the Company		190 519	213 373
Re-measurement item:			
– loss on sale of plant and equipment			
– gross		82	219
– impact of income tax		(23)	(61)
Headline earnings attributable to equity holders of the Company		190 578	213 531
24.4 Earnings per share			
Basic	(cents)	254,7	285,3
Diluted basic	(cents)	254,7	282,8
Headline	(cents)	254,8	285,5
Diluted headline	(cents)	254,8	283,0

	2020 R'000	Restated 2019 R'000
25. CASH GENERATED FROM OPERATIONS		
Operating profit	417 280	449 384
Adjustments for non-cash items:		
Movement in share-based payment reserve	5 473	5 214
Depreciation		
– Plant and equipment (note 4.2)	33 881	28 774
– Car hire fleet vehicles (note 6.2)	118 713	118 716
– Right-of-use assets (note 5)	112 583	100 179
Movement in provisions	(696)	(704)
Gain on modification of lease agreements	(164)	–
Loss on sale of plant and equipment	82	219
Insurance cell operating activities	(12 219)	(2 214)
Profit on sale of car hire fleet vehicles	(28 312)	(17 664)
Sale of car hire fleet vehicles	397 889	371 686
Purchase of car hire fleet vehicles	(388 503)	(525 558)
	656 007	528 032
Working capital changes:		
Inventories	(129 306)	3 748
Trade and other receivables	37 164	6 865
Trade and other payables	82 801	8 031
Borrowings	(106 547)	237 932
	(115 888)	256 576
Cash generated from operations	540 119	784 608
26. TAXATION PAID		
Taxation paid is reconciled to the amount disclosed in the statement of comprehensive income as follows:		
Amounts unpaid at beginning of year	(5 400)	(4 008)
Amounts charged to the statement of comprehensive income	(81 528)	(78 351)
Taxation on insurance underwriting activities not settled in cash	5 388	2 524
Amounts unpaid at end of year	2 722	5 400
	(78 818)	(74 435)
27. FINANCE INCOME RECEIVED		
Amounts recognised in the statement of comprehensive income	38 743	23 769
Accrued on insurance underwriting activities not settled in cash	(6 588)	(6 601)
	32 155	17 168
28. PRINCIPAL ELEMENT OF LEASE LIABILITY REPAYMENTS		
Total rentals paid	(152 793)	(133 452)
Less: amounts classified as finance costs	58 900	58 749
	(93 893)	(74 703)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29 FEBRUARY 2020

	2020 R'000	Restated 2019 R'000
29. DIVIDENDS PAID		
Ordinary dividends		
Dividend number 63: 61 cents, declared 18 October 2019	(45 628)	–
Dividend number 62: 115 cents, declared 16 April 2019	(86 023)	–
Dividend number 61: 61 cents, declared 11 October 2018	–	(45 628)
Dividend number 60: 115 cents, declared 12 April 2018	–	(86 023)
	(131 651)	(131 651)
30. RELATED PARTY TRANSACTIONS		
30.1 During the year a number of subsidiary companies occupied properties which are owned directly or indirectly by the executive directors of the Company. Rentals are market-related and re-evaluated every five years based on valuations conducted by independent property valuators. The most recent independent valuation was conducted in January 2019.		
The lease agreements are for an indefinite period, terminable, without penalties, by either the lessor or the lessee on 12 months' notice.		
Rentals paid during the year amounted to	57 116	50 968
The contractual undiscounted payments on these leases in the next 12 months are as follows:	60 731	54 250
30.2 Other transactions conducted and balances with related entities were as follows:		
Operating expenses		
– purchases from Excel Cars Proprietary Limited	7 326	4 278
Year-end balances		
– trade payables owing to Excel Cars Proprietary Limited	905	498
Excel Cars Proprietary Limited ("Excel Cars") is controlled by an executive director of the Company. Purchases from Excel Cars relate to panel-beating services undertaken on damaged vehicles. Transactions are made on normal commercial terms and conditions and at market rates. The year-end balance is payable on the same terms and conditions as other trade payables.		
30.3 The disinterested members of the board have confirmed approval of the above transactions.		
31. COMMITMENTS		
31.1 Operating lease commitments		
The Group leases certain properties under various short-term operating lease agreements.		
The contractual undiscounted payments on these leases in the next 12 months are as follows:	62 782	57 560
31.2 Future sub-lease rentals		
The future minimum amount expected to be received under non-cancellable sub-leases is:	5 615	3 224

32. EMPLOYEE BENEFIT INFORMATION

32.1 Membership of motor-related union provident funds is compulsory for certain artisans and other employees, whilst membership of the Sygnia Umbrella Pension Fund is available for all other classes of employees.

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

32.3 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.

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

33. CHANGE IN ACCOUNTING POLICY AND RECLASSIFICATION WITHIN STATEMENT OF CASH FLOWS

33.1 Change in accounting policy arising from the implementation of IFRS 16: Leases

The adoption of IFRS 16: Leases, with effect from 1 March 2019, has necessitated a change in accounting policy in respect of operating lease contracts. The Group has transitioned to IFRS 16 using the retrospective approach and has applied the statement retrospectively to each prior reporting period presented. The Group elected the practical expedients:

- not to reassess the definition of a lease on transition to IFRS 16; and
- to apply a single, Group discount rate to its portfolio of property leases as the leases are considered to have similar characteristics and risk profiles.

Prior to the adoption of IFRS 16, the Group classified, as operating leases, those leases where substantially all the risks and rewards of ownership are retained by the lessor and accounted for them in line with IAS17: Leases. The leased assets were not recorded as assets in the Group's statement of financial position. The difference between actual lease payments and the amount expensed was recorded as a "Lease Liability" in the statement of financial position, and a deferred tax asset raised thereon.

From 1 March 2019, the Group recognises right-of-use assets and lease liabilities for these leases.

The lease liability is initially measured at the present value of the contractual lease payments, discounted using the rate implicit in the lease or, if that rate cannot be determined, the Group's incremental borrowing rate as at the lease commencement date. The lease liability is subsequently increased by the interest charge on the lease liability and decreased by repayments made, such that the remaining liability at the end of each reporting period is the present value of the remaining lease payments.

The right-of-use asset is initially measured at cost comprising the amount of the initial measurement of the lease liability adjusted for any initial direct costs. The right-of-use asset is subsequently measured at cost less accumulated depreciation and impairment. Depreciation is provided using the straight-line method over the shorter of the asset's useful life and the lease term.

The Group has applied the recognition exemption to short-term and low-value leases of property, plant and equipment. The Group leases certain properties indefinitely, subject to 12 months' notice of termination by either the lessee or the lessor. These leases are considered short-term leases in terms of IFRS 16. The lease payments made under these leases are charged to "Selling and administration expenses" as they are incurred.

Comparative figures have been reclassified or restated to conform with the change in accounting policy.

33.2 Reclassification within statement of cash flows

In prior years the movement in the "Insurance Receivable" reflected on the statement of financial position was classified in the statement of cash flows as a cash flow from investing activities. The balance in the statement of financial position represents:

- the initial investment by the Group to fund the special purpose entities ("SPEs"); plus
- the value of subsequent net profit after tax accumulated in the SPEs; less
- dividends paid by the SPEs to the Group.

Management has reconsidered the guidance in IAS 7: Statement of Cash Flows and has concluded that the above components should be separated between cash and non-cash movements and thereafter classified in that section of the statement of cash flows that is most relevant having regard for the guidance in IAS 7. On this basis, the components have been reclassified in the statement of cash flows as follows:

- the initial investment by the Group to fund the SPEs as investing activities;
- the value of subsequent net profit after tax accumulated in the SPEs as non-cash item adjusted to the relevant line items within operating and financing activities; and
- dividends paid by the SPEs to the Group as investing activities.

Comparative figures have been restated. The changes have no impact on "Net movement in cash and cash equivalents".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29 FEBRUARY 2020

33. CHANGE IN ACCOUNTING POLICY AND RECLASSIFICATION WITHIN STATEMENT OF CASH FLOWS CONTINUED

The effect in the financial statements is summarised as follows:

33.3 Group statement of financial position as at 28 February 2018

	As previously reported R'000	Adjustment note 33.1 R'000	Restated R'000
ASSETS			
Non-current assets			
Right-of-use assets	–	370 432	370 432
Deferred taxation	43 865	6 516	50 381
Other non-current assets	878 471	–	878 471
	922 336	376 948	1 299 284
Current assets	1 850 314	–	1 850 314
Total assets	2 772 650	376 948	3 149 598
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital and share-based payment reserve	46 964	–	46 964
Retained earnings	651 439	(16 755)	634 684
Ordinary shareholders' equity	698 403	(16 755)	681 648
Non-controlling interest	1 229	–	1 229
Total equity	699 632	(16 755)	682 877
Non-current liabilities			
Borrowings	60 081	–	60 081
Lease liabilities	49 780	320 292	370 072
	109 861	320 292	430 153
Current liabilities			
Lease liabilities	1 292	73 411	74 703
Other current liabilities	1 961 865	–	1 961 865
	1 963 157	73 411	2 036 568
Total liabilities	2 073 018	393 703	2 466 721
Total equity and liabilities	2 772 650	376 948	3 149 598

33. CHANGE IN ACCOUNTING POLICY AND RECLASSIFICATION WITHIN STATEMENT OF CASH FLOWS CONTINUED

33.4 Group statement of financial position as at 28 February 2019

	As previously reported R'000	Adjustment note 33.1 R'000	Restated R'000
ASSETS			
Non-current assets			
Right-of-use assets	–	468 126	468 126
Deferred taxation	38 676	12 269	50 945
Other non-current assets	930 141	–	930 141
	968 817	480 395	1 449 212
Current assets	2 141 864	–	2 141 864
Total assets	3 110 681	480 395	3 591 076
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital and share-based payment reserve	49 018	–	49 018
Retained earnings	736 483	(31 548)	704 935
Ordinary shareholders' equity	785 501	(31 548)	753 953
Non-controlling interest	1 502	–	1 502
Total equity	787 003	(31 548)	755 455
Non-current liabilities			
Borrowings	287 419	–	287 419
Lease liabilities	55 001	421 419	476 420
	342 420	421 419	763 839
Current liabilities			
Borrowings	514 194	–	514 194
Lease liabilities	1 001	90 524	91 525
Other current liabilities	1 466 063	–	1 466 063
	1 981 258	90 524	2 071 782
Total liabilities	2 323 678	511 943	2 835 621
Total equity and liabilities	3 110 681	480 395	3 591 076

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29 FEBRUARY 2020

33. CHANGE IN ACCOUNTING POLICY AND RECLASSIFICATION WITHIN STATEMENT OF CASH FLOWS CONTINUED

33.5 Group statement of comprehensive income for the year ended 28 February 2019

	As previously reported R'000	Adjustment note 33.1 R'000	Restated R'000
Gross profit	1 825 269	–	1 825 269
Selling and administration expenses	(1 436 722)	38 203	(1 398 519)
Other income	22 634	–	22 634
Operating profit	411 181	38 203	449 384
Finance income	23 769	–	23 769
Finance costs	(122 971)	(58 749)	(181 720)
Profit before taxation	311 979	(20 546)	291 433
Tax expense	(83 540)	5 753	(77 787)
Total profit and comprehensive income	228 439	(14 793)	213 646
Attributable to:			
Equity holders of the company	228 166	(14 793)	213 373
Non-controlling interest	273	–	273
	228 439	(14 793)	213 646
EARNINGS PER SHARE			
Basic	305,0	(19,7)	285,3
Diluted basic	302,4	(19,6)	282,8

33. CHANGE IN ACCOUNTING POLICY AND RECLASSIFICATION WITHIN STATEMENT OF CASH FLOWS CONTINUED

33.6 Group statement of cash flows for the year ended 28 February 2019

	As previously reported R'000	Adjustment note 33.1 R'000	Adjustment note 33.2 R'000	Restated R'000
Cash flows from operating activities				
Cash generated from operations	653 370	133 452	(2 214)	784 608
Taxation paid	(76 959)	–	2 524	(74 435)
Net cash movement from operating activities	576 411	133 452	310	710 173
Cash flows from investing activities				
Insurance receivable	7 614	–	(7 614)	–
Dividend received from special purpose entities conducting insurance underwriting activities	–	–	13 905	13 905
Other investing activities	(35 457)	–	–	(35 457)
Cash flows from investing activities	(27 843)	–	(7 614)	(21 552)
Cash flows from financing activities				
Finance income received	23 769	–	(6 601)	17 168
Finance costs paid	(122 971)	(58 749)	–	(181 720)
Principal element of lease liability repayments	–	(74 703)	–	(74 703)
Other financing activities	(146 282)	–		(146 282)
Net cash movement from financing activities	(245 484)	(133 452)	7 304	(385 537)
Net movement in cash and cash equivalents	303 084	–	–	303 084
Cash and cash equivalents at beginning of year	372 882	–	–	372 882
Cash and cash equivalents at end of year	675 966	–	–	675 966

Notes 20 and 25 detailing "Selling and administration expenses" and "Cash generated from operations" have also been restated to reflect this adjustment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29 FEBRUARY 2020

34. ACQUISITION OF DEALERSHIPS

As part of its strategy to increase market share in KwaZulu-Natal, the Group acquired two motor retail dealerships during the year. The purchase price for both transactions was settled using existing cash resources.

The combined goodwill of R23,8 million comprises the value that represents the ability of the established acquiree's businesses to earn a higher rate of return than would be expected if the assets had been acquired separately. None of the goodwill recognised is expected to be deductible for income tax purposes.

Details of the purchase consideration, the net identifiable assets acquired and goodwill paid are as follows:

	2020 R'000
Plant and machinery	266
Furniture and office equipment	346
New vehicles	19 547
Used vehicles	8 029
Demonstration vehicles	3 446
Parts and accessories	2 850
	34 484
Trade payables	(10 619)
Net identifiable assets acquired	23 865
Goodwill paid	23 750
Consideration paid	47 615

35. SUBSEQUENT EVENTS

The COVID-19 pandemic and consequent lockdown did not impact the Group's financial performance for the year ended 29 February 2020, but it is a non-adjusting subsequent event in terms of IAS 10: Events after the Reporting Period. Management has considered the impact of the lockdown on the Group's reported financial position, including the valuation of the car hire fleet and inventory on hand, the recoverability of trade and other receivables, the availability of debt funding and the Group's ability to meet its working capital obligations, and is of the view that the pandemic does not affect the economic assumptions and estimates made at 29 February 2020 for measurement purposes.

Management has also considered the impact of the lockdown arising from the COVID-19 pandemic on the Group's next financial year to confirm the appropriateness of the going concern assumption used in the preparation of the 2020 Group consolidated financial statements.

The Group is soundly structured, with a substantial equity base and a bank balance of R660 million at 29 February 2020. The Group maintains a current ratio of 1,3:1 (including the car hire fleet and attendant borrowings). Borrowings, and the most part of trade payables, are directly aligned to working capital assets and the car hire fleet. Cash outflows to settle these debts are generated from inflows arising from the sale of these assets. Accordingly, the liquidity risk associated with these liabilities is limited and easily managed. Short-term deferrals of borrowing repayments have been negotiated and will be utilised if necessary.

The net realisable value of vehicle inventory at year-end is considered to be appropriate as values will be preserved, if not boosted, by the increases in new vehicle prices that have already been observed and are expected to continue over the balance of the year, primarily as a result of the weakening exchange rate.

Trade receivables are of relatively low value. There are no significant concentrations of credit risk and debtors are subject to the Group's standard credit terms, with the majority due within a period of 1 to 30 days.

The Group has reviewed the impact of the lockdown on the value of the non-current assets and has concluded that the assets remain fairly valued.

It is inevitable that the lockdown will have a negative impact on the Group's trading, profitability and liquidity for the 2021 financial year, but it is not possible to accurately predict the full financial impact on the Group. There are too many uncertainties at this time, including the extent and duration of the lockdown and Government's fiscal policy response.

Management has considered a range of future trading scenarios to estimate the potential financial impact on aspects of the Group's financial position. This has been done taking into account the actual trading results for the three months ended 31 May 2020 and the drop in interest rates by 250 basis points since the year-end.

The Board has made an assessment of the Group's solvency and liquidity by applying these forecast scenarios and having regard for anticipated cash flows, and has concluded that it is satisfied of the Group's ability to continue as a going concern for the 2021 financial year.

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

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

IFRS 17: Insurance contracts (effective for periods beginning on or after 1 January 2021)

IFRS 17 will replace IFRS 4: Insurance contracts. IFRS 4 allowed insurers to use different accounting policies to measure similar insurance contracts that they write in different countries. IFRS 17 provides consistent principles for all aspects of accounting for insurance contracts. It removes existing inconsistencies and enables investors, analysts and others to meaningfully compare companies, contracts and industries.

IAS 1: Presentation of financial statements and IAS 8: Accounting policies, changes in accounting estimates and errors (effective for periods beginning on or after 1 January 2020)

The amendments to IAS 1 and IAS 8 and consequential amendments to other standards introduce a consistent definition of materiality throughout the International Financial Reporting Standards and the Conceptual Framework for Financial Reporting. They also clarify the explanation of the definition of "material" and incorporate into the standard some of the guidance in IAS 1 about immaterial information.

Management does not believe that the impact of these standards will have a material effect on the Group's future financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 29 FEBRUARY 2020

	Notes	2020 R'000	2019 R'000
ASSETS			
Non-current assets			
Investment in subsidiary	2	1	1
Advance to subsidiary	3	–	458 522
		1	458 523
Current assets			
Investment		–	17 424
Other receivables		1 966	1 166
Cash and cash equivalents		641 612	225 399
		643 578	243 989
Total assets		643 579	702 512
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	4	38 091	38 091
Retained earnings		604 072	662 488
Total equity		642 163	700 579
LIABILITIES			
Current liabilities			
Other payables		1 053	1 015
Current tax liabilities		363	918
Total liabilities		1 416	1 933
Total equity and liabilities		643 579	702 512

COMPANY STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 29 FEBRUARY 2020

	Notes	2020 R'000	2019 R'000
Dividend income	5	53 732	204 592
Finance income	6	27 506	45 343
Revenue		81 238	249 935
Selling and administration expenses	7	(416)	(352)
Profit before taxation		80 822	249 583
Tax expense	8	(7 587)	(12 678)
Total profit and other comprehensive income for the year attributable to equity holders of the Company		73 235	236 905

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 29 FEBRUARY 2020

	Attributable to equity holders of the Company		
	Share capital R'000	Retained earnings R'000	Total R'000
Total at 28 February 2018	38 091	557 234	595 325
Total profit and comprehensive income	–	236 905	236 905
Dividends paid	–	(131 651)	(131 651)
Total at 28 February 2019	38 091	662 488	700 579
Total profit and comprehensive income	–	73 235	73 235
Dividends paid	–	(131 651)	(131 651)
Total at 29 February 2020	38 091	604 072	642 163

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 29 FEBRUARY 2020

	Notes	2020 R'000	2019 R'000
Cash flows from operating activities			
Cash generated from operations	9	26 328	45 171
Taxation paid	10	(8 142)	(12 319)
Net cash movement from operating activities		18 186	32 852
Cash flows from investing activities			
Investment		17 958	45 000
Advance to subsidiary		511 720	41 478
Net cash movement from investing activities		529 678	86 478
Cash flows from financing activities			
Dividends paid	11	(131 651)	(131 651)
Net cash movement from financing activities		(131 651)	(131 651)
Net movement in cash and cash equivalents		416 213	(12 321)
Cash and cash equivalents at beginning of year		225 399	237 720
Cash and cash equivalents at end of year		641 612	225 399

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29 FEBRUARY 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In addition to the Group accounting policies, the Company applies the following accounting policies:

1.1 Investment in subsidiary

"Investment in subsidiary" is accounted for at cost less impairment. Cost includes direct attributable costs of investment.

1.2 Advance to subsidiary

The "Advance to subsidiary" is a financial asset classified as that to be measured at amortised cost. The classification depends on the Company's business model for managing the asset, and the cash flow characteristics of the asset. Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal debt, are classified as those to be measured at amortised cost. The classification is determined at initial recognition. These 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 Company has transferred substantially all the risks and rewards of ownership.

The impairment of financial assets is determined by assessing, on a forward-looking basis, the expected credit losses associated with the financial assets. The amount of the impairment is recognised in the statement of comprehensive income within "Selling and administration expenses".

1.3 Revenue recognition

As the Company is an investment holding company, its revenue comprises dividend and interest income on investments. Interest income is recognised as it accrues, taking into account the effective yield on the asset. Dividend income is recognised when the right to receive payment is established.

	2020 R'000	2019 R'000
2. INVESTMENT IN SUBSIDIARY		
Shares at cost	1	1
The investment in CMH Holdings Proprietary Limited comprises 850 "A" class shares of R1 each.		
3. ADVANCE TO SUBSIDIARY		
Advance to subsidiary	–	458 522
This advance earned no interest (2019: 1% above the prime overdraft rate).		
4. SHARE CAPITAL		
4.1 Preference share capital		
Authorised		
1 032 400 7,5% "C" redeemable cumulative preference shares of R1 each		
Issued		
Nil shares		
4.2 Ordinary share capital		
Authorised		
143 590 560 ordinary shares of no par value		
Issued		
At beginning and end of year – 74 801 998 shares	38 091	38 091

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29 FEBRUARY 2020

		2020 R'000	2019 R'000
5. DIVIDEND INCOME			
Investment		534	4 592
Subsidiary		53 198	200 000
		53 732	204 592
6. FINANCE INCOME			
Bank		27 506	14 263
Subsidiary		–	31 080
		27 506	45 343
7. SELLING AND ADMINISTRATION EXPENSES			
"Selling and administration expenses" comprise the following charges:			
– Auditor's remuneration		82	78
– Other expenses		334	274
		416	352
8. TAX EXPENSE			
8.1 South African normal taxation			
– current		7 587	12 678
8.2 Reconciliation of rate of taxation			
Statutory rate	(%)	28,0	28,0
Exempt income and allowances	(%)	(18,6)	(22,9)
Effective rate	(%)	9,4	5,1
Exempt income comprises dividends received.			
9. CASH GENERATED FROM OPERATIONS			
Profit before taxation		80 822	249 583
Adjustment for non-cash item:			
Dividend income received through loan account		(53 732)	(204 592)
Working capital changes:			
Other receivables		(800)	43
Trade and other payables		38	137
Cash generated from operations		26 328	45 171
10. TAXATION PAID			
Taxation paid is reconciled to the amounts disclosed in the statement of comprehensive income as follows:			
Amounts unpaid at beginning of year		(918)	(559)
Amounts charged to statement of comprehensive income		(7 587)	(12 678)
Amounts unpaid at end of year		363	918
Amount paid		(8 142)	(12 319)

	2020 R'000	2019 R'000
11. DIVIDENDS PAID		
Number 63: 61 cents, declared 18 October 2019	45 628	–
Number 62: 115 cents, declared 16 April 2019	86 023	–
Number 61: 61 cents, declared 11 October 2018	–	45 628
Number 60: 115 cents, declared 12 April 2018	–	86 023
	131 651	131 651
12. RELATED PARTY TRANSACTIONS		
Transactions conducted with related companies during the year:		
Dividends received		
– Main Street 445 Proprietary Limited	534	4 592
– Subsidiary	53 198	200 000
Finance income		
– Subsidiary	–	31 081
Year end balances with related companies:		
– Investment in Main Street 445 Proprietary Limited	–	17 424
– Advance to subsidiary	–	458 522
– Investment in subsidiary	1	1

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

The following new standard has been published that is mandatory for the Company's future accounting periods:

IAS 1: Presentation of financial statements and IAS 8: Accounting policies, changes in accounting estimates and errors (effective for periods beginning on or after 1 January 2020)

The amendments to IAS 1 and IAS 8 and consequential amendments to other standards introduce a consistent definition of materiality throughout the International Financial Reporting Standards and the Conceptual Framework for Financial Reporting. They also clarify the explanation of the definition of "material" and incorporate into the standard some of the guidance in IAS 1 about immaterial information.

Management does not be believe that the impact of this standard will have a material effect on the Company's future financial statements.

14. SUBSEQUENT EVENTS

The COVID-19 pandemic and consequent lockdown did not impact the Company's financial performance for the year ended 29 February 2020, but it is a non-adjusting subsequent event in terms of IAS 10: Events after the Reporting Period.

Management has considered the impact of the lockdown on the Company's reported financial position and is of the view that the pandemic does not affect the economic assumptions and estimates made at 29 February 2020 for measurement purposes.

Management has also considered the impact of the lockdown on the Company's next financial year to confirm the appropriateness of the going concern assumption used in the preparation of the 2020 annual financial statements. The Company is soundly structured, with a substantial equity base, a bank balance of R642 million at 29 February 2020 and no significant receivables or payables. The Board has assessed the Company's solvency and liquidity having regard for the cash on hand and anticipated cash flows and has concluded that it is satisfied of the Company's ability to continue as a going concern for the 2021 financial year.

SUBSIDIARIES

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

Name of company	Activity	Effective holding (indirect)/direct 2020 %	2019 %
CMH Car Hire	2	**(48)**	(48)
CMH Car Hire Fleet	2	**(85)**	(85)
CMH Green Machine	3	**(85)**	(85)
CMH Holdings	3	**85**	85
CMH Management	3	**(85)**	(85)
Datcentre Motors	1	**(85)**	(85)
Kempster Sedgwick	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 IFRS 9 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 29 FEBRUARY 2020

Executive directors	Total R'000	BWJ Barritt R'000	SK Jackson R'000	JD McIntosh R'000
2020				
Salary	**15 044**	**4 026**	**4 807**	**6 211**
Performance-related payments	**4 000**	**1 165**	**1 050**	**1 785**
Share-based payment award	**941**	**509**	**432**	**–**
Other benefits	**983**	**141**	**421**	**421**
Contributions to pension and medical aid funds	**1 749**	**459**	**546**	**744**
	22 717	**6 300**	**7 256**	**9 161**
2019				
Salary	14 310	3 816	4 579	5 915
Performance-related payments	5 420	1 370	1 500	2 550
Share-based payment award	917	564	353	–
Other benefits	952	140	406	406
Contributions to pension and medical aid funds	1 617	431	525	661
	23 216	6 321	7 363	9 532

Non-executive directors' fees	2020 R'000	2019 R'000
LCZ Cele	**285**	269
JS Dixon	**813**	662
JTM Edwards	**–**	189
ME Jones	**422**	360
JA Mabena	**326**	279
MR Nkadimeng	**248**	236
Total	**2 094**	1 995

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.*

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 2015 at R17,75	Granted June 2016 at R17,15	Granted June 2017 at R21,97	Granted June 2018 at R33,00	Granted June 2019 at R21,77
At 28 February 2019						
– BWJ Barritt	550	100	200	150	100	
– SK Jackson	375	100	150	125		
	925	200	350	275	100	
Movements during the year						
– rights granted						
– BWJ Barritt	100					100
– rights exercised at R21,77						
– BWJ Barritt	(117)	(50)	(67)			
– SK Jackson	(100)	(50)	(50)			
	(117)	(100)	(117)			100
At 29 February 2020						
– BWJ Barritt	**533**	**50**	**133**	**150**	**100**	**100**
– SK Jackson	**275**	**50**	**100**	**125**		
	808	**100**	**233**	**275**	**100**	**100**
The rights may be exercised as follows:						
– June 2020	309	100	117	92		
– June 2021	242		116	92	34	
– June 2022	158			91	33	34
– June 2023	66				33	33
– June 2024	33					33
	808	100	233	275	100	100

DIRECTORS' SHAREHOLDING

('000 shares)	Total	BWJ Barritt	SK Jackson	JD McIntosh
Beneficial shareholding at 28 February 2019				
– direct	397	310	87	–
– indirect	32 153	295	5 788	26 070
	32 550	605	5 875	26 070
Shares acquired during the year				
– direct	14	14	–	–
Beneficial shareholding at 29 February 2020				
– direct	**411**	**324**	**87**	**–**
– indirect	**32 153**	**295**	**5 788**	**26 070**
	32 564	**619**	**5 875**	**26 070**

ANALYSIS OF ORDINARY SHAREHOLDERS

	Number of shareholders		Number of shares held ('000)		Percentage of shares held	
	2020	2019	2020	2019	2020	2019
Individuals	1 456	1 408	6 379	6 338	8,5	8,5
Nominee companies and trusts	220	214	4 592	4 387	6,2	5,9
Other corporate bodies	255	206	63 831	64 077	85,3	85,6
	1 931	1 828	74 802	74 802	100,0	100,0
Holdings						
1 – 2 500	1 100	1 145	776	908	1,0	1,2
2 501 – 5 000	300	227	1 087	831	1,5	1,1
5 001 – 10 000	191	167	1 420	1 246	1,9	1,7
Over 10 000	340	289	71 519	71 817	95,6	96,0
	1 931	1 828	74 802	74 802	100,0	100,0
Public shareholders	1 928	1 825	42 238	42 252	56,5	56,5
Non-public shareholders – directors of Company	3	3	32 564	32 550	43,5	43,5
	1 931	1 828	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%:*
   - *Ninety One SA Proprietary Limited: 6,9%*
   - *Absa Asset Management Proprietary Limited: 5,8%*
2. *A copy of the detailed share register as at 29 February 2020 is available on written request to the company secretary.*

STOCK EXCHANGE PERFORMANCE

			2020	2019
Closing price	29 February 2020	(cents)	1 840	2 100
Volume of shares traded		('000)	9 147	11 900
Value of shares traded		(R'000)	191 500	323 364
Volume of shares traded as percentage of total issued shares		(%)	12,2	15,9
JSE General Retailers Index			4 603	6 478
JSE All-share Index			51 038	56 002
Lowest price	9 September 2019	(cents)	1 800	1 950
Highest price	9 May 2019	(cents)	2 390	3 500
Earnings yield	29 February 2020	(%)	13,8	13,6
Dividend yield	29 February 2020	(%)	9,6	8,4

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the thirty-third public annual general meeting ("AGM") of shareholders of Combined Motor Holdings Limited will be held on Thursday, 30 July 2020 commencing at 14:00, to pass, if thought fit, the ordinary and special resolutions proposed in this notice.

Given the unprecedented current environment caused by the COVID-19 outbreak, whilst the AGM will have a physical presence at the Group's head office located at 1 Wilton Crescent, Umhlanga Ridge, in line with guidance against non-essential travel and restrictions on public gatherings, the 2020 AGM will be held as a closed meeting. Shareholders will not be permitted entry but will be able to access the meeting through electronic communication by prior notice.

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.

Shareholders may participate electronically at the meeting or may submit questions relating to the business set out in this notice. In either instance, shareholders are requested to contact the company secretary at kerriannef@cmh.co.za or, on +27 31 5804200 as soon as possible, but in any event no later than 14:00 on Tuesday, 28 July 2020 to facilitate such arrangements.

The Chairman will ensure that all questions received are dealt with at the AGM unless the Chairman determines that it is not in the interests of the Company or the good order of the AGM that the question be answered. Following the meeting, shareholders may request the minutes thereof (including responses to questions and any presentation materials) from kerriannef@cmh.co.za or, alternatively, on +27 31 5804200. In addition, a summary of the minutes will be published on SENS on Friday 31 July 2020.

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. This year, in light of the restricted physical attendance, shareholders must appoint the chairman of the meeting,JS Dixon, as proxy in order for their vote to be counted. Other proxies appointed will not be permitted to attend the meeting. In terms of section 63(1) of the Companies Act 2008 ("the Act"), any shareholder or proxy who attends the meeting must provide satisfactory identification. Shareholders are requested, but are not obliged, to deliver their completed proxy forms to the Company's registered office before 14:00 on Tuesday, 28 July 2020. Shareholders will not be prejudiced in any manner if they do not deliver their completed proxy forms to the Company's registered office 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.

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 29 February 2020, such financial statements having been approved by the Board as required by section 30(3)(c) of 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 directors

To confirm the re-election of LCZ Cele and JA Mabena who retire by rotation in terms of the memorandum of incorporation and who have offered themselves for re-election.

A brief curriculum vitae of each of the above directors is recorded on page 88. The Board recommends the re-election of each of the directors.

3. ORDINARY RESOLUTION NUMBER 3

Election of audit and risk assessment committee

To elect members of the audit and risk assessment committee for the ensuing year, as required by section 94(2) of the Act. The Board proposes the election of the following members:

ME Jones (chairman)

JA Mabena (subject to his re-election in terms of ordinary resolution number 2 above)

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 44 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 30.

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:

	2021 R'000
Chairman of the Board	735
Director	163
Audit and risk assessment committee	
– chairman	221
– member	47
– per meeting	19
Remuneration committee	
– chairman	39
– member	17
– per meeting	11
Social, ethics and transformation committee	
– chairman	39
– member	17
– per meeting	11
Nominations committee	
– per member, per *ad hoc* meeting	9

As recorded in the Report of the Remuneration Committee on page 29, the non-executive directors have agreed to a reduction of 20% of the retainer portion of their fees.

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 AGM is Friday, 26 June 2020.

The last day to trade in order to be eligible to vote is Tuesday, 21 July 2020. The record date in terms of section 59(1)(b) of the Act for shareholders to participate in and vote at the AGM is Friday, 24 July 2020.

By order of the board of directors

K Fonseca
Company secretary

22 June 2020

CURRICULUM VITAE

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

LCZ CELE

Zee Cele, BCom MAcc (Tax) joined the Group as a non-executive director in 2007. During her tenure she has been a member of the audit and risk assessment committee, social, ethics and transformation committee, nominations committee and remuneration committee. Zee has been Chairman of the social, ethics and transformation committee since 2014 and chairman of the remuneration committee since 2015. Zee holds a Master of Accountancy (Taxation) degree from Natal University. She serves as a non-executive director on numerous boards including ArcelorMittal Limited, Efficient Group and Avbob.

JA MABENA

Jerry Mabena was appointed a non-executive director of the Company in June 2014. He was appointed to the remuneration committee in May 2015, the social, ethics and transformation committee in October 2015 and the nominations committee in October 2019. Jerry is an entrepreneurial business executive with vast experience in the marketing and property management sectors. As the CEO of Thebe Services, Jerry is responsible for managing a portfolio that contains 16 subsidiary and associate Thebe companies in the fields of financial services, tourism services, media, energy and property management. Jerry has started and run a number of businesses. He has a Bachelor of Commerce degree majoring in industrial psychology and economics from Rhodes University. He also holds a diploma in project management from Damelin and a certificate in accounting and finance from Wits Business School. Jerry has held various senior positions in companies such as Unilever, J Walter Thompson, Ucingo Marketing, and Kagiso Exhibitions and Events.

FORM OF PROXY

CMH GROUP

COMBINED MOTOR HOLDINGS LIMITED ANNUAL GENERAL MEETING 30 JULY 2020

I/We the undersigned,

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

do hereby appoint 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 14:00 on Thursday, 30 July 2020 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: Approval of financial statements			
Ordinary resolution number 2.1: LCZ Cele			
Ordinary resolution number 2.2: JA Mabena			
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: Appointment of external auditor			
Ordinary resolution number 5.1: Remuneration policy			
Ordinary resolution number 5.2: Implementation report			
Special resolution number 1: Approval of financial assistance			
Special resolution number 2: Approval of non-executive directors' fees for:			
Special resolution number 2.1: Chairman of the Board			
Special resolution number 2.2: Directors			
Special resolution number 2.3: Chairman of the audit and risk assessment committee			
Special resolution number 2.4: Other fees			

Notes to the form of proxy

1. A shareholder who is entitled to participate in and vote at the meeting is entitled to appoint a proxy to participate in, speak and vote in his stead. In the current year, that proxy must be the chairman of the meeting.
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 14:00 on Tuesday, 28 July 2020. 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 participates in 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)*
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)*

COMPANY SECRETARY
K Fonseca

AUDITOR
PricewaterhouseCoopers Inc.

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

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

BANKER
First National Bank of South Africa

ince

CMH GROUP

www.cmh.co.za