CMH GROUP

Combined Motor Holdings Limited

INTEGRATED ANNUAL REPORT

2021

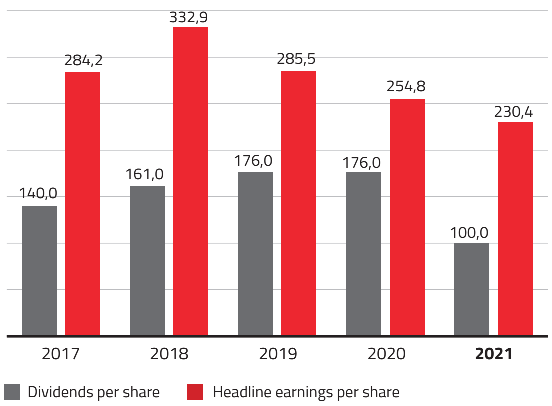
CONTENTS

GROUP FINANCIAL HIGHLIGHTS

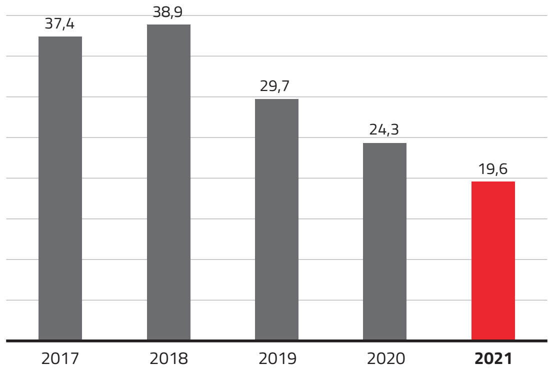
		2021	2020	% change
Total assets	(R'000)	**3 274 003**	3 650 301	(10,3)
Cash resources	(R'000)	**754 825**	659 622	14,4
Net asset value per share	(cents)	**1 216**	1 090	11,6
Revenue	(R'000)	**8 579 558**	11 156 167	(23,1)
Operating profit	(R'000)	**345 045**	417 280	(17,3)
Net profit attributable to ordinary shareholders	(R'000)	**168 763**	190 519	(11,4)
Return on shareholders' funds	(%)	**19,6**	24,3	(19,3)
Basic earnings per share	(cents)	**225,6**	254,7	(11,4)
Headline earnings per share	(cents)	**230,4**	254,8	(9,6)
Dividends paid per share	(cents)	**100,0**	176,0	(43,2)
Dividend declared – payable June 2021	(cents)	**125,0**	–	

Figures presented in the graphs below for years prior to 2019 have not been restated in line with the changes in accounting policy processed in 2020.

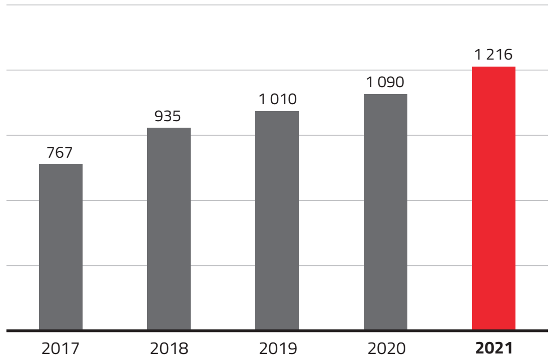
HEADLINE EARNINGS AND DIVIDENDS PER SHARE (CENTS)



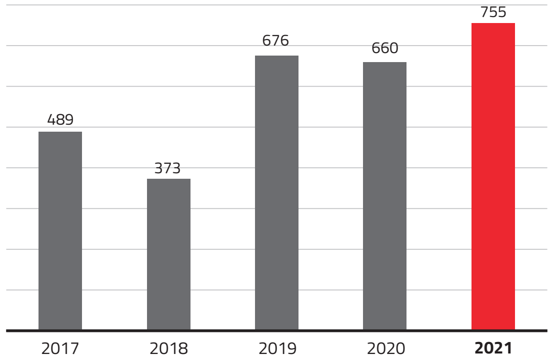
RETURN ON SHAREHOLDERS' FUNDS (%)



NET ASSET VALUE PER SHARE (CENTS)



CASH RESOURCES (R'million)



ABOUT THIS REPORT

SCOPE

This Integrated Annual Report ("Report") is a holistic and integrated representation of the CMH Group's ("the Group") performance, in terms of both finances and sustainability, for the year ended 28 February 2021. The Report contains information about the operations of the Group and the opportunities, risks and other material issues it faces in the normal course of business. It is intended to provide insight into issues identified as the most relevant and material to the Group and its stakeholders that could potentially impact the Group as a going concern. The materiality of information, both financial and non-financial, is considered when deciding what to include in the Report.

This Report has been compiled on behalf of the board of directors ("the Board") of Combined Motor Holdings Limited ("CMH"), in compliance with the Johannesburg Stock Exchange Listings Requirements ("JSE Listings Requirements"), the South African Companies Act 71 of 2008 ("the Companies Act, 2008") and based on the principles contained in the King IV Code on Corporate Governance ("King IV").

ASSURANCE

This Report, as a whole, has not been independently assured. It may contain certain forward-looking statements concerning the Group's strategy, financial conditions, growth plans and expectations. Such views involve both known and unknown risks, assumptions, uncertainties and important factors that could materially influence the actual performance of the Group. No assurance can therefore be given that these views will prove to be correct and no representation nor warranty expressed or implied is given as to the accuracy or completeness of such views. The Consolidated and Company Financial Statements included in this report have been audited by PricewaterhouseCoopers Inc. and their unqualified report can be found on page 36.

APPROVAL

The Board acknowledges its responsibility to ensure the integrity of the Report. The Board has approved this Report and is of the opinion that it 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.

CMH AT A GLANCE

The CMH Group comprises Combined Motor Holdings Limited ("the Company") and its subsidiaries (recorded on page 80), operating in the retail motor, car hire and financial services segments. The Group operates only in South Africa, employing 2 204 people.

SEGMENTS

Retail motor

This segment comprises:

- 41 retail motor dealerships representing 22 brands sold through operations in Gauteng, KwaZulu-Natal and Western Cape. Each dealership has a new and used vehicle sales department, supported by customer finance and insurance specialists, workshop and parts department. In some instances, two or more brands are represented at the same premises. The brands cover a mix of passenger, light commercial and heavy commercial vehicles, in both the volume and luxury categories;
- a number of used car dealerships trading as Used Car Buyers and CMH Select; and
- Mandarin Parts Distributors which imports aftermarket vehicle parts. These goods are sold through a large retail outlet near Pretoria, and through a network of 23 independent franchisees around the country.

The segment employs 1 753 people.

Details of the Group's dealerships are reflected on pages 6 and 7.

Car hire

First Car Rental is a proudly South African car rental company that has been in business for over 20 years. The car hire fleet comprises an impressive range of well-maintained vehicles ranging from no-frills models to top-of-the-range luxury cars that are available for short- and long-term hire. First Car Rental operates throughout South Africa from a network of 51 branches and employs 360 people. It partners with SIXT Rent a Car, one of Europe's largest car hire companies, to provide international car hire in over 100 countries and 4 500 locations.

Financial Services

Provides insurance and underwriting facilities in respect of products sold in tandem with the sale of new and used vehicles. Risks covered include death, disability, dread disease and retrenchment of customers, and vehicle and component warranties. The segment also provides vehicle financing in terms of joint ventures with two major finance houses. Both divisions are managed by external financial service providers.

Other

The Group operates other divisions which are not yet large enough for separate disclosure. These include the supply and installation of workshop lifting, lubrication and diagnostic equipment, and the supply of waterless car wash systems.

CMH AT A GLANCE CONTINUED

PEDIGREE AND PASSION

The Group commenced trading operations in 1976 following the merger of various retail motor dealerships in South Africa. In 1987 the holding company, Combined Motor Holdings Limited, listed on the Johannesburg Stock Exchange. The chief executive officer and finance director have remained unchanged since the listing and are passionate and committed to the Group. The three executive directors have a combined length of service with the Group of 111 years.

EXPERIENCED AND SKILLED MANAGEMENT TEAM

The highly experienced and entrepreneurial management team has deep industry knowledge and a proven track record with years of collective experience. The results for the year demonstrate its ability to respond with speed and agility to unanticipated events such as Covid-19. The average length of service of executive committee members (excluding the executive directors) is 18 years, and dealer principals, 12 years.

PROVEN FINANCIAL TRACK RECORD

The financial focus is on generating growth, shareholder returns and strong free cash flow, supported by a strong statement of financial position and sound capital management. The Group provides a meaningful return to shareholders through consistent profitability and regular dividend payments.

HEAD OFFICE OVERSIGHT

Whilst day-to-day operational control is devolved to the management team at dealership level, the Group executive committee maintains keen oversight, with a hands-on involvement in internal controls, operating costs and working capital management.

LEADING DIGITAL MARKETING CAPABILITIES AND EXCEPTIONAL CUSTOMER SERVICE

The Group prides itself on being at the forefront of digital marketing and mobility trends. In the aftermath of Covid-19, this passion has become a business imperative. Digital analysis also allows the monitoring and management of customer service, identification of weaknesses and facilitates continuous improvement to ensure high levels of customer satisfaction. The goal is to deliver everything needed to ensure an enjoyable vehicle ownership experience from beginning to end.

LONG-TERM RELATIONSHIPS WITH TRUSTED SUPPLIERS

The Group has long-standing partnerships with motor manufacturers representing some of the world's most recognisable brands, and the country's leading finance houses. First Car Rental has built strong alliances with leading brands in the tourism industry, such as Sixt and FlySafair. These relationships with loyal suppliers have enabled the Group to deliver continued solid results.

STRONG B-BBEE CREDENTIALS

As a result of various empowerment deals the First Car Rental and retail motor fleet divisions are a level 2 B-BBEE contributor, with 54% black ownership and 48% black female ownership. The balance of the trading operations are a level 5 contributor, with 19% black ownership and 9% black female ownership. The Group is constantly looking for empowerment partners that share the same vision in order to establish mutually beneficial relations that will empower previously-disadvantaged individuals and increase black ownership of the Group.

GROUP OPERATIONS

Retail motor dealerships

FRANCHISE	LOCATIONS
NISSAN	Ballito, Durban, Hillcrest, Midrand, Pietermaritzburg, Pinetown, Sandton
Ford	Durban, Durban South, Hatfield, Pretoria, Pretoria North, Randburg, Umhlanga Rocks
	The Glen, Hatfield, Menlyn, Pinetown, Umhlanga Rocks
HAVAL Global Intelligent SUV Expert	Cape Town, Pinetown, Pretoria East, West Rand
JAGUAR	Cape Town, Pretoria, Umhlanga Rocks
MITSUBISHI MOTORS	The Glen, Hatfield, Menlyn, Pinetown, West Rand
CITROËN	Boksburg, Durban, Pretoria East, Umhlanga
DATSUN	Ballito, Durban, Hillcrest, Midrand, Pietermaritzburg, Pinetown, Sandton
EICHER GO PRO	Pietermaritzburg, Pinetown
GWM	Cape Town, Pinetown, Pretoria East, West Rand
LEXUS	Umhlanga Rocks
Mahindra Rise.	Pinetown
CMH FLEET SOLUTIONS mobility through partnership	Durban, Gauteng

FRANCHISE	LOCATIONS
mazda	Durban, Hatfield, Menlyn, Randburg , Umhlanga Rocks
TOYOTA	Alberton, Umhlanga Rocks
SUZUKI	Ballito, Hillcrest, Pinetown, Umhlanga Rocks
LAND ROVER	Cape Town, Pretoria, Umhlanga Rocks
ISUZU	Boksburg, Umhlanga Rocks
VOLVO	Bryanston, Cape Town, Hatfield, Pretoria East, Umhlanga Rocks, West Rand
OPEL	Boksburg, Umhlanga Rocks
PEUGEOT	Boksburg, Durban, Pretoria East, Umhlanga
RENAULT	Ballito, Midrand
SUBARU.	Boksburg
UD TRUCKS	Cornubia, Pietermaritzburg, Pinetown
USEDCARBUYERS QUICK. EASY. CASH FOR YOUR CAR	Hatfield, Menlyn, Pinetown, Umhlanga Rocks
CMH SELECT	Hatfield, Menlyn, Pinetown, Umhlanga Rocks

Other operations

DIVISION	LOCATIONS
ROKKIT digital agency	Countrywide
NWE National Workshop Equipment	Countrywide
CMH GREEN Our journey to a greener world	Countrywide
Mandarin parts distributors	Alberton, Bloemfontein, Cape Town, Durban, East London, East Rand, Emalalheni, George, Johannesburg, Kimberley, Klerksdorp, Nelspruit, Pietermaritzburg, Polokwane, Port Elizabeth, Pretoria, Randburg, Rustenburg, Windemere, Vanderbijlpark, Welkom, West Rand
MPD® Scrapyard www.mpdscrapyard.com	Pretoria

Car hire

FRANCHISE	LOCATIONS
First Car Rental	**Airports** OR Tambo (Johannesburg), King Shaka International (Durban), Gqeberha (Port Elizabeth), East London, George, Cape Town, Bloemfontein, Nelspruit, Kimberley, Upington, Richards Bay, Lanseria, Polokwane, Pietermaritzburg, Mthatha **Other** Bellville, Cape Town, Centurion, Durban, Klerksdorp, Menlyn, Midrand, Pinetown, Pomona, Pretoria, Rondebosch, Roodepoort, Rustenburg, Sandton, Stellenbosch, Umhlanga Ridge, Witbank

GROUP FIVE-YEAR FINANCIAL REVIEW

STATEMENT OF FINANCIAL POSITION	2021 R'000	2020 R'000	2019 R'000	2018 R'000	2017 R'000
ASSETS					
Plant and equipment	**67 068**	84 818	71 431	64 967	74 864
Right-of-use assets	**417 523**	466 094	468 126	370 432	–
Car hire fleet vehicles	**555 746**	713 315	813 102	760 282	757 085
Goodwill	**42 578**	31 828	8 078	8 078	10 078
Insurance receivable	**28 876**	43 078	37 530	45 144	38 162
Deferred taxation	**61 947**	60 068	50 945	50 381	39 454
Current assets	**2 028 265**	2 251 100	2 141 864	1 850 314	1 867 163
Property held for sale	**72 000**	–	–	–	–
Total assets	**3 274 003**	3 650 301	3 591 076	3 149 598	2 786 806
EQUITY AND LIABILITIES					
Ordinary shareholders' equity	**909 253**	813 763	753 953	681 648	572 430
Non-controlling interest	**–**	1 358	1 502	1 229	1 127
Borrowings	**540 864**	695 066	801 613	563 681	841 196
Lease liabilities	**548 962**	584 439	567 945	444 775	46 700
Other current liabilities	**1 274 924**	1 555 675	1 466 063	1 458 265	1 325 353
Total equity and liabilities	**3 274 003**	3 650 301	3 591 076	3 149 598	2 786 806

Figures presented for years prior to 2018 have not been restated in line with the changes in accounting policy processed in 2020.

STATEMENT OF COMPREHENSIVE INCOME		2021 R'000	2020 R'000	2019 R'000	2018 R'000	2017 R'000
Revenue		**8 579 558**	11 156 167	11 154 757	10 572 596	10 224 900
Operating profit to revenue	(%)	**4,0**	3,7	4,0	4,1	3,7
Operating profit		**345 045**	417 280	449 384	438 378	379 652
Net finance costs		**(110 725)**	(154 500)	(157 951)	(100 419)	(104 840)
Profit before taxation		**234 320**	262 780	291 433	337 959	274 812
Tax expense		**(65 557)**	(72 405)	(77 787)	(90 499)	(77 424)
Total profit		**168 763**	190 375	213 646	247 460	197 388
Non-controlling interest		**–**	144	(273)	(102)	(405)
Attributable profit		**168 763**	190 519	213 373	247 358	196 983
Dividends		**(74 802)**	(131 651)	(131 651)	(120 430)	(104 722)
Attributable profit after dividends		**93 961**	58 868	81 722	126 928	92 261

Figures presented for years prior to 2019 have not been restated in line with the changes in accounting policy processed in 2020.

GROUP FIVE-YEAR STATISTICAL REVIEW

STATEMENT OF FINANCIAL POSITION		2021	2020	2019	2018	2017
Borrowings to total assets	(%)	**16,5**	19,0	22,3	17,9	30,2
Borrowings to total equity	(%)	**59,5**	85,3	106,1	82,5	146,7
Current ratio	(ratio)	**1,2**	1,0	1,0	0,9	0,9
Current ratio, including car hire fleet and attendant borrowings	(ratio)	**1,4**	1,3	1,3	1,3	1,2
Net asset value per share	(cents)	**1 216**	1 090	1 010	913	767
Total assets per employee	(R'000)	**1 485**	1 293	1 302	1 172	1 041

Figures presented for years prior to 2018 have not been restated in line with the changes in accounting policies processed in 2020.

STATEMENT OF COMPREHENSIVE INCOME		2021	2020	2019	2018	2017
Weighted average number of shares in issue	('000)	**74 802**	74 802	74 802	74 802	74 802
Headline earnings per share	(cents)	**230,4**	254,8	285,5	332,9	284,2
Basic earnings per share	(cents)	**225,6**	254,7	285,3	330,7	263,3
Dividends per share	(cents)	**100,0**	176,0	176,0	161,0	140,0
Dividend cover	(times)	**2,3**	1,4	1,6	2,1	2,0
Net interest cover	(times)	**3,1**	2,7	2,8	4,4	3,6
Number of employees		**2 204**	2 823	2 759	2 688	2 676
Revenue per employee	(R'000)	**3 893**	3 952	4 043	3 933	3 821
Operating profit on average total equity	(%)	**40,0**	53,1	62,5	68,9	72,0
Return on shareholders' funds	(%)	**19,6**	24,3	29,7	38,9	37,4

Figures presented for years prior to 2019 have not been restated in line with the changes in accounting policy processed in 2020.

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

Current ratio
Current assets plus property held for sale, divided by current liabilities.

Current ratio, including car hire fleet and attendant borrowings
Net book value of car hire fleet plus current assets and property held for sale, divided by non-current borrowings plus current liabilities.

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 and business operations, 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.

REPORT OF THE CHIEF EXECUTIVE OFFICER

JD McIntosh

The year under review will long be remembered for the unprecedented crisis of the Covid-19 coronavirus pandemic and its dire consequences on our lives.

South Africa imposed one of the harshest lockdowns worldwide and the economic crisis that followed has engulfed a country which was already in economic depression. Many irrational decisions taken by Government had a negative impact on unemployment and taxes, and caused a dramatic contraction in the second quarter GDP. The country's plight was exacerbated by the plunder, by corrupt officials and members of the public, of huge sums of money set aside to provide personal protective equipment to embattled citizens. The apparent lack of progress in bringing these culprits to account is damaging to an economy already lacking in business confidence.

The impact on the Group's fortunes during the early stages was fully documented in an initial assessment of the pandemic, which was included in the Integrated Annual Report 2020, and in the commentary which accompanied the 2021 half-year results. The retail motor segment was faced with 77 days during which the licencing departments and testing stations were closed, so no sales could be effected, and car hire utilisation was less than 20%. The upshot is that, despite the Group remaining financially sound and with substantial cash resources, the first six-month period recorded an earnings loss of R14,2 million.

Off this base, I am proud that the CMH management team has achieved a remarkable R183,0 million positive earnings in the second six-month period, to end the year only 11,4% below last year. The latter period was affected by the continued impact of the pandemic, particularly the more severe protocols introduced in December, and renewed pressure from load shedding. Despite this, the Group recorded an 83% improvement over the prior year, a period unaffected by the pandemic.

GROUP OVERVIEW

Given the trading conditions and the results of the first six months' trading, the final results for the year are considered outstanding. Focus during the period since lockdown has been directed primarily towards the protection of cash resources through the reduction of working capital levels, the maximisation of gross profit on the reduced sales, the alignment of costs with the new sales levels, and the safety and motivation of staff.

Reduced sales levels have necessitated an adjustment to inventory, trade receivables and the car hire fleet. Inventory is down 22%, receivables 11%, and the car hire fleet 22%. The level of cash resources is at a comfortable R755 million, after the payment of R76 million in dividends, and the investment of R72 million in property. A portion of this balance will be applied to the reduction of interest-bearing borrowings on the car hire fleet.

The reduced sales level was offset, to a degree, by an improvement in the trading margin on vehicle sales. In addition, an improvement in the daily hire rate in respect of the car hire fleet, and the reduced cost of borrowing, following the interest rate cut, assisted the gross margin. The resultant gross profit improvement, from 16,7% to 17,4%, is significant when applied against a high level of revenue.

The reduction in costs centered mainly on the alignment of staff costs with the new trading level. This required the taking of many hard decisions regarding pay cuts, early retirements, retrenchments, termination of fixed term contracts, and salary freezes. The timely and sensitive communication and execution of decisions ensured that focus was quickly returned to the business. Other areas of cost saving have been identified. Some, like travel and accommodation, have been forced on the Group. Others, like advertising, sales promotion and the cost of demonstration and courtesy vehicles have developed from the forced adoption of alternative ways of doing business. The operating profit margin increased from 3,7% to 4,0%.

The interest rate reduction has been significant. The Group has interest-bearing borrowings in respect of its new vehicle inventory and car hire fleet. Perhaps even more important is the impact that the reduction has on vehicle affordability for customers. A significant portion of vehicles is bought on credit. The instalment reduction, in respect of both housing and vehicle loans, has brought welcome relief.

The safety of staff and customers has been a priority. The restrictions imposed during lockdown level 3 have been maintained where possible to reduce risks to a minimum. Despite best efforts in the workplace, four staff members succumbed to the disease. Our condolences have been extended to their families.

The Group tax rate remains largely unchanged. During the year the Group purchased from the minority shareholder his 30% interest in Group subsidiary Pipemakers (Pty) Limited. The acquisition was effected at book value, with no premium arising.

The trading results, and the strength of the statement of financial position and cash flows, have enabled the Group to resume the payment of dividends. Further details are recorded on pages 70 and 73.

A property purchased during the year has been classified at year-end as "held for sale". It was acquired with the intent of resale, at cost, to a black economic empowerment partner. The sale, and attendant leaseback agreement, were registered during the first week of March 2021.

It is significant that, despite the tough trading conditions, improved procedures and disciplines have ensured that the Group's year-end provisions, considered necessary for both trade receivables and slow-moving/obsolete inventory, are below those of the prior year.

Motor retail

This segment enjoyed a remarkable second half, which propelled it from a six-months pre-tax loss of R4,1 million, to a year profit of R202,4 million.

Improved trading margins, particularly during the last quarter when inventory shortages limited trading, cost reductions, and the lower interest rate combined to produce an outstanding performance.

Both national and Group new passenger and light commercial vehicles declined 32% over the financial year. The Group's second-half performance however, showed considerable improvement, despite the nationwide shortage of inventory. The decline in unit sales was only 10,5%, compared with the national fall of 17,3%. Annual used vehicle sales showed more resilience, declining only 18% for the full year, and 4% for the second half. Supply was hampered by a shortage of trade-ins. In contrast, panic selling was experienced in the national market during mid-year as car hire companies scrambled to dispose of their excess fleet. Again, the Group's second half out-performed estimates of the national level. The Group has developed a digital leads platform giving it access to a greater range of purchase opportunities, and intends to increase its exposure to the used car market through expansion of its "CMH Select" outlets.

After the lockdown the parts and service departments returned quickly to around 80% of previous sales levels. Since then the progress has been steady but slower, with the current average at 90% to 95%. Although second-half performance was better than the prior year, both departments ended the full year slightly below that of the prior year.

With effect from 1 March 2020 the Group acquired Mandarin Parts Distributors, an importer, wholesaler and retailer of aftermarket vehicle parts. The company operates a large retail outlet from its head office near Pretoria, and has a network of 23 franchisees around the country. Despite logistical difficulties during lockdown, it met budget expectations during its first year, and is scheduled to add a further six franchisees during the year ahead.

The Group has purchased a Ford dealership in Ballito which will be operational from 1 May 2021. The size of the acquisition's premises will allow the creation of a motor city/lifestyle centre comprising five vehicle brands alongside a restaurant, coffee shop, hair stylist and personal care specialist. In addition, two Mitsubishi and three Peugeot/Citroen/Opel franchises will be added to existing outlets at little overhead expense. A loss-making dealership was sold during June 2020, yielding a surplus of R2,3 million over its book value.

REPORT OF THE CHIEF EXECUTIVE OFFICER
CONTINUED

Rokkit, the Group's digital marketing division has enhanced the level of customer contact, and provided important communication links during the period when personal contact was not possible.

Through National Workshop Equipment, the Group has secured the import and distribution rights for three well-known brands of vehicle diagnostic equipment which are market leaders in the industry.

The Competition Commission's Guidelines for Competition in the South African Automotive Automarket have been published with an effective date of 1 July 2021. The intention is to provide practical guidance to promote inclusion and encourage competition in the automotive markets through greater participation of small businesses and historically disadvantaged groups. At first glance this would appear to be a threat to the exclusive rights currently held by franchised dealers to service and repair vehicles which are still under warranty or service plan. The reality is that franchised dealers invest considerable amounts in diagnostic equipment, special tools, staff training and the like, which smaller operators are unlikely to be able to match. The increased complexities of modern vehicles is such that few, if any, operators will be able to master a range of models, let alone a range of brands. In any event, the period covered by warranty or service plan is generally less than 25% of a vehicle's life. A number of specialists currently provide aftermarket support for targeted popular models, without disruption of the franchised dealers' domain.

Whilst I do not believe the proposal will pose a significant threat, the Group will continue its efforts to retain its customer base after the warranty/service plan period.

Car hire

Car hire, as part of the general hospitality/tourism industry, including travel, accommodation, entertainment and restaurants, has been most adversely affected by the pandemic. Car hire businesses are generally underpinned by outlets at major airports, and are consequently dependent on business and leisure travel, both domestic and international. In its recent news update, the Airports Company of South Africa (ACSA) reported that the number of departing passengers in 2020 was 67% below 2019, down 62% in domestic travellers and 75% in international travellers. When one considers that the first quarter, before lockdown, was at normal level, the decline since then is obviously far greater.

First Car Rental faced two major challenges: the right-sizing of the vehicle fleet, and the right-sizing of the staff complement. The inability to trade during lockdown and the delayed opening of vehicle testing stations, hampered early efforts to offload the excess fleet. However, with the assistance of the Group's used vehicle outlets, the optimum level of around 70% of pre-Covid, was reached during October and maintained for the balance of the year. This new level compares favourably with industry estimates of a decrease of more than 50% in the total national fleet.

The Group's fleet was conservatively valued prior to lockdown, and a profit on resale was achieved.

Whilst severe staff cuts were inevitable, considerable effort was made to retain key employees in each discipline. The cost structure was closely examined and aligned with the new business model. A considerable saving was achieved from the rental concessions made by ACSA, and the temporary change of the rental structure to one based on revenue only, without a monthly minimum. The interest rate cuts have contributed significantly to the cost of borrowing related to the fleet.

The business has survived on the slow growth in the domestic travel market. The strategic alliance with FlySafair, the only reliable airline operating during this period, has given revenue a boost, and provided an opportunity for increased market share. Growth has also been achieved in the insurance replacement market following a successful tender to one of the major insurance underwriters. Productivity and efficiency have improved steadily through an increase in both the daily hire rate and the fleet utilisation rate, with the result that a pleasing profit was achieved during the second half of the year.

First Car Rental has developed a reputation for its quality customer service, and this has held it in good stead in a tough market.

The new year business model is premised on a continued increase in the domestic travel market, with little reliance on international travel. Whilst the vaccine rollout may facilitate overseas visitors towards the end of the year, this cannot be relied on. Despite this, the Group is confident that, in the absence of further pandemic-related setbacks, profitability will be back on track.

Financial services

This division comprises the Group's finance joint ventures and various insurance underwriting entities. It suffered depressed results during the year, but promises an improved future. The severe debt provisioning applied by the banks during the height of the pandemic resulted in losses during the first half of the year. Fortunately the assumptions adopted have proved too conservative, and a partial release has seen a return to profit during the second period. In the absence of an adverse change in economic conditions, and continued relatively low interest rates, further reductions in provision levels will see an upturn in the year ahead.

An unexpected knock to the underwriting results has been the impact of pandemic-related deaths on the credit life policies. The claims rate has, however, reduced sharply since January. A further positive is that, despite the reduced level of vehicle sales, the increased product sales penetration resulted in a 25% increase in premium income. This will provide a sound platform for the years ahead.

DIVIDENDS

Because of the uncertainty regarding the course of the pandemic, the traditional June dividend in respect of the 2020 year was deferred, and paid in December 2020. The Group returned a trading loss for the half year to August 2020, and consequently no dividend was paid. The Group's pleasing results for the full year have enabled the directors to recommend a dividend, payable in June 2021, of 125 cents per share. This payment is covered 1,8 times by the year's earnings.

PROSPECTS

The new year will present the challenge of rebuilding a shattered economy. Developments regarding the pandemic are now focussed on the possibility of further surges in infection rates, and the government's ineptitude in securing a sufficient supply of vaccine and developing an immunisation programme. Economically, the country was in recession prior to the pandemic, and the year's 7% fall in GDP will take at least two years of good growth to recover. Political in-fighting has escalated following the exposure of corruption by politically-connected individuals, and the lack of accountability for such actions. The large contingent that is rallying against bringing perpetrators to book is an indication of the extent of the involvement. The focus on driving black economic empowerment has led to fronting and layers of margins which have escalated costs. Eskom has warned of continued load shedding disruptions as it struggles to rectify decades of leadership bungling. All this negativity has distracted the government from its main responsibility of creating employment by growing the economy. I believe that the year ahead will produce some economic growth off the low base, with subdued business and consumer confidence. Various predictions indicate that new vehicle sales growth will range between 12% and 20%. Whist this will be welcome, it must be remembered that the growth is off the calendar 2020 base, which was 29% below that of 2019.

First half sales will be hampered by low inventory availability as manufacturers struggle to overcome component shortages following worldwide supplier lockdowns.

The Group's equity structure is sound and its cash flow generation will enable it to take advantage of opportunities for organic and acquisitive growth.

The overhead structure was significantly reduced last year. However, it cannot be expected that this level is sustainable. Although the head count has been reduced by 20%, the salary cuts introduced in June 2020 ended in February 2021, and selective increases may be necessary to remain competitive. Rental concessions totalling some R27 million will not be repeated to the same extent, and variable costs will increase. That said, I believe that, if the expected increase in both new and used vehicle sales, and airline passengers, is achieved, there is every prospect that the Group will improve its earnings.

APPRECIATION

I am grateful to the Group's management team for its positive attitude and contribution during the stress and uncertainty which the pandemic brought to the year. Many painful and difficult decisions needed to be taken and executed, and the team responded with speed and sensitivity. I believe it is this nimbleness and adaptability which sets the CMH team apart from its competitors.

The Group's finance houses, manufacturers and other key suppliers provided continued support. The concessions extended to the Group by various landlords are appreciated.

I thank James Dixon and his non-executive colleagues for providing a sounding board and wise counsel during a difficult year.

JD McIntosh
Chief Executive Officer

30 April 2021

BOARD OF DIRECTORS

JAMES DIXON 69

CA (SA)

Chairman and independent non-executive

Board appointment: 2010

JEBB MCINTOSH 75

CA (SA)

Chief executive officer

Board appointment: 1976

BRUCE BARRITT 62

Executive

Board appointment: 2016

Managing Director: First Car Rental Division

ZEE CELE 68

BCom, Postgrad Dip Tax, MAcc (Tax)

Independent non-executive

Board appointment: 2007

STUART JACKSON 68

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

Financial director

Board appointment: 1986

MIKE JONES 68

CA (SA)

Independent non-executive

Board appointment: 2015

JERRY MABENA 51

BCom

Independent non-executive

Board appointment: 2014

REFILOE NKADIMENG 39

CA (SA)

Independent non-executive

Board appointment: 2015

KEY TO COMMITTEES

- Remuneration committee
- Nominations committee
- Social, ethics and transformation committee
- Audit and risk assessment committee
- Chairman

CORPORATE GOVERNANCE REPORT

BACKGROUND

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.

This Report should be read in conjunction with the Group's practices in respect of the principles contained in King IV, which are recorded on the Group's web site, www.cmh.co.za. (References thereto are described hereafter as "King IV Code: Principle …").

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. Details of each director are recorded on page 14.

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 59 years old;
- have served on the Board an average of 8,5 years;
- comprise two white and three African members, which is within the Board's race diversity policy target of 45% to 50% of independent non-executives, and 25% to 35% of the total Board, being from previously-disadvantaged races;
- comprise three males and two females, which is within the Board's gender diversity policy target of 30% to 40% of independent non-executives, and 20% to 25% of the total Board, being female; and
- are of sufficient number to serve on committees without overburdening members.

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

Nomination, election and appointment of Board members

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

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

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

Independence and conflicts

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

Classification

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

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

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

- JA Mabena and MR Nkadimeng meet the independence criteria despite them being nominees of Thebe Investment Corporation ("TIC"), the Group's empowerment partner. TIC does not have the ability to control nor significantly influence the Board, and the 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 thirteen and ten 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.

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
BWJ Barritt	3/3			2/2	
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*
ME Jones	3/3	2/2			
JA Mabena	3/3	2/2	2/2	2/2	0/1
JD McIntosh	3/3		2/2*	2/2	1/1*
MR Nkadimeng	3/3	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 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.

There is a process in place in terms of the JSE 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. Details of directors' share dealings are communicated through the JSE Limited's electronic news service, SENS. No infringements were reported during the year.

COMPANY SECRETARY

The company secretary is appointed by the Board in compliance with the Companies Act 2008 and the JSE 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 22 years' post-graduate experience, of which 15 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 33.

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.

There has been no change, during the year, to the composition of these committees as 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

Combined assurance

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 set out in the combined assurance framework. The combined assurance framework promotes accountability and consistency and is intended to ensure that, through a co-ordinated effort, all material risks are identified, managed and mitigated to within acceptable levels, to provide comfort to the relevant stakeholders and to enable sustainable growth of the Group.

Subject to its ultimate accountability, the Board has delegated the responsibility for risk management to the Audit and risk assessment committee. Details of the Group's exposure to a variety of financial risks is disclosed on pages 52 and 53. Details of other risks faced by the Group are recorded in the King IV Code: Principle 11.

Compliance with laws and regulations, codes and standards

The Group is committed to compliance with applicable laws and regulations, codes and standards. Day-to-day responsibility for compliance with legislation relevant to the Group has been delegated by the Board to management. 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 plays 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.

SUSTAINABILITY REPORT

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 Report provides an overview of the principal focus areas which determine the Group's sustainability programme.

CONTRIBUTING POSITIVELY TO THE ECONOMY

The Group aims to contribute 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 information is contained in the table below.

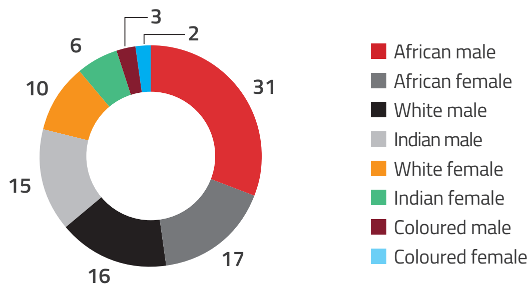
KEY SUSTAINABILITY ISSUES AT A GLANCE		2021	2020
Financial			
Revenue	(R'000)	**8 579 558**	11 156 167
Operating profit	(R'000)	**345 045**	417 280
Headline earnings per share	(cents)	**230,4**	254,8
Dividends paid per share	(cents)	**100,0**	176,0
Return on shareholders' funds	(%)	**19,6**	24,3
Tax paid	(R'000)	**58 703**	78 818
Tax expense as percentage of profit before taxation	(%)	**28,0**	27,6
Employment			
Number of employees		**2 204**	2 823
Total employee costs	(R'000)	**649 500**	817 551
PAYE collected from employees on behalf of government	(R'000)	**132 667**	158 274
UIF and SDL contributions to government in respect of employees	(R'000)	**10 842**	16 013

TRANSFORMATION AND EMPLOYMENT EQUITY

The Board remains committed to transformation. 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.

Throughout the down-sizing process, management continued to focus on employment equity, particularly at senior levels and managed to substantially retain the composition of its employee race and gender profile.

EMPLOYEE PROFILE BY RACE AND GENDER AT FINANCIAL YEAR-END (%)



The Group's Employment Equity Plan ("the Plan") has been developed on the principles of transformation, equity, equality, diversity and empowerment. The Plan's core principles underlie the Group's commitment to, gradually and reasonably, achieve a representative work force, as prescribed by the Act. Employment equity policies have been implemented to create an environment in which employees from previously disadvantaged backgrounds are trained, instructed, promoted and rewarded according to their initiative, performance, loyalty and work ethic.

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

Recruitment

The recruitment process aims to recruit based on skill and experience, but with a bias towards those race and gender groups that are under-represented when compared with the national economically active population statistics used by the Department of Employment and Labour as employment equity benchmarks. New candidates are sourced by the branch requiring the resource, but each appointment is vetted by the Group employment equity and transformation manager to ensure employment equity objectives are achieved.

The Group offers short-term internships for previously disadvantaged students who are in their final year of tertiary education at technical colleges. These internships provide the students with real-world business exposure that extends beyond their academic knowledge and affords them an opportunity to interact with experienced individuals in the areas in which they are studying and to learn business and life skills. Interns are assessed and rated at the conclusion of their internship and the Group draws on this pool of talent when vacancies arise.

Retention and promotion

The Board's philosophy regarding promotions and, in particular, 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, 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.

Key to staff retention, at any level, is recognition and promotion from within. The Group encourages promotion rather than recruitment as this not only provides a clear path to greater compensation and responsibility, it also helps employees feel that they're valued and a crucial part of the Group's success.

During the financial year, the Group promoted 55 employees, of which 56% were African and a further 26% Indian or Coloured.

Skills development

The retail motor industry continues to experience a shortage of suitably skilled manpower at management level and in the technical departments. As there is no formal training programme for dealership managers, the Group has developed internal manager programmes. These focus on grooming existing employees for the role of manager within each of the departments within a motor dealership. Candidates are sourced internally, with a bias towards staff from previously disadvantaged backgrounds, and are selected based on past performance and achievements and potential demonstrated on the job. The Group runs various management development programmes as part of its succession planning and talent management process. The aim is to ensure that there is a constant pool of middle management talent available should a vacancy arise. The management programmes focus on building managerial skills and incorporate a mix of formal and informal training, on-the-job development, mentoring and coaching.

To address the shortage of skills in the technical departments, the Group recruits recent matriculants into a National Qualification Framework ("NQF") level 5 apprenticeship programme. The programme allows the candidates to qualify as artisan technicians over a period of two to three years. The Group currently has 31 apprentices employed on this programme and historically retains between 60% and 80% of those that qualify as permanent employees within the Group.

The Group also runs approximately 30, 12-month learnerships at any one time, aligned towards the development of administration, 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.

The Covid-19 pandemic had a significant impact on the Group's training initiatives in the financial year as classroom training came to an abrupt halt on 26 March 2020. Classroom and on-line training recommenced towards the end of 2020 but the successful completion of most programmes will be delayed as a result of the interruptions.

The Group believes that training employees is critical for employee development and progression. Each year, a large number of sales and technical staff attend mandatory training programmes required by the original equipment manufacturers. Employees and their managers are also encouraged to identify training that could lead to the progression of the employee and, if suitably motivated, the cost thereof is subsidised by the Group.

During the year, approximately R9,5 million was spent on training employees, involving a total of 5 300 training initiatives. Of this, approximately 70% was spent on training African employees.

Staff with a disability

During the past two years, the Group has developed a disability awareness and support policy. This policy actively encourages staff to declare their disabilities without fear of intimidation or discrimination. When a disability is declared, management is encouraged to make reasonable accommodation to create an inclusive workplace environment. The Group's recruitment policy, for permanent positions and learners, actively encourages bias towards previously disadvantaged individuals with disabilities.

Regulatory reporting

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 2020, are tabled below.

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.

Approximately 70% of Group procurement spend is with, or linked to, motor manufacturers with whom there are stringent distribution and franchise agreements, leaving approximately 30% of procurement spend that can be directed to preferential suppliers. None of the motor manufacturers meets the criteria for an exempt micro entity, a qualifying small enterprise or a black-owned entity. The points that the Group can achieve in the Enterprise and supplier development element of the scorecard are thus limited and this adversely impacts the B-BBEE scorecard level achieved by the Group.

The scorecards for the year ended 29 February 2020 were independently audited during the year. 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

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	2		6	48	4	3	1	9	1		74
Senior management	30	11	60	100	27	3	31	66	1		329
Professionally qualified and experienced specialists	203	24	139	153	87	14	31	63	4		718
Skilled technical and academically qualified	92	10	30	11	69	11	33	35	1		292
Semi-skilled	250	17	84	19	87	21	26	30	3		537
Unskilled	105	1	4	3	89	2	1	4	3	1	213
Total August 2020	682	63	323	334	363	54	123	207	13	1	2 163
Total August 2019	909	95	380	395	540	76	149	266	15	3	2 828
DISABLED STAFF ONLY											
Occupational levels											
Top management				1			1				2
Senior management	1		2		1						4
Professionally qualified and experienced specialists	1		1	4				1			7
Skilled technical and academically qualified	3							2			5
Semi-skilled		1	1		1		1				4
Unskilled	2		3	3	1			3			12
Total August 2020	7	1	7	8	3	0	2	6	0	0	34
Total August 2019	9	1	10	9	6	1	4	6	0	0	46

Key: A = African C = Coloured I = Indian W = White M = Male F = Female the challenging business environment, First Car Rental achieved a level 2 rating and the Group a level 5 rating. First Car Rental expects to maintain its rating in the coming year. The Group aims to improve its rating following the disposal of assets, in March 2021, pursuant to Statement 102 of the B-BBEE Codes of Good Practice.

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

B-BBEE SCORECARD RATINGS	Max	Result 2020
Car Hire and Fleet division		
Ownership	27	25.3
Management control	19	14.2
Skills development	20	18.4
Enterprise and supplier development	40	35.5
Socio-economic development	5	5.0
	111	98.4
B-BBEE recognition level contributor		2
Total Group		
Ownership	25	21.0
Management control	19	9.1
Skills development	20	11.2
Enterprise and supplier development	42	31.3
Socio-economic development	5	5.0
	111	77.6
B-BBEE recognition level contributor		5

HEALTH AND SAFETY

Looking after the health and safety of employees and customers is key to business success, and the directors acknowledge their responsibility to remain compliant with occupational health and safety standards.

A consistent Group-wide policy, approved by the Board, provides the core framework for standard processes. CMH believes incidents are preventable. Its policies seek to minimize potential hazards in operations to eliminate risk and provide a safe and healthy working environment. The policy was revised during the year to include processes to address Covid-19. Comprehensive health and safety risk assessments have taken place across all Group operations, and systems have been implemented to manage identified risks. This has helped to quickly implement enhanced health and safety protocols to comply with government regulations.

Safety is the priority and responsibility of all employees. The dealer principal is the main responsible individual for health and safety 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

The biggest potential impact on the environment is the water used to wash vehicles on showroom floors, in workshops and at rental depots. Management recognises that responsible use of water is critical. The Group rents the "CMH Green" waterless car wash system to 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

Management has continued to focus on reducing energy consumption, given the negative impact which the above-inflationary increases in electricity have had on Group profitability and the ongoing supply concerns facing South Africa. 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 at a cost of approximately R15 million. These installations were scheduled to commence during 2020 but were delayed due to the Covid-19 pandemic. They will be rescheduled.

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.

The Group has not incurred any environment-related fines nor penalties.

SOCIAL ISSUES

Whilst appreciating that long-term financial success is an essential component of stakeholder confidence, the directors remain committed to supporting the communities in which it operates. 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 Group has long-term relationships with numerous beneficiaries that meet these criteria and contributes by way of donations of cash, resources and long- and short-term free use of motor vehicles.

During the economic lockdown arising from the Covid-19 pandemic, the Group recognised a new group of deserving and needy beneficiaries – its employees. Management identified those staff members most severely impacted by the lockdown and donated food parcels, with a value of R500 000, to approximately 600 employees and their families.

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 28 February 2021.

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 17. 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 attends 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 18. 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 45 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 28 February 2021, it has performed all of the functions required to be performed by an audit committee.

ME Jones
Chairman, Audit and risk assessment committee

30 April 2021

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 biennially 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 17. 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 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 55% to 74% 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 15% 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 18%-20% 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 5% 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 traditionally comprised 6% to 15% of total remuneration. During the year under review, no vesting benefit was enjoyed by participants as the Covid-19 pandemic impacted negatively on both the share price and headline earnings per share. 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 exceptional 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

A policy of 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.

At the time of finalising remuneration structures in respect of the current year, the country was under Covid-19 lockdown restrictions. None of the businesses was fully operational and there was no certainty as to when they would be allowed to open.

As a consequence, Remco decided that performance-related awards in respect of the year were unable to be determined in advance. Rather it was agreed with executives that fair levels of remuneration would be determined on a subjective retrospective basis. The determination would take into account the performance of the Group relative to the economy, specifically the retail motor and car hire sectors, and comparison with the Group's peers.

By way of governing principles, it was agreed that:

- there would be no increase in basic salary. This was adhered to;
- executives would accept a reduction in basic salary and pension fund contributions of 15-20% from 1 June 2020 until a date to be determined by Remco at its October 2020 meeting, or 28 February 2021, whichever was sooner. A cut of 15-20% was applied from June to October 2020, and 7,5-10% from November 2020 to February 2021; and
- the scale on which the remuneration would be judged would not exceed that of the previous year. The framework adopted by Remco was similar to that used in prior years.

In its deliberations, Remco took cognisance of the following principal factors:

- the total lockdown period during which trade was prohibited and trading losses were unavoidable;
- the pent-up demand that was released when trading resumed;
- the interest rate reductions which impacted favourably on both Group borrowings and consumer affordability;
- the Group's adaption to the new trading level, and the timeous right-sizing of working capital, staff, and overheads;
- the 7% negative growth in the country's GDP, 32% fall in national new vehicle sales, and 67% decline in airline passengers;
- the expense concessions negotiated with landlords and other suppliers;
- the earnings recovery during the second half, after a devastating first six months;
- the new vehicle inventory shortages experienced during the year, and especially in January and February 2021;
- the publicly-available financial information regarding the Group's peers over the same period;
- the negative impact which the pandemic had on the Group's share price, and hence the value of share-based awards; and
- safety protocols adopted to maximise the safety of both staff and customers.

Remco recommended that a fair reward for executive directors would be to retain the performance-related portion of total remuneration at the same level that was earned in 2020. Taking into account the reduced basic salary, pension fund contributions, and share based payments, the overall effect has been to reduce total executive director remuneration by 14,5%. Full details are recorded on page 81.

The year ahead

Remco has confirmed that no increase in basic salary will be awarded to executive directors in respect of the year ahead.

Although a considerable level of pandemic-related uncertainty prevails, Remco has aligned the performance-related earnings with the anticipated financial results of the Group, being:

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

and the following non-financial key performance indicators:

- ensuring the Group's effective risk management and reporting processes are maintained;
- continuing the mutually-beneficial relationships with manufacturers, customer finance houses and financiers;
- improving, or at least maintaining, the Group's and Car Hire's black economic scorecard rating, employment equity statistics, and skills development training; and
- developing Group strategy and a growth platform.

The on-target structure records a guaranteed remuneration of 70% of the total package, with the balance being variable. Of the variable portion, 70% relates to financial issues, and the balance to key non-financial issues.

In respect of BWJ Barritt, a lesser emphasis was placed on Group financial results, and a higher weighting on Car Hire's profitability.

The minimum, target and maximum parameters have been based on a number of key assumptions which underpinned the annual budgets. These include the country's economic growth, stability of interest rates, national vehicle sales, and growth in airline passengers. The assumptions are unlikely to hold true in all instances. In the event that an unforeseen change in the assumptions has a material positive or negative effect on the outcomes, Remco reserves the right to amend the targets so as to preserve the concept of "fair reward aligned to stakeholder interests".

The table below indicates the components of remuneration that will be paid to each executive director under minimum, on-target, and maximum performance outcomes. The values exclude the expected vesting outcomes of long-term share appreciation rights awarded to BWJ Barritt.

	Minimum R'000	On-target R'000	Maximum R'000
BWJ Barritt			
– guaranteed basic salary and benefits	4 675	4 675	4 675
– annual performance-related	–	2 120	3 560
	4 675	6 795	8 235
Ratio	69	100	121
SK Jackson			
– guaranteed basic salary and benefits	5 827	5 827	5 827
– annual performance-related	–	2 150	3 560
	5 827	7 977	9 387
Ratio	73	100	118
JD McIntosh			
– guaranteed basic salary and benefits	7 411	7 411	7 411
– annual performance-related	–	3 300	5 450
	7 411	10 711	12 861
Ratio	69	100	120

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 retainer portion of their fees was reduced by 20% from June to October 2020, and by 10% until the year end. Details of the fees earned during the year are recorded on page 81.

Full details of the fee structure are recorded in the Notice of Annual General Meeting, on page 87. No increase in fees has been proposed in respect of the year ahead.

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 2020 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 4% 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 2020 annual general meeting the Remuneration Policy and Implementation Report were endorsed by 94% of voting shareholders.

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

30 April 2021

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 17.

The qualifications of the committee members are disclosed on page 14.

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 fulfil 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. 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;
- ongoing assessment of progress towards the achievement of targets and goals set out in the Employment Equity Plan ("Plan") approved in 2019, having regard for the impact of Covid-19 on the size and mix of the significantly reduced workforce. As the workforce was reduced by 22% during the year, the 2019 Plan was no longer a realistic target. The committee determined that a new Plan be developed in accordance with the Employment Equity Act once the economic environment and the industry operations have stabilised; and
- assessing and monitoring the Covid-19 related measures implemented by management, in particular as they relate to health and safety of the Group's employees, customers and other stakeholders.

The focus areas will remain unchanged in the coming year as they continue to be relevant to the Group and the responsibilities of the committee.

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

30 April 2021

EXECUTIVE DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

We, the directors whose names are stated below, report with reference to both the Company and the Group and hereby confirm that:

- the financial statements set out on pages 41 to 85, fairly present, in all material respects, the financial position, financial performance and cash flows of the Company and the Group in terms of IFRS;
- no facts have been omitted or untrue statements made that would make the financial statements false or misleading;
- internal financial controls have been put in place to ensure that material information relating to both the Company and its consolidated subsidiaries has been provided to effectively prepare the financial statements of the Company and Group; and
- the internal financial controls are adequate and effective and can be relied upon in compiling the financial statements, having fulfilled their role and function within the combined assurance model pursuant to principle 15 of the King Code. Where we are not satisfied, we have disclosed, to the Audit and risk assessment committee and the external auditor, the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors, and have taken the necessary remedial action.

Stuart Jackson
Finance director

Jebb McIntosh
Chief executive officer

30 April 2021

DIRECTORS' APPROVAL OF FINANCIAL STATEMENTS

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 41 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.

Having considered the impact of the Covid-19 pandemic on the Company and the Group, the going-concern basis has been adopted in preparing the financial statements. The directors believe that the Company and the Group are in a sound financial position and will be going concerns 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:

Jebb McIntosh
Chief executive officer

James Dixon
Chairman

30 April 2021

CERTIFICATION BY THE COMPANY SECRETARY

In my capacity as company secretary, I hereby confirm that, for the year ended 28 February 2021, 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.

Kerrianne Fonseca
Company secretary

30 April 2021

DIRECTORS' REPORT

FOR THE YEAR ENDED 28 FEBRUARY 2021

Your directors have pleasure in submitting their report on the affairs of the Company and the Group during the year ended 28 February 2021.

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. Further details of the Group's operations appear on pages 3 to 7.

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 by the Company during the year under review:

	2021 R'000	2020 R'000
Dividend number 64: 100 cents, declared 13 October 2020	**74 802**	–
Dividend number 63: 61 cents, declared 18 October 2019	–	45 628
Dividend number 62: 115 cents, declared 16 April 2019	–	86 023
	74 802	131 651

RESOLUTIONS

At the annual general meeting of shareholders held on 30 July 2020, the following special resolutions were passed:

- Authorisation of the directors in terms of section 45(3) of the Companies Act, 2008, to bind the Company in the provision of direct or indirect financial assistance to a related company; and
- Approval of the fees of non-executive directors for their services as directors.

DIRECTORS AND SECRETARY

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

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.

JS Dixon and ME Jones 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 86.

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

Business
1 Wilton Crescent
Umhlanga Ridge
4319

Postal
PO Box 1033
Umhlanga Rocks
4320

DIRECTORS' 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 R155 378 000 (2020: R175 523 000) and R16 800 (2020: R1 257 000) respectively.

AUDITOR

At the annual general meeting, shareholders will be requested to appoint PricewaterhouseCoopers Inc. as the Group's auditor for the 2022 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 36 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

30 April 2021

INDEPENDENT AUDITOR'S REPORT

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 28 February 2021, 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 41 to 83 comprise:

- the Consolidated and Company statements of financial position as at 28 February 2021;
- the Consolidated and Company statements of comprehensive income for the year then ended;
- the Consolidated and Company statements of changes in equity for the year then ended;
- the Consolidated 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 the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards).

OUR AUDIT APPROACH

Overview

Materiality

Overall group materiality
Overall group materiality: R51,5 million, which represents 0.6% of consolidated revenue.

Group scoping

Group audit scope
The consolidated financial statements are a consolidation of thirteen components.
Eight of the components were subject to full scope audits based on their financial significance.
Analytical review procedures were performed over the remaining components.

Key audit matters

Key audit matters
Determination of the carrying value of car hire fleet vehicles.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated 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 financial statements as a whole.

Overall group materiality	R51,5 million.
How we determined it	0.6% 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 0.6%, 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 thirteen 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.

The key audit matter below relates to the consolidated financial statements. We have determined that there are no key audit matters to report with respect to the audit of the separate financial statements.

Key audit matter	How our audit addressed the key audit matter

DETERMINATION OF THE CARRYING VALUE OF CAR HIRE FLEET VEHICLES

Key audit matter

As at 28 February 2021, the carrying value of the Group's car hire fleet vehicles was R555,7 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 following:

- 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 residual values. 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 1.4, 3.1 and 6 to the consolidated financial statements for the relevant disclosures in respect of the car hire fleet vehicles.

How our audit addressed the key audit matter

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 to evaluate management's residual value judgements against industry forecasts. We found the residual value judgements made 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, taking into account the potential impact of Covid-19 on the current year data, and assessed management's current year judgements against it for consistency. We found the current year judgements 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 of selling prices against the current selling prices of similar vehicles. 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. Based on our work performed, for this sample, we accepted management's estimate; and
- We considered the average age of fleet vehicles disposed during the current year, and the potential impact on disposal volumes by Covid-19, and of the fleet vehicles on hand at year end in assessing the reasonableness of useful lives. Based on our work performed, we accepted management's estimate.

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 2021", which includes the Directors' report, Report of the audit and risk assessment committee and 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, actions taken to eliminate threats or safeguards applied.

INDEPENDENT AUDITOR'S REPORT CONTINUED

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 45 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: RD Klute
Registered Auditor

Durban, South Africa
30 April 2021

SEGMENT INFORMATION

FOR THE YEAR ENDED 28 FEBRUARY 2021

	Total		Retail motor		Car hire		Financial services		Corporate services/ Other	
2021	R'000	%	R'000	%	R'000	%	R'000	%	R'000	%
External revenue	8 579 558	100	8 193 792	96	242 697	3	115 767	1	27 302	–
Inter-segment revenue	22 737	100	–	–	311	1	–	–	22 426	99
Segment revenue	8 602 295	100	8 193 792	95	243 008	3	115 767	1	49 728	1
Operating profit/(loss)	345 045	100	301 053	86	29 706	9	22 770	7	(8 484)	(2)
Finance income	25 937	100	18	–	–	–	5 276	20	20 643	80
Finance costs	(136 662)	100	(98 634)	73	(34 809)	25	–	–	(3 219)	2
Profit/(loss) before taxation	234 320	100	202 437	86	(5 103)	(2)	28 046	12	8 940	4
After charging										
– employee costs	649 500	100	540 160	83	57 653	9	–	–	51 687	8
– depreciation										
– plant and equipment	30 473	100	23 282	76	3 084	10	–	–	4 107	14
– car hire fleet vehicles	59 596	100	–	–	59 596	100	–	–	–	–
– right-of-use assets	104 091	100	96 855	93	5 234	5	–	–	2 002	2
– impairment of goodwill	6 250	100	6 250	100	–	–	–	–	–	–
Total assets	3 274 003	100	1 751 108	53	619 053	19	28 876	1	874 966	27
Total liabilities	2 364 750	100	1 686 648	71	606 375	26	–	–	71 727	3
Goodwill at year-end	42 578	100	42 578	100	–	–	–	–	–	–

	Total		Retail motor		Car hire		Financial services		Corporate services/ Other	
2020	R'000	%	R'000	%	R'000	%	R'000	%	R'000	%
External revenue	11 156 167	100	10 511 616	94	508 514	5	92 724	1	43 313	–
Inter-segment revenue	36 767	100	–	–	–	–	–	–	36 767	100
Segment revenue	11 192 934	100	10 511 616	94	508 514	5	92 724	1	80 080	–
Operating profit/(loss)	417 280	100	280 945	67	104 870	25	38 049	9	(6 584)	(1)
Finance income	38 743	100	–	–	13	–	6 589	17	32 141	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	44 638	17	22 915	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	–	–	–	–	–	–

The Group's accounting policy for segment reporting is recorded in note 1.16 to the attached financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 28 FEBRUARY 2021

	Notes	2021 R'000	2020 R'000
ASSETS			
Non-current assets			
Plant and equipment	4	**67 068**	84 818
Right-of-use assets	5	**417 523**	466 094
Car hire fleet vehicles	6	**555 746**	713 315
Goodwill	7	**42 578**	31 828
Insurance receivable	8	**28 876**	43 078
Deferred taxation	9	**61 947**	60 068
		1 173 738	1 399 201
Current assets			
Inventories	10	**1 033 005**	1 323 858
Trade and other receivables	11	**238 666**	267 606
Current tax receivable		**1 769**	14
Cash and cash equivalents	12	**754 825**	659 622
		2 028 265	2 251 100
Property held for sale	33	**72 000**	–
Total assets		**3 274 003**	3 650 301
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	13	**38 091**	38 091
Share-based payment reserve	14	**1 529**	12 747
Retained earnings		**869 633**	762 925
Ordinary shareholders' equity		**909 253**	813 763
Non-controlling interest		**–**	1 358
Total equity		**909 253**	815 121
Non-current liabilities			
Borrowings	15	**89 011**	95 764
Lease liabilities	16	**458 882**	481 750
		547 893	577 514
Current liabilities			
Trade and other payables	17	**1 271 120**	1 552 939
Borrowings	15	**451 853**	599 302
Lease liabilities	16	**90 080**	102 689
Current tax liabilities		**3 804**	2 736
		1 816 857	2 257 666
Total liabilities		**2 364 750**	2 835 180
Total equity and liabilities		**3 274 003**	3 650 301

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 28 FEBRUARY 2021

		Notes	2021 R'000	2020 R'000
Revenue		18	**8 579 558**	11 156 167
Cost of sales		20	**(7 087 850)**	(9 291 278)
Gross profit			**1 491 708**	1 864 889
Other income		19	**26 230**	19 971
Impairment of goodwill		7	**(6 250)**	–
Selling and administration expenses		20	**(1 166 643)**	(1 467 580)
Operating profit			**345 045**	417 280
Finance income		21	**25 937**	38 743
Finance costs		22	**(136 662)**	(193 243)
Profit before taxation			**234 320**	262 780
Tax expense		23	**(65 557)**	(72 405)
Total profit and comprehensive income			**168 763**	190 375
Attributable to:				
Equity holders of the company			**168 763**	190 519
Non-controlling interest			**–**	(144)
			168 763	190 375
EARNINGS PER SHARE		24		
Basic	(cents)		**225,6**	254,7
Diluted basic	(cents)		**225,6**	254,7

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 28 FEBRUARY 2021

	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 2019	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**
Total profit and comprehensive income			**168 763**	**168 763**		**168 763**
Release following forfeit of share appreciation rights		**(12 747)**	**12 747**			
Share-based payment charge		**1 529**		**1 529**		**1 529**
Dividends paid			**(74 802)**	**(74 802)**	**(1 358)**	**(76 160)**
Balance at 28 February 2021	**38 091**	**1 529**	**869 633**	**909 253**	**–**	**909 253**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 28 FEBRUARY 2021

	Notes	2021 R'000	2020 R'000
Cash flows from operating activities			
Cash generated from operations	25	**498 955**	540 119
Taxation paid	26	**(58 703)**	(78 818)
Net cash movement from operating activities		**440 252**	461 301
Cash flows from investing activities			
Purchase of plant and equipment		**(15 050)**	(50 115)
Purchase of property		**(72 000)**	–
Proceeds on disposal of plant and equipment		**3 346**	3 377
Investment in special purpose entities conducting insurance underwriting activities		**(1 250)**	(3 500)
Dividend received from special purpose entities conducting insurance underwriting activities		**39 598**	11 371
Acquisition of businesses	31	**(23 866)**	(47 615)
Disposal of business	32	**5 164**	–
Net cash movement from investing activities		**(64 058)**	(86 482)
Cash flows from financing activities			
Cost of shares delivered in terms of share appreciation rights scheme		**–**	(4 531)
Finance income received	27	**20 661**	32 155
Finance costs paid	22	**(136 662)**	(193 243)
Principal element of lease liability repayments	28	**(84 054)**	(93 893)
Dividends paid	29	**(76 160)**	(131 651)
Repayment of secured loans acquired	31	**(4 776)**	–
Net cash movement from financing activities		**(280 991)**	(391 163)
Net movement in cash and cash equivalents		**95 203**	(16 344)
Cash and cash equivalents at beginning of year		**659 622**	675 966
Cash and cash equivalents at end of year	12	**754 825**	659 622

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2021

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 the amendments to IFRS 16: Leases that became effective from 1 June 2020.
The amendments make it easier for lessees to account for Covid-19 related rent concessions, such as rent holidays and temporary rent reductions. The application has no impact on comparative periods presented. Further details are provided in note 1.5.

Other than the amendments to 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 Business combinations

The acquisition of a business is accounted for under the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of the exchange, of assets received and liabilities incurred or assumed. Acquisition-related costs are recognised in profit or loss as incurred. Goodwill arising on acquisition is recognised at cost in accordance with note 1.6.

1.4 Plant and equipment and car hire fleet vehicles

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

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

Plant and machinery	4 to 5 years
Furniture and office equipment	3 to 10 years
Car hire fleet vehicles	12 to 24 months
Other motor vehicles	4 to 5 years
Leasehold improvements	the period of the lease

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

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

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

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

1.5 Leases

The Group leases 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.

Initial lease periods vary from 12 months to 14 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.

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.

Lease modifications

Where leases are renegotiated, either in terms of rental amount, lease term, or both, the lease liability is remeasured based on the new terms at an appropriate incremental borrowing rate. The difference between the previous value of the lease liability and the revised value is then adjusted to the lease liability as well as to the right-of-use asset. The revised lease liability is amortised over the updated remaining lease term and the right-of-use asset is depreciated over the updated useful life.

Early termination of lease agreements

Where leases are terminated earlier than the contractual terms, the remaining right-of-use asset and the related lease liability are derecognised and any termination costs, in terms of penalties, is recognised in profit or loss.

Covid-19 related rent concessions

The Group has elected to apply the practical expedient made available by the amendment to IFRS 16 in June 2020, to all rent concessions that meet the stipulated conditions. As a result, rent concessions were recognised as negative variable lease payments and applied as a reduction in the rental expenses in the period in which the concession was granted.

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 year-end. In the event that the Group does decide to exercise an option, the lease liability will be recalculated, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 28 FEBRUARY 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

1.5 Leases continued

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.

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.

1.6 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 value, an impairment is recognised. Impairment losses on goodwill are not reversed.

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

1.7 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.

1.8 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.

1.9 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.

1.10 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.

1.11 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.

1.12 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

1.12 Employee benefits continued

Healthcare

The Group provides healthcare 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.

1.13 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.

Products and services	Nature, timing of satisfaction of performance obligations and significant payment 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.
Commission income	The Group earns revenue in the form of commission from the facilitation of customer finance, and the sale of vehicle accessories and 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 1.17) is recognised over the contract period, calculated on a time-proportionate basis, applying the principles of IFRS 4: Insurance Contracts.

1.14 Finance income

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

1.15 Dividends

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

1.16 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

1.16 Segment reporting continued

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.

1.17 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 a monthly 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 cash resources and borrowing facilities, all of which are linked to the prime overdraft rate.

Had interest rates for the year been 0,5 percentage point higher or lower and been applied to these values at year-end, the profit before taxation for the year would have been lower or higher by R1 365 000 (2020: R3 341 000) 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, 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:

	Terms	Expected loss rate for ageing profile 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 and franchises	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. Despite the global financial impact of Covid-19, the actual credit loss rates recorded by the Group during the year were not materially different from those experienced in the previous four years. This is not unexpected given the short-term and widespread nature of the trade receivables. After due consideration, 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.

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:

	Total	Less than one year	One to two years	Three to five years	More than five years
2021					
Borrowings	**540 864**	**451 853**	**89 011**	**–**	**–**
Lease liabilities	**732 973**	**135 126**	**125 829**	**308 902**	**163 116**
Trade and other payables	**1 271 120**	**1 271 120**	**–**	**–**	**–**
	2 544 957	**1 858 099**	**214 840**	**308 902**	**163 116**
2020					
Borrowings	695 066	599 302	95 764	–	–
Lease liabilities	799 342	154 852	134 382	290 977	219 131
Trade and other payables	1 552 939	1 552 939	–	–	–
	3 047 347	2 307 093	230 146	290 977	219 131

These liabilities are expected to be settled from the proceeds of realisation of car hire fleet vehicles and current assets.

2. FINANCIAL RISK MANAGEMENT CONTINUED

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 material 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. During the current year the possible impact of the Covid-19 pandemic on estimates has been considered. 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. Consequently the leases have been classified as short-term in terms of IFRS 16: Leases.

	Total R'000	Leasehold improve-ments R'000	Plant and machinery R'000	Furniture and office equipment R'000	Motor vehicles R'000

4. PLANT AND EQUIPMENT

4.1 Details of plant and equipment

	Total R'000	Leasehold improve-ments R'000	Plant and machinery R'000	Furniture and office equipment R'000	Motor vehicles R'000
At 28 February 2021					
Cost	**256 784**	**27 434**	**65 375**	**158 982**	**4 993**
Accumulated depreciation	**(189 716)**	**(26 878)**	**(47 807)**	**(113 366)**	**(1 665)**
Net book value	**67 068**	**556**	**17 568**	**45 616**	**3 328**
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

4.2 Reconciliation of movement

	Total R'000	Leasehold improve-ments R'000	Plant and machinery R'000	Furniture and office equipment R'000	Motor vehicles R'000
Net book value 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
Additions	15 050	409	6 451	6 881	1 309
Disposals	(3 130)	–	(532)	(140)	(2 458)
Depreciation charge	(30 473)	(1 213)	(7 636)	(20 825)	(799)
Acquisition of businesses (refer note 31)	2 163	–	360	234	1 569
Disposal of business (refer note 32)	(1 360)	(573)	(657)	(130)	–
Net book value 28 February 2021	**67 068**	**557**	**17 566**	**45 617**	**3 328**

4.3 The insurance replacement value of plant and equipment is R405 000 000 (2020: R375 000 000).

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

	2021 R'000	2020 R'000
5. RIGHT-OF-USE ASSETS		
5.1 Property		
Balance at beginning of year	466 094	468 126
Additions	82 192	110 551
Derecognition arising on early termination of lease agreements	(26 672)	–
Depreciation charge	(104 091)	(112 583)
Balance at end of year	417 523	466 094

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

6. CAR HIRE FLEET VEHICLES

	2021 R'000	2020 R'000
6.1 Details of car hire fleet vehicles		
Cost	655 239	851 388
Accumulated depreciation	(99 493)	(138 073)
Net book value	555 746	713 315
6.2 Reconciliation of movement		
Opening net book value	713 315	813 102
Additions	250 723	388 503
Disposals	(348 696)	(369 577)
Depreciation charge	(59 596)	(118 713)
Closing net book value	555 746	713 315

6.3 Car hire fleet vehicles with a cost of R655 239 000 (2020: R851 388 000), held under capitalised finance arrangements have been pledged as security for interest-bearing borrowings aggregating R540 864 000 (2020: R695 066 000).

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

	2021 R'000	2020 R'000
7. GOODWILL		
7.1 Goodwill acquired through business combinations has been attributed to individual cash-generating units ("CGUs").		
Cost and net book value at beginning of year	**31 828**	8 078
Acquisition of businesses (refer note 31)	**17 000**	23 750
Amounts impaired during the year	**(6 250)**	–
Cost and net book value at end of year	**42 578**	31 828

7.2 Goodwill impairment testing

The carrying value of goodwill is tested annually for impairment. Impairment of goodwill arises when the recoverable amount of the CGUs is less than the carrying value. The recoverable amount is determined using the value-in-use method which requires the use of assumptions. The value-in-use method uses cash flow projections based on financial forecasts for a five-year period, with an appropriate terminal growth rate. The carrying value is the net asset value of the CGU, including goodwill.

Assumptions

The following tables set out the key assumptions for those CGUs that have significant goodwill allocated to them and the approach used by management to determine the values:

	Motor retail dealerships		Aftermarket parts business
	2021 (%)	2020 (%)	2021 (%)
Average annual growth rate in:			
– revenue arising from motor retail departments	**2,0**	2,0	**–**
– revenue arising from after-sales departments	**5,0**	5,0	**8,0**
– operating expenses	**5,0**	5,0	**5,0**
Terminal growth rate	**1,0**	2,5	**1,0**
Pre-tax discount rate	**14,1**	14,3	**14,1**

7. GOODWILL CONTINUED

7.2 Goodwill impairment testing continued

Assumption	Approach used to determine values
Revenue	Average annual growth rate over the five-year forecast period is based on past performance, adjusted for the economic impact of Covid-19, expected price increases, market share assumptions and management's expectations of future trends in the markets. A conservative and consistent growth rate was applied for the five-year forecast period.
Operating expenses	Average annual growth rate over the five-year forecast period is based on the current cost structure of the business, adjusting for inflationary increases. Variable costs fluctuate in line with revenue. Fixed costs do not vary significantly with sales volumes or prices.
Terminal growth rate	The weighted average growth rate used to extrapolate cash flows beyond the forecast period. The rates are considered conservative and have regard for the long-term economic impact of Covid-19.
Pre-tax discount rates	Reflect current market assessment of the specific risks relating to each CGU. The rates are derived from the CGU's weighted average cost of capital and take into account the cost of debt, the cost of leases and the cost of equity. Cost of equity is determined using the capital asset pricing model ("the model") which takes into account an equity risk premium and a small stock premium. The model uses market betas of comparable entities in determining the cost of equity. The cost of debt is based on the interest-bearing debt of the Group, and includes the lease liabilities.

Using these assumptions, the carrying value of one CGU exceeded its recoverable value and the goodwill attributable to that CGU was impaired in full. For the remaining CGUs the recoverable amount of each CGU exceeded the carrying value and no impairment was necessary.

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

Sensitivity analysis

The estimated recoverable amounts of all CGUs, with the exception of that impaired, exceeded their carrying values with significant headroom. Accordingly, the impairment calculations are not impacted by a 10% adverse variation in management's estimates when comparing the carrying value to the recoverable amount. Management deems 10% to be a reasonable sensitivity analysis of the inputs used and believes this provides relevant and sufficient guidance on the sensitivity of goodwill.

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.

		2021 R'000	2020 R'000
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:		
	– gross written premium	**115 767**	92 724
	– investment income	**5 276**	6 588
	– increase in assurance funds	**(21 313)**	(14 448)
	– claims paid	**(23 298)**	(3 721)
	– other expenses	**(42 886)**	(41 836)
	– profit before taxation	**33 546**	39 307
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:		
	– Insurance receivable	**28 876**	43 078

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 28 FEBRUARY 2021

		2021 R'000	2020 R'000
9.	**DEFERRED TAXATION**		
9.1	Balance at beginning of year	60 068	50 945
	Temporary differences arising during year	1 879	9 123
	Balance at end of year	61 947	60 068
9.2	Balance at end of year comprises:		
	Impairment of receivables		
	– gross	1 250	2 032
	– less: related taxation allowances	(476)	(508)
		774	1 524
	Receipts in advance		
	– gross	10 957	13 389
	– less: related taxation allowances	(9 745)	(11 694)
		1 212	1 695
	Lease liabilities	153 709	163 643
	Right-of-use assets	(116 906)	(130 506)
	Accruals and provisions	21 347	22 290
	Share-based payment reserve	1 133	642
	Assessed loss	1 896	1 199
	Prepayments	(1 218)	(419)
		61 947	60 068

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

	Closing balance 28 February 2021 R'000	Movement during the year 2021 R'000	Closing balance 29 February 2020 R'000	Movement during the year 2020 R'000	Closing balance 28 February 2019 R'000
Impairment of receivables					
– gross	1 250	(782)	2 032	(91)	2 123
– less: related taxation allowances	(476)	32	(508)	23	(531)
	774	(750)	1 524	(68)	1 592
Receipts in advance					
– gross	10 957	(2 432)	13 389	1 728	11 661
– less: related taxation allowances	(9 745)	1 949	(11 694)	(1 630)	(10 064)
	1 212	(483)	1 695	98	1 597
Lease liabilities	153 709	(9 934)	163 643	4 618	159 025
Right-of-use assets	(116 906)	13 600	(130 506)	569	(131 075)
Accruals and provisions	21 347	(943)	22 290	4 325	17 965
Share-based payment reserve	1 133	491	642	(175)	817
Assessed loss	1 896	697	1 199	(389)	1 588
Prepayments	(1 218)	(799)	(419)	145	(564)
Total	61 947	1 879	60 068	9 123	50 945

	2021 R'000	2020 R'000

10. INVENTORIES

10.1 Inventories have been valued as stated in note 1.9 and comprise:

	2021 R'000	2020 R'000
– new vehicles	**490 926**	728 737
– used vehicles	**297 752**	337 819
– demonstration vehicles	**171 137**	203 861
– parts and accessories	**60 349**	38 861
– petrol, oils and other inventory	**12 841**	14 580
	1 033 005	1 323 858

10.2 Inventories of new and demonstration vehicles and parts aggregating R687 929 000 (2020: R970 291 000) form security for trade payables aggregating R973 859 000 (2020: R1 265 454 000).

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

10.4 Inventories are stated after deduction of the following provisions:

	2021 R'000	2020 R'000
– used vehicles	**21 933**	27 184
– demonstration vehicles	**8 353**	17 268
– parts and accessories	**11 910**	5 596
	42 196	50 048

	2021 R'000	2020 R'000
11. TRADE AND OTHER RECEIVABLES		
11.1 Trade receivables	**206 506**	232 083
Less: impairment	**(4 463)**	(7 256)
	202 043	224 827
Other receivables	**36 623**	42 779
	238 666	267 606

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 1.7 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, are considered to be recoverable, and the provision for expected credit losses is not material.

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

	2021 R'000	2020 R'000
11.5 Trade receivables can be analysed as follows:		
0 to 30 days, neither overdue nor impaired	**165 958**	186 278
31 to 60 days, overdue less than 61 days and impaired	**28 399**	31 234
Impairment	**(188)**	(230)
	28 211	31 004
61 to 90 days, overdue more than 60, less than 91 days and impaired	**6 177**	4 170
Impairment	**(461)**	(500)
	5 716	3 670
91+ days, overdue more than 90 days and impaired	**5 972**	10 401
Impairment	**(3 814)**	(6 526)
	2 158	3 875
Total	**206 506**	232 083
Impairment	**(4 463)**	(7 256)
	202 043	224 827
11.6 The movement in the allowance for impairment is as follows:		
At beginning of year	**7 256**	7 580
Utilised during year	**(3 224)**	(4 818)
Increase in impairment	**431**	4 494
At end of year	**4 463**	7 256

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.

	2021 R'000	2020 R'000
11.8 Trade receivables can be further analysed as follows:		
Banks with the country's highest long-term credit rating	**32 423**	45 801
Corporate and fleet customers and franchisees	**78 853**	59 294
Individual, parts and workshop customers	**62 119**	97 206
Fleet and warranty claims from motor manufacturers	**33 111**	29 782
	206 506	232 083

	2021 R'000	2020 R'000

12. CASH AND CASH EQUIVALENTS

Bank balances	**754 825**	659 622

Bank balances are held at financial institutions with the country's highest long-term credit rating. The effective interest rate earned on bank balances held at year-end ranged from 2,9% to 3,7% per annum (2020: 6,4%).

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:

	2021 R'000	2020 R'000
Balance at beginning of year	**12 747**	10 927
Charged as "Selling and administration expenses" during year	**1 529**	5 473
Released during year following exercise of share appreciation rights	**–**	(3 653)
Released during year following forfeit of share appreciation rights	**(12 747)**	–
Balance at end of year	**1 529**	12 747

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

		2021	2020
At beginning of year	('000 rights)	**4 685**	4 925
Granted during year	('000 rights)	**3 575**	835
Exercised during year	('000 rights)	**–**	(1 075)
Forfeited during year	('000 rights)	**(4 685)**	–
At end of year	('000 rights)	**3 575**	4 685

14.3 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.

14.4 Share appreciation rights issued in prior years which had not vested at 29 February 2020 were forfeited. This was because the market price on the vesting date was below the grant price, or the Company did not achieve the required compound real growth in headline earnings over the performance period, or both.

	2021 R'000	2020 R'000
15. BORROWINGS		
15.1 Car hire fleet liability		
Current portion	**451 853**	599 302
Non-current portion	**89 011**	95 764
	540 864	695 066

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.

	2021 R'000	2020 R'000
16. LEASE LIABILITIES		
16.1 Arising in respect of property leases capitalised in compliance with IFRS 16: Leases		
Balance at beginning of year	**584 439**	567 945
Additions	**82 192**	110 551
Derecognition arising on early termination of lease agreements	**(33 615)**	(164)
Finance costs accrued	**56 378**	58 900
Contractual lease repayments	**(140 432)**	(152 793)
Balance at end of year	**548 962**	584 439
16.2 Current portion	**90 080**	102 689
Non-current portion	**458 882**	481 750
	548 962	584 439
16.3 The undiscounted future minimum lease payments in respect of these liabilities is as follows:		
Next 12 months	**135 126**	154 852
Years 2 to 5	**434 731**	425 359
Years 6 +	**163 116**	219 131
	732 973	799 342

	2021 R'000	2020 R'000

17. TRADE AND OTHER PAYABLES

17.1

	2021 R'000	2020 R'000
Trade payables	**1 054 085**	1 347 276
Other payables (note 17.4)	**217 035**	205 663
	1 271 120	1 552 939

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.

17.4 Other payables comprise:

	2021 R'000	2020 R'000
Accrued expenses	**151 756**	157 018
Vendor finance	**5 000**	–
Deposits received in advance	**40 276**	40 887
Value-added tax	**20 003**	7 758
	217 035	205 663

18. REVENUE

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

	2021 R'000	2020 R'000
Retail motor	**8 193 792**	10 511 616
Car hire	**242 697**	508 514
Financial services	**115 767**	92 724
Corporate services/other	**27 302**	43 313
	8 579 558	11 156 167

18.2 Revenue from contracts with customers

Revenue from contracts with customers is further disaggregated by segment and timing of revenue recognition as follows:

	2021 R'000	2020 R'000
At a point in time		
Retail motor		
New vehicles	**4 200 438**	5 970 303
Used vehicles	**2 620 674**	2 895 321
Parts and accessories	**776 878**	914 239
Workshop services	**361 331**	444 483
Commission income	**234 471**	287 270
	8 193 792	10 511 616
Corporate services/other	**16 998**	20 253
	8 210 790	10 531 869
Over the service period		
Car hire	**242 697**	508 514
Financial services	**115 767**	92 724
Corporate services/other	**10 304**	23 060
	368 768	624 298
	8 579 558	11 156 167

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 CONTINUED

FOR THE YEAR ENDED 28 FEBRUARY 2021

	2021 R'000	2020 R'000
19. OTHER INCOME		
Rental income	6 557	8 099
Profit on sale of plant and equipment	216	–
Recoupment of skills development and training costs	2 693	4 224
Gain arising on early termination of lease agreements	6 943	164
Profit on disposal of business (note 32)	2 520	–
Other	7 301	7 484
	26 230	19 971
20. EXPENSES BY NATURE		
Cost of sales	7 087 850	9 291 278
Selling and administration expenses		
– Employee benefit expense (note 20.1)	595 909	748 294
– Depreciation		
– Plant and equipment (note 4.2)	30 473	33 881
– Right-of-use assets (note 5)	104 091	112 583
– Auditor's remuneration	6 138	5 997
– Lease charges		
– Short-term leases	71 333	92 544
– Low value assets (not classified as short-term leases)	6 235	7 340
– Impairment charge for bad and doubtful debts (note 11.6)	431	4 494
– Loss on sale of plant and equipment	–	82
– Advertising expenses	29 056	50 415
– Other expenses	322 977	411 950
Selling and administration expenses	1 166 643	1 467 580
20.1 Employee benefit expense		
Employee costs – selling and administration	547 853	672 301
– workshop labour	49 828	62 851
Pension fund contributions	20 363	44 970
Medical aid contributions	29 927	31 956
Share-based payment expense	1 529	5 473
Total employee benefit expense	649 500	817 551
Less: portion included in "Cost of sales"	(53 591)	(69 257)
Included in "Selling and administration expenses"	595 909	748 294
20.2 Key management employee benefit expense		
Short-term employee benefits	48 261	51 765
Share-based payment expense	–	3 354
	48 261	55 119

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

	2021 R'000	2020 R'000
20. EXPENSES BY NATURE CONTINUED		
20.3 Rental concessions		
Various rental concessions were received from lessors during the Covid-19 lockdown. The value of the concessions has been applied as follows:		
– in reduction of lease liabilities, by application of the practical expedient described in note 1.5	8 793	–
– in reduction of short-term lease charges	18 166	–
	26 959	–

	2021 R'000	2020 R'000
21. FINANCE INCOME		
Bank	20 661	32 155
Insurance special purpose entities	5 276	6 588
	25 937	38 743
22. FINANCE COSTS		
Trade payables	47 606	77 216
Lease liabilities	56 378	58 900
Borrowings	32 678	57 127
	136 662	193 243
23. TAX EXPENSE		
23.1 South African normal taxation		
– current year	67 436	81 435
– prior year	–	93
– deferred – current year	(1 879)	(9 123)
	65 557	72 405

	%	%
23.2 Reconciliation of rate of taxation		
Statutory rate	28,0	28,0
Adjusted for:		
Disallowable expenditure		
– depreciation of leasehold improvements	0,1	0,4
– impairment of goodwill	0,8	–
– share-based payment expense	–	0,4
– capital expenditure	0,1	0,1
Exempt income		
– profit on disposal of dealership	(0,3)	–
S12H learnership allowance	(0,5)	(0,5)
Assessed losses	(0,2)	(0,8)
Effective rate	28,0	27,6

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 (2020: 74 802 000) shares in issue during the year. Headline earnings is calculated in accordance with Circular 1/2021 - Headline Earnings, as issued by the South African Institute of Chartered Accountants.

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. The directors have determined that there will be no dilution in respect of the current year (2020: no dilution).

		2021 R'000	2020 R'000
Weighted average number of shares in issue during year	('000 shares)	**74 802**	74 802
Adjustment for share appreciation rights	('000 shares)	**–**	–
Weighted average number of shares for dilution calculation		**74 802**	74 802

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

	2021 R'000	2020 R'000
Total profit and comprehensive income attributable to equity holders of the Company	**168 763**	190 519
Re-measurement items:		
– impairment of goodwill	**6 250**	–
– profit on disposal of dealership	**(2 520)**	–
– (profit)/loss on sale of plant and equipment		
– gross	**(216)**	82
– impact of income tax	**60**	(23)
Headline earnings attributable to equity holders of the Company	**172 337**	190 578

24.4 Earnings per share

		2021 R'000	2020 R'000
Basic	(cents)	**225,6**	254,7
Diluted basic	(cents)	**225,6**	254,7
Headline	(cents)	**230,4**	254,8
Diluted headline	(cents)	**230,4**	254,8

	2021 R'000	2020 R'000
25. CASH GENERATED FROM OPERATIONS		
Operating profit	**345 045**	417 280
Adjustments for non-cash items:		
Movement in share-based payment reserve	**1 529**	5 473
Depreciation		
– Plant and equipment	**30 473**	33 881
– Car hire fleet vehicles	**59 596**	118 713
– Right-of-use assets	**104 091**	112 583
Impairment of goodwill	**6 250**	–
Movement in provisions	**–**	(696)
Gain on early termination of lease agreements	**(6 943)**	(164)
(Profit)/loss on sale of plant and equipment	**(216)**	82
Profit on disposal of business	**(2 520)**	–
Insurance cell operating activities	**(28 270)**	(12 219)
Profit on sale of car hire fleet vehicles	**(17 700)**	(28 312)
Sale of car hire fleet vehicles	**366 396**	397 889
Purchase of car hire fleet vehicles	**(250 723)**	(388 503)
	607 008	656 007
Working capital changes:		
Inventories	**299 436**	(129 306)
Trade and other receivables	**34 247**	37 164
Trade and other payables	**(287 534)**	82 801
Borrowings	**(154 202)**	(106 547)
	(108 053)	(115 888)
Cash generated from operations	**498 955**	540 119
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	**(2 722)**	(5 400)
Amount owing acquired on acquisition of business	**20**	–
Amounts charged to the statement of comprehensive income	**(67 436)**	(81 528)
Taxation on insurance underwriting activities not settled in cash	**9 400**	5 388
Amounts unpaid at end of year	**2 035**	2 722
	(58 703)	(78 818)
27. FINANCE INCOME RECEIVED		
Amounts recognised in the statement of comprehensive income	**25 937**	38 743
Accrued on insurance underwriting activities not settled in cash	**(5 276)**	(6 588)
	20 661	32 155

	2021 R'000	2020 R'000
28. PRINCIPAL ELEMENT OF LEASE LIABILITY REPAYMENTS		
Total rentals paid	**(140 432)**	(152 793)
Less: portion classified as finance costs	**56 378**	58 900
	(84 054)	(93 893)
29. DIVIDENDS PAID		
Shareholders of the Company		
Dividend number 64: 100 cents, declared 13 October 2020	**(74 802)**	–
Dividend number 63: 61 cents, declared 18 October 2019	**–**	(45 628)
Dividend number 62: 115 cents, declared 16 April 2019	**–**	(86 023)
	(74 802)	(131 651)
Non-controlling shareholder of subsidiary	**(1 358)**	–
	(76 160)	(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 revised 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.

	2021 R'000	2020 R'000
Rentals paid during the year amounted to	**60 871**	57 116
The contractual undiscounted payments on these leases in the next 12 months are as follows:	**64 168**	60 731

30.2 Other transactions conducted and balances with related entities were as follows:

	2021 R'000	2020 R'000
Excel Cars Proprietary Limited ("Excel Cars")		
– purchases included in operating expenses	**5 412**	7 326
– trade payables owing at year-end	**895**	905

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.

	2021 R'000	2020 R'000
Smallville Properties Proprietary Limited ("Smallville")		
– rental paid disclosed as:		
– finance charges on lease liability	**1 062**	–
– principal element of lease liability	**1 793**	–

Smallville is controlled by a director of a subsidiary company. The rental agreement is on normal commercial terms and conditions and at market rates.

30.3 The disinterested members of the board have confirmed approval of the above transactions.

31. ACQUISITION OF BUSINESSES

Effective 1 March 2020, the Group acquired 100% of the issued share capital of two businesses operating in the aftermarket parts market. The acquisitions are in line with the Group's objective of diversifying into markets that complement its existing businesses, and the goodwill arising on the business combination is an indication of future profit expected to be made by the Group. The goodwill will not be deductible for income tax purposes. The purchase price for both acquisitions was settled using existing cash resources.

Details of the businesses acquired are:

	Nature of business	Operating segment
Mandarin Parts Distributors Close Corporation (subsequently converted to Mandarin Parts Distributors Proprietary Limited)	**Distributor and retailer of aftermarket parts**	**Retail motor**
MPD Scrapyard Proprietary Limited	**Vehicle scrapyard**	**Retail motor**

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

	Mandarin Parts Distributors R'000	MPD Scrapyard R'000	Total R'000
Plant and equipment	2 081	82	2 163
Parts and accessories	9 467	400	9 867
Trade and other receivables	5 294	13	5 307
Current tax receivable	20	–	20
Secured loans	(4 776)	–	(4 776)
Trade payables	(5 679)	(36)	(5 715)
Net identifiable assets acquired excluding bank and cash	6 407	459	6 866
Goodwill	17 000	–	17 000
Net cash outlay	23 407	459	23 866
Bank and cash of acquiree at date of acquisition	6 330	107	6 437
Purchase consideration	29 737	566	30 303

The acquired businesses contributed "Revenue" of R59 658 000 and "Profit before taxation" of R6 609 000 to the Group for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 28 FEBRUARY 2021

32. DISPOSAL OF BUSINESS

During July 2020 the Group disposed of a motor dealership. The cash inflow arising from the disposal is as follows:

	Total R'000
Plant and equipment	1 360
Inventory	1 284
Profit on sale	2 520
Sale consideration	5 164

	2021 R'000	2020 R'000

33. PROPERTY HELD FOR SALE

	2021 R'000	2020 R'000
Land and buildings comprising erf 451 Randjespark Ext 136, in extent 12 844 square metres – at cost July 2020	72 000	–

The property is occupied by a dealership owned by a subsidiary. It was purchased with the intent of on-selling it, at cost, to a black economic empowerment company. The sale of the property was registered at the deeds office on 5 March 2021, and consequently the asset has been classified as held for sale.

34. COMMITMENTS

34.1 Operating lease commitments

	2021 R'000	2020 R'000
The Group leases properties under various short-term operating lease agreements. The contractual undiscounted payments on these leases in the next 12 months are as follows:	64 606	62 782

34.2 Future sub-lease rentals

	2021 R'000	2020 R'000
The future minimum amount expected to be received under non-cancellable sub-leases is:	4 532	5 615

34.3 Capital commitments

	2021 R'000	2020 R'000
Approved, not yet contracted – plant and equipment	50 000	20 000

All capital commitments will be financed from existing cash resources.

35. EMPLOYEE BENEFIT INFORMATION

35.1 Membership of motor-related union pension 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.

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

35.3 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.

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

36. SUBSEQUENT EVENTS

Dividend declaration

A dividend (dividend number 65) of 125 cents per share will be paid on Monday, 14 June 2021 to members reflected in the share register of the Company at the close of business on the record date, Friday, 11 June 2021. Last day to trade *cum* dividend is Tuesday, 8 June 2021. First day to trade *ex* dividend is Wednesday, 9 June 2021. Share certificates may not be dematerialised or rematerialised from Wednesday, 9 June 2021 to Friday, 11 June 2021, both days inclusive.

The number of ordinary shares in issue at the date of the declaration is 74 801 998. Consequently, the gross dividend payable is R93 502 498 and will be distributed from income reserves. The dividend will be subject to dividend withholding tax at a rate of 20%, which will result in a net dividend of 100 cents to those shareholders who are not exempt in terms of section 64F of the Income Tax Act.

37. 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 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. Management does not believe that IFRS 17 will have a material effect on the Group's future financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 28 FEBRUARY 2021

	Notes	2021 R'000	2020 R'000
ASSETS			
Non-current assets			
Investment in subsidiary	2	1	1
Advance to subsidiary	3	227 588	–
		227 589	1
Current assets			
Other receivables		1 374	1 966
Cash and cash equivalents		506 091	641 612
		507 465	643 578
Total assets		735 054	643 579
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	4	38 091	38 091
Retained earnings		695 512	604 072
Total equity		733 603	642 163
LIABILITIES			
Current liabilities			
Other payables		1 082	1 053
Current tax liabilities		369	363
Total liabilities		1 451	1 416
Total equity and liabilities		735 054	643 579

COMPANY STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 28 FEBRUARY 2021

	Notes	2021 R'000	2020 R'000
Dividend income	5	**153 174**	53 732
Finance income	6	**18 640**	27 506
Revenue		**171 814**	81 238
Selling and administration expenses	7	**(365)**	(416)
Profit before taxation		**171 449**	80 822
Tax expense	8	**(5 208)**	(7 587)
Total profit and other comprehensive income for the year attributable to equity holders of the Company		**166 241**	73 235

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 28 FEBRUARY 2021

	Attributable to equity holders of the Company		
	Share capital R'000	Retained earnings R'000	Total R'000
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
Total profit and comprehensive income	–	166 241	166 241
Dividends paid	–	(74 801)	(74 801)
Total at 28 February 2021	**38 091**	**695 512**	**733 603**

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 28 FEBRUARY 2021

	Notes	2021 R'000	2020 R'000
Cash flows from operating activities			
Cash generated from operations	9	**18 896**	26 328
Taxation paid	10	**(5 202)**	(8 142)
Net cash movement from operating activities		**13 694**	18 186
Cash flows from investing activities			
Investment		**–**	17 958
Advance to subsidiary		**(74 414)**	511 720
Net cash movement from investing activities		**(74 414)**	529 678
Cash flows from financing activities			
Dividends paid	11	**(74 801)**	(131 651)
Net cash movement from financing activities		**(74 801)**	(131 651)
Net movement in cash and cash equivalents		**(135 521)**	416 213
Cash and cash equivalents at beginning of year		**641 612**	225 399
Cash and cash equivalents at end of year		**506 091**	641 612

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2021

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 is adjusted to reflect changes in consideration arising from contingent amendments. Cost also 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.

	2021 R'000	2020 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		
Balance at beginning of year	**–**	458 552
Dividend income	**153 174**	53 198
Loans advanced	**74 414**	–
Loan payments received	**–**	(511 720)
Advance to subsidiary	**227 588**	–

This advance bears no interest and is unsecured with no fixed terms of repayment. The advance has been assessed for recoverability and it has been concluded that the underlying loan can be recovered in cash if required and therefore the provision for expected credit losses is not material.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 28 FEBRUARY 2021

	2021 R'000	2020 R'000
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
5. DIVIDEND INCOME		
Investment	**–**	534
Subsidiary	**153 174**	53 198
	153 174	53 732
6. FINANCE INCOME		
Bank	**18 640**	27 506
7. SELLING AND ADMINISTRATION EXPENSES		
"Selling and administration expenses" comprise the following charges:		
– Auditor's remuneration	**84**	82
– Other expenses	**281**	334
	365	416
8. TAX EXPENSE		
8.1 South African normal taxation		
– current	**5 208**	7 587

	%	%
8.2 Reconciliation of rate of taxation		
Statutory rate	**28,0**	28,0
Exempt dividend income	**(25,0)**	(18,6)
Effective rate	**3,0**	9,4

	2021 R'000	2020 R'000
9. CASH GENERATED FROM OPERATIONS		
Profit before taxation	**171 449**	80 822
Adjustment for non-cash item:		
Dividend income received through loan account	**(153 174)**	(53 732)
Working capital changes:		
Other receivables	**592**	(800)
Trade and other payables	**29**	38
Cash generated from operations	**18 896**	26 328
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	**(363)**	(918)
Amounts charged to statement of comprehensive income	**(5 208)**	(7 587)
Amounts unpaid at end of year	**369**	363
Amount paid	**(5 202)**	(8 142)
11. DIVIDENDS PAID		
Number 64: 100 cents, declared 13 October 2020	**(74 801)**	–
Number 63: 61 cents, declared 18 October 2019	**–**	(45 628)
Number 62: 115 cents, declared 16 April 2019	**–**	(86 023)
	(74 801)	(131 651)
12. RELATED PARTY TRANSACTIONS		
Transactions conducted with related companies during the year:		
Dividends received		
– Main Street 445 Proprietary Limited	**–**	534
– Subsidiary	**153 174**	53 198
Year-end balances with related companies:		
– Advance to subsidiary	**227 588**	–
– Investment in subsidiary	**1**	1

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

There are no new standards that have been published that are mandatory for the Company's future accounting periods.

SUBSIDIARIES

FOR THE YEAR ENDED 28 FEBRUARY 2021

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

		Effective holding (indirect)/direct	
Name of company	**Activity**	**2021 %**	**2020 %**
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)
Mandarin Parts Distributors	1	**(85)**	–
MPD Scrapyard	1	**(85)**	–
Pipemakers	3	**(85)**	(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 CMH Car Hire Proprietary Limited. 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 28 FEBRUARY 2021

Executive directors	Total R'000	BWJ Barritt R'000	SK Jackson R'000	JD McIntosh R'000
2021				
Salary	**13 424**	**3 691**	**4 246**	**5 487**
Performance-related payments	**4 000**	**1 165**	**1 050**	**1 785**
Share-based payment award	**107**	**107**	**–**	**–**
Other benefits	**984**	**140**	**422**	**422**
Contributions to pension and medical aid funds	**1 019**	**257**	**346**	**416**
	19 534	**5 360**	**6 064**	**8 110**
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

Non-executive directors' fees	2021 R'000	2020 R'000
LCZ Cele	**257**	285
JS Dixon	**723**	813
ME Jones	**377**	422
JA Mabena	**298**	326
MR Nkadimeng	**224**	248
Total	**1 879**	2 094

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 2020 at R9,72	Granted June 2019 at R21,77	Granted June 2018 at R33,00	Granted June 2017 at R21,97	Granted June 2016 at R17,15	Granted June 2015 at R17,75
At 29 February 2020							
– BWJ Barritt	533		100	100	150	133	50
– SK Jackson	275				125	100	50
	808		100	100	275	233	100
Movements during the year							
– rights granted							
– BWJ Barritt	250	250					
– rights forfeited							
– BWJ Barritt	(533)		(100)	(100)	(150)	(133)	(50)
– SK Jackson	(275)				(125)	(100)	(50)
	(558)	250	(100)	(100)	(275)	(233)	(100)
At 28 February 2021							
– BWJ Barritt	**250**	**250**					
The rights may be exercised as follows:							
– June 2023	83	83					
– June 2024	83	83					
– June 2025	84	84					
	250	250					

DIRECTORS' SHAREHOLDING

('000 shares)	Total	BWJ Barritt	SK Jackson	JD McIntosh
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
Shares acquired during the year				
– direct	11	11	–	–
Beneficial shareholding at 28 February 2021				
– direct	**422**	**335**	**87**	**–**
– indirect	**32 153**	**295**	**5 788**	**26 070**
	32 575	**630**	**5 875**	**26 070**

ANALYSIS OF ORDINARY SHAREHOLDERS

	Number of shareholders		Number of shares held ('000)		Percentage of shares held	
	2021	2020	**2021**	2020	**2021**	2020
Individuals	**1 919**	1 456	**6 258**	6 379	**8,4**	8,5
Nominee companies and trusts	**184**	220	**4 126**	4 592	**5,5**	6,2
Other corporate bodies	**262**	255	**64 418**	63 831	**86,1**	85,3
	2 365	1 931	**74 802**	74 802	**100,0**	100,0
Holdings						
1 – 2 500	**1 613**	1 100	**769**	776	**1,0**	1,0
2 501 – 5 000	**250**	300	**910**	1 087	**1,2**	1,5
5 001 – 10 000	**165**	191	**1 214**	1 420	**1,6**	1,9
Over 10 000	**337**	340	**71 909**	71 519	**96,2**	95,6
	2 365	1 931	**74 802**	74 802	**100,0**	100,0
Public shareholders	**2 362**	1 928	**42 227**	42 238	**56,5**	56,5
Non-public shareholders – directors of Company	**3**	3	**32 575**	32 564	**43,5**	43,5
	2 365	1 931	**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 : 6,94%*
   - *Absa Asset Management Proprietary Limited : 5,70%*
2. *A copy of the detailed share register as at 28 February 2021 is available on written request to the company secretary.*

STOCK EXCHANGE PERFORMANCE

			2021	2020
Closing price	28 February 2021	(cents)	**1 550**	1 840
Volume of shares traded		('000)	**11 227**	9 147
Value of shares traded		(R'000)	**145 439**	191 500
Volume of shares traded as percentage of total issued shares		(%)	**15,0**	12,2
JSE General Retailers Index			**5 254**	4 603
JSE All-share Index			**66 138**	51 038
Lowest price	20 May 2020	(cents)	**900**	1 800
Highest price	5 March 2020	(cents)	**1 860**	2 390
Earnings yield	28 February 2021	(%)	**14,9**	13,8
Dividend yield	28 February 2021	(%)	**6,5**	9,6

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the thirty-fourth public annual general meeting ("AGM") of shareholders of Combined Motor Holdings Limited will be held on Tuesday, 8 June 2021 commencing at 14:30, to pass, if thought fit, the ordinary and special resolutions proposed in this notice.

Whilst the AGM will have a physical presence at the Group's head office located at 1 Wilton Crescent, Umhlanga Ridge, provision will be made for shareholders to participate in the AGM by way of electronic communication. Electronic participation is encouraged whilst the Disaster Management Act No 57 of 2002 is still in effect.

Should any shareholder wish to participate in the AGM by way of electronic communication, such shareholder is required to contact the company secretary at kerriannef@cmh.co.za or on +27 31 580 4200 as soon as possible, but by no later than 14:00 on Monday, 7 June 2021 to facilitate such arrangements. The company secretary will, thereafter, use reasonable endeavours to notify the shareholder of the details of the electronic communication through which it can participate in the AGM and inform such shareholder of the applicable voting procedures. The cost of participating electronically will be for the account of the shareholder.

In order for an ordinary resolution to be adopted, the support is required of more than 50% of the total number of votes which the shareholders present or represented by proxy at this meeting are entitled to cast. In order for a special resolution to be adopted, the support is required of more than 75% of the total number of votes which the shareholders present or represented by proxy at this meeting are entitled to cast.

A shareholder who is entitled to attend and vote at the meeting is entitled to appoint a proxy to attend, speak and vote in his stead. The person so appointed need not be a shareholder. In terms of section 63(1) of the Companies Act 2008 ("the Act"), any shareholder or proxy who attends the meeting must provide satisfactory identification. A South African green bar-coded identification document, smart ID card, driver's licence or passport will be acceptable.

ORDINARY RESOLUTION NUMBER 1

Approval of financial statements
To receive, approve and adopt the financial statements of the Company and the Group for the year ended 28 February 2021, 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.

ORDINARY RESOLUTION NUMBER 2

Re-election of directors
To confirm the re-election of JS Dixon and ME Jones 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.

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

JA Mabena

MR Nkadimeng

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 45 years, the Audit and risk assessment committee has rigorously reviewed their independence and objectivity, and recommends their reappointment.

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.

SPECIAL RESOLUTION NUMBER 1

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:

	2022 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

The record date in terms of section 59(1)(a) of the Act for shareholders to be recorded on the securities register of the Company in order to receive notice of the annual general meeting is Friday, 30 April 2021.

The last day to trade in order to be eligible to vote is Tuesday, 25 May 2021. The record date in terms of section 59(1)(b) of the Act for shareholders to participate in and vote at the annual general meeting is Friday, 28 May 2021.

By order of the board of directors

K Fonseca
Company secretary

30 April 2021

CURRICULUM VITAE

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

JS DIXON

James Dixon, CA(SA) was appointed to the Board in October 2010. He was chairman of the Audit and risk assessment committee from 2011 to 2018 and was appointed Chairman of the Board in May 2018. James is a member of the Remuneration committee and the Social, ethics and transformation committee and is chairman of the Nominations committee. James retired from PricewaterhouseCoopers Inc. in 2009 after serving as a partner at the firm for a period of 28 years. During that time he held the positions of Head of KwaZulu-Natal Assurance, Human Resources partner, member of the National Assurance Executive, and Head of KwaZulu-Natal Marketing. James also serves as a non-executive, independent director of ARB Holdings Limited, and chairs both its Audit committee and Risk committee. He was last re-elected to office in 2019.

ME JONES

Mike Jones, CA (SA), was appointed to the board of directors in April 2015 and to the Audit and risk assessment committee in May 2015. He assumed the role of chairman of that committee in 2018. Mike was a partner at PricewaterhouseCoopers Inc. for 27 years before retiring in 2013. During that time he was leader of KwaZulu-Natal Transactions Services, Risk Management and Technical Standards and later the leader of the Assurance practice from 2007 to 2013. He is also an independent trustee of the Fulton School Educational Trust. Mike was last re-elected to office in 2018.

FORM OF PROXY

COMBINED MOTOR HOLDINGS LIMITED ANNUAL GENERAL MEETING 8 JUNE 2021

I/We the undersigned,

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

do hereby appoint

or failing him the chairman of the meeting as my/our proxy to transact on my/our behalf at the annual general meeting of the Company to be held at 14:30 on Tuesday, 8 June 2021 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: JS Dixon			
Ordinary resolution number 2.2: ME Jones			
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 non-executive directors' fees for:			
Special resolution number 1.1: Chairman of the Board			
Special resolution number 1.2: Directors			
Special resolution number 1.3: Chairman of the Audit and risk assessment committee			
Special resolution number 1.4: Other fees			

Notes:

1. A shareholder who is entitled to attend and vote at the meeting is entitled to appoint a proxy to attend, speak and vote in his stead. The person so appointed need not be a shareholder.
2. Forms of proxy should be signed and dated and, where possible, forwarded to reach the registered office of the Company, 1 Wilton Crescent, Umhlanga Ridge 4319, by no later than 14:30 on Monday, 7 June 2021. Nevertheless, completed forms of proxy may be lodged with the chairperson of the meeting at any time prior to the commencement of the meeting.
3. If no direction is given as to how a vote is to be cast, then the proxy holder will be entitled to vote as he/she deems fit.
4. In terms of the Companies Act 2008, any shareholder or proxy who attends the meeting must provide satisfactory identification. A South African green bar-coded identification document, smart ID card, driver's licence or passport will be acceptable.

Registered office
1 Wilton Crescent, Umhlanga Ridge, 4319

Postal address
PO Box 1033, Umhlanga Rocks, 4320

ADMINISTRATION

Ultimate holding company
Combined Motor Holdings Limited
Registration number: 1965/000270/06
Income tax reference number: 9471/712/71/2
Share code: CMH
ISIN: ZAE000088050

Directors
BWJ Barritt *(executive)*
LCZ Cele, BCom, Postgrad Dip Tax, MAcc (Tax) *(independent non-executive)*
JS Dixon, CA (SA) *(independent non-executive)*
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

Business address and registered office
1 Wilton Crescent
Umhlanga Ridge 4319

Postal address
PO Box 1033
Umhlanga Rocks 4320

Transfer secretaries
Computershare Investor Services Proprietary Limited
Private Bag X9000
Saxonwold 2132

Auditor
PricewaterhouseCoopers Inc.

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

Banker
First National Bank of South Africa

CMH
GROUP