CMH GROUP

2022

INTEGRATED ANNUAL REPORT

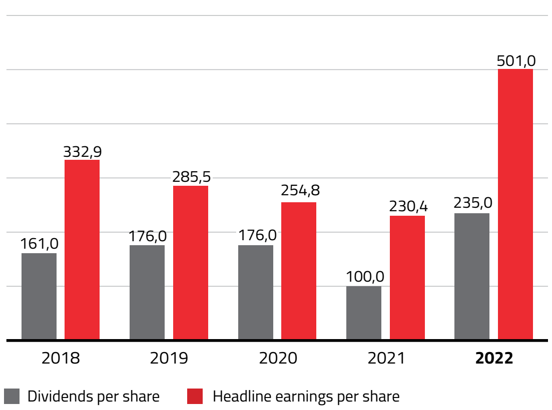
COMBINED MOTOR HOLDINGS

CONTENTS

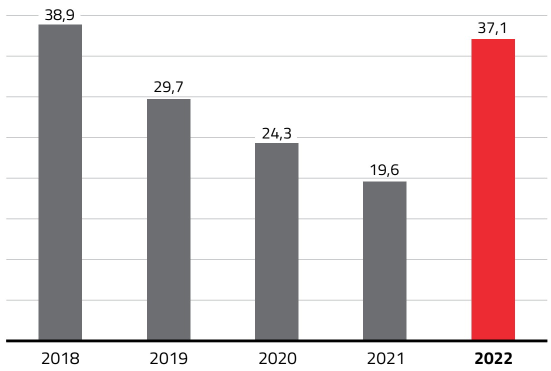
GROUP FINANCIAL HIGHLIGHTS

		2022	2021	% change
Total assets	(R'000)	**3 778 740**	3 274 003	15,4
Cash resources	(R'000)	**817 739**	754 825	8,3
Net asset value per share	(cents)	**1 484**	1 216	22,0
Revenue	(R'000)	**11 167 798**	8 579 558	30,2
Operating profit	(R'000)	**606 146**	345 045	75,7
Total profit and comprehensive income	(R'000)	**374 887**	168 763	122,1
Return on shareholders' funds	(%)	**37,1**	19,6	89,3
Basic earnings per share	(cents)	**501,2**	225,6	122,2
Headline earnings per share	(cents)	**501,0**	230,4	117,4
Dividends paid per share	(cents)	**235,0**	100,0	135,0
Dividend declared – payable June 2022	(cents)	**225,0**	125,0	80,0

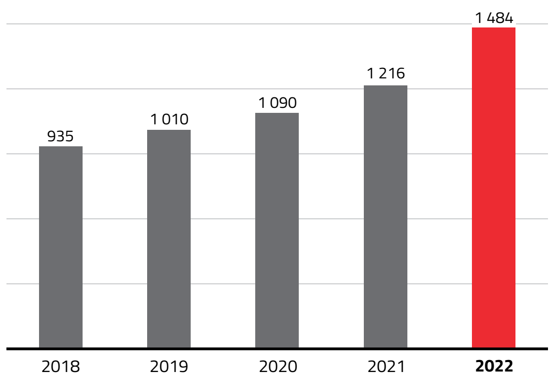
HEADLINE EARNINGS AND DIVIDENDS PER SHARE (CENTS)



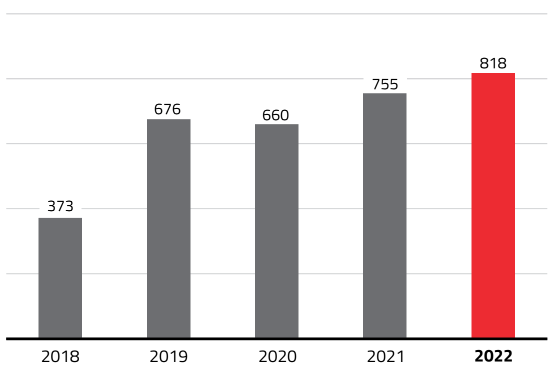
RETURN ON SHAREHOLDERS' FUNDS (%)



NET ASSET VALUE PER SHARE (CENTS)



CASH RESOURCES (R'million)



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

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 2022. 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.

REPORTING FRAMEWORKS

This Report has been compiled on behalf of the board of directors ("the Board") of Combined Motor Holdings Limited ("CMH" or "the Company") and contains information recommended or required by the following:

- International Financial Reporting Standards ("IFRS");
- the Johannesburg Stock Exchange Listings Requirements ("JSE Listings Requirements");
- the South African Companies Act 71 of 2008 ("the Companies Act, 2008");
- the King IV Code on Corporate Governance ("King IV"); and
- the International Integrated Reporting Council's Integrated Reporting Framework.

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 37.

APPROVAL

The Board acknowledges its responsibility to ensure the integrity of the Report. The Board has approved the 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 Group comprises CMH and its subsidiaries (recorded on page 82), operating in the retail motor, car hire and financial services segments. The Group operates only in South Africa, employing 2 363 people.

SEGMENTS

Retail motor

This segment comprises:

- 43 retail motor dealerships representing 29 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;
- 4 used car dealerships trading as 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 24 independent franchisees around the country.

The segment employs 1 854 people.

Details of the Group's dealerships are reflected on page 6.

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 413 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 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. Administration of the services is outsourced.

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, waterless car wash systems and office consumables. The other divisions employ 96 people.

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 114 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 past 2 years demonstrate its ability to respond with speed and agility to unanticipated events such as Covid-19 and the KwaZulu-Natal riots of July 2021. The average length of service of executive committee members (excluding the executive directors) is 19 years, and dealer principals, 11 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 strives to keep abreast with 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 exceptional results in a severely depressed business and tourism travel market.

STRONG B-BBEE CREDENTIALS

Group - Level 4: 63% black ownership, 16% black female ownership.

First Car Rental and retail motor fleet divisions - Level 2: 54 % black ownership, 48% 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
RENAULT	Ballito, Midrand
Ford	Ballito, Durban, Durban South, Hatfield, Pretoria, Pretoria North, Randburg, Umhlanga
	The Glen, Hatfield, Menlyn, Pinetown, Umhlanga
HAVAL Global Intelligent SUV Expert	Cape Town, Pinetown, Pretoria East, West Rand
MITSUBISHI MOTORS	Ballito, The Glen, Hatfield, Menlyn, Midrand, Pinetown, West Rand
EICHER GO PRO	Pietermaritzburg, Pinetown
GWM	Cape Town, Pinetown, Pretoria East, West Rand
Mahindra Rise.	Durban, Pinetown
FIAT	Cape Town, Umhlanga
Jeep	Cape Town, Umhlanga
ALFA ROMEO	Cape Town, Umhlanga
CMH FLEET SOLUTIONS mobility through partnership	Durban, Gauteng
CMH SELECT	Ballito, Hatfield, Pinetown, Umhlanga

FRANCHISE	LOCATIONS
mazda	Durban, Hatfield, Menlyn, Randburg, Umhlanga
TOYOTA	Alberton, Umhlanga
LEXUS	Umhlanga
SUZUKI	Ballito, Hillcrest, Pinetown, Umhlanga
LAND ROVER	Pretoria, Umhlanga
JAGUAR	Pretoria, Umhlanga
ISUZU	Boksburg, Umhlanga
VOLVO	Bryanston, Cape Town, Hatfield, Pretoria East, Umhlanga, West Rand
OPEL	Boksburg, Umhlanga
PEUGEOT	Boksburg, Cape Town, Durban, Pretoria East, Umhlanga
CITROËN	Boksburg, Cape Town, Durban, Pretoria East, Umhlanga
SUBARU	Boksburg
UD TRUCKS	Cornubia, Pietermaritzburg, Pinetown
CHERY	Bryanston/Fourways, Hatfield, West Rand

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, Witbank

Marketing and distribution

FRANCHISE	LOCATIONS
ROKKIT digital agency	**Rokkit Digital Agency** Countrywide
NWE National Workshop Equipment	**National Workshop Equipment** Countrywide
Mandarin parts distributors	**Mandarin Parts Distributors** Alberton, Bloemfontein, Cape Town, Centurion, Durban, East London, East Rand, Emalalheni, George, Johannesburg, Kimberley, Klerksdorp, Mount Edgecombe, Nelspruit, Pietermaritzburg, Pinetown, Polokwane, Port Elizabeth, Pretoria, Randburg, Rustenburg, Springs, Vanderbijlpark, Welkom, West Rand
MPD® Scrapyard	**Mandarin Parts Scrapyard** Pretoria

GROUP FIVE-YEAR FINANCIAL REVIEW

STATEMENT OF FINANCIAL POSITION	2022 R'000	2021 R'000	2020 R'000	2019 R'000	2018 R'000
ASSETS					
Right-of-use assets	**450 565**	417 523	466 094	468 126	370 432
Car hire fleet vehicles	**828 375**	555 746	713 315	813 102	760 282
Goodwill	**57 296**	42 578	31 828	8 078	8 078
Other non-current assets	**196 917**	157 891	187 964	159 906	160 492
Current assets	**2 245 587**	2 028 265	2 251 100	2 141 864	1 850 314
Property held for sale	**–**	72 000	–	–	–
Total assets	**3 778 740**	3 274 003	3 650 301	3 591 076	3 149 598
EQUITY AND LIABILITIES					
Total equity	**1 110 393**	909 253	815 121	755 455	682 877
Car hire fleet liability	**753 367**	540 864	695 066	801 613	563 681
Lease liabilities	**597 903**	548 962	584 439	567 945	444 775
Other current liabilities	**1 317 077**	1 274 924	1 555 675	1 466 063	1 458 265
Total equity and liabilities	**3 778 740**	3 274 003	3 650 301	3 591 076	3 149 598

STATEMENT OF COMPREHENSIVE INCOME		2022 R'000	2021 R'000	2020 R'000	2019 R'000	2018 R'000
Revenue		**11 167 798**	8 579 558	11 156 167	11 154 757	10 572 596
Operating profit to revenue	(%)	**5,4**	4,0	3,7	4,0	4,1
Operating profit		**606 146**	345 045	417 280	449 384	438 378
Net finance costs		**(95 792)**	(110 725)	(154 500)	(157 951)	(100 419)
Profit before taxation		**510 354**	234 320	262 780	291 433	337 959
Tax expense		**(135 467)**	(65 557)	(72 405)	(77 787)	(90 499)
Total profit		**374 887**	168 763	190 375	213 646	247 460
Non-controlling interest		**–**	–	144	(273)	(102)
Attributable profit		**374 887**	168 763	190 519	213 373	247 358
Dividends		**(175 785)**	(74 802)	(131 651)	(131 651)	(120 430)
Attributable profit after dividends		**199 102**	93 961	58 868	81 722	126 928

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		2022	2021	2020	2019	2018
Car hire fleet liability to total assets	(%)	**19,9**	16,5	19,0	22,3	17,9
Car hire fleet liability to total equity	(%)	**67,8**	59,5	85,3	106,1	82,5
Current ratio	(ratio)	**1,1**	1,2	1,0	1,0	0,9
Current ratio, including car hire fleet and attendant liability	(ratio)	**1,4**	1,4	1,3	1,3	1,3
Net asset value per share	(cents)	**1 484**	1 216	1 090	1 010	913
Total assets per employee	(R'000)	**1 599**	1 485	1 293	1 302	1 172

STATEMENT OF COMPREHENSIVE INCOME		2022	2021	2020	2019	2018
Weighted average number of shares in issue	('000)	**74 802**	74 802	74 802	74 802	74 802
Headline earnings per share	(cents)	**501,0**	230,4	254,8	285,5	332,9
Basic earnings per share	(cents)	**501,2**	225,6	254,7	285,3	330,7
Dividends per share	(cents)	**235,0**	100,0	176,0	176,0	161,0
Dividend cover	(times)	**2,1**	2,3	1,4	1,6	2,1
Net interest cover	(times)	**6,3**	3,1	2,7	2,8	4,4
Number of employees		**2 363**	2 204	2 823	2 759	2 688
Revenue per employee	(R'000)	**4 726**	3 893	3 952	4 043	3 933
Operating profit on average total equity	(%)	**60,0**	40,0	53,1	62,5	68,9
Return on shareholders' funds	(%)	**37,1**	19,6	24,3	29,7	38,9

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 liability
Net book value of car hire fleet plus current assets and property held for sale, divided by car hire fleet liability plus other current liabilities.

This ratio is recorded to recognise the correlation that exists between the value of the car hire fleet and the attendant liability. 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.

BOARD OF DIRECTORS

JAMES DIXON 70

CA (SA)

Independent non-executive chairman

Board appointment: 2010

JEBB MCINTOSH 76

CA (SA)

Chief executive officer

Board appointment: 1976

STUART JACKSON 69

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

Financial director

Board appointment: 1986

MIKE JONES 69

CA (SA)

Independent non-executive

Board appointment: 2015

TUMISHO KOMANE 37

CA (SA)

Independent non-executive

Board appointment: 2021

REFILOE NKADIMENG 40

CA (SA)

Independent non-executive

Board appointment: 2015

BRUCE BARRITT 64

Executive

Board appointment: 2016

Managing Director: First Car Rental Division

ZEE CELE 69

BCom, Postgrad Dip Tax, MAcc (Tax)

Independent non-executive

Board appointment: 2007

YONDIE METU 37

CA (SA)

Independent non-executive

Board appointment: 2021

JERRY MABENA 52

BCom

Independent non-executive

Board appointment: 2014

KEY TO COMMITTEES

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

REPORT OF THE CHIEF EXECUTIVE OFFICER

Jebb McIntosh

I report with pride and pleasure on an exceptional set of financial results achieved during the year to February 2022

The period was a classic case of preparation meeting opportunity. The tough and stressful decisions and actions taken during the previous year positioned the Group to take advantage of the few positives that emerged during a period of continued turmoil. Boosted by an improved performance from all motor retail franchises, car hire and financial services, the Group returned record headline earnings of 501,0 cents per share, a 117% increase. Shareholders' equity reached a new peak of R1,1 billion and cash resources topped R800 million. A June dividend of 225 cents per share, up 80% on the prior year, has been recommended.

This strong performance was achieved during a year of continued economic difficulty, underpinned by the ongoing Covid-19 pandemic, civil riots and social unrest, followed by interest rate and fuel price hikes. The July 2021 spree of mass destruction dealt a deadly and lingering blow to the confidence of the country and the economy. To add fuel to the fire, a new round of load-shedding has commenced. Poor economic and political policy is likely to continue.

GROUP OVERVIEW

Group revenue increased 30%. This was achieved largely as the result of improved new car sales, driven by the add-on brands which are growing in contribution, despite the national shortage of inventory during the second half of the year. The constraints on availability enabled dealers to earn greater margins and a higher penetration of value-added products. On the car hire side, improved average revenue per hire day and fleet utilisation rate, produced higher overall returns. The combined result was an increase in the gross profit margin from 17,4% to 18,5%. Whilst this may not appear significant, because the Group sells high value products the quantum impact is meaningful.

Against the 39% increase in gross profit, operating expenses were up 27%. Employee remuneration increased 28%, a combination of increased variable incentives on the higher trading levels, and the resumption of full pay following the salary cuts imposed during the 2020 lock-down period. Property costs were well controlled, and refurbishment and the corporate identity signage outlay, enforced by various motor manufacturers, has been fully expensed. Other than in respect of the new dealership acquired in Ballito, the number of properties occupied has not increased.

The improved gross margin, coupled with tight control over operating costs, has generated an operating profit of 5,4%. This is the first time that the Group has achieved above 5,0%, and I am not aware of any retail motor/car hire group that has achieved better. The tax rate is marginally down at 26,5%.

The overall effect is a 122% increase in attributable earnings, from 225,6 to 501,2 cents per share.

The Group's statement of financial position remains sound, with no remarkable changes since last year. The goodwill increase reflects the addition of the Ballito dealership from May 2021. The higher car hire fleet level, and attendant liability, align with the improved trading levels, as does the increased motor retail inventory value. The property recorded last year as "held for sale" was disposed of in March 2021.

Alleviating the shortage of skilled staff in the industry remains a priority. In-house training and mentorship has now resumed following the Covid-19 restrictions, and apprentice hours of tuition have increased 50%.

All Covid-19 safety protocols have been observed, and are gradually being withdrawn as the restrictions are relaxed. A Group drive since June 2021 has seen 93% of staff having had at least two vaccinations. Proof of treatment is required for all new engagements. The Group is aware of new waves that have affected various countries on which South Africa is reliant, either for the supply of vehicle components, or for the tourist trade. It is recognised that economic recovery is dependent on continued vigilance and a sustained drive to roll out the vaccination programme to a majority of the population.

Motor retail

The Group strategy of multi-franchising wherever permissible has proved beneficial. The extra throughput provided by a second and, sometimes third, brand has helped offset the ever-increasing cost of a quality dealership property. A relatively small increase in unit sales converts the outlet from a trading loss to a profit. The Group has added 28 new brands to existing dealership showrooms over the past few years. Whilst six of these are recent additions, many are now mature operations generating sustained throughput. The Group purchased a Ford dealership in Ballito with effect from May 2021. The Group's existing Nissan/Renault dealership in Ballito has been relocated to the premises, and a Mitsubishi and Suzuki franchise added, to create a motor city destination similar to those operated by the Group in Pretoria East, West Rand and Cape Town. The Jaguar/Land Rover business in Cape Town was closed in November 2021, and replaced by three new brands.

Record operating profits have been achieved in all four departments, viz. new and used vehicle sales, parts, and workshops.

The 30% increase in national new vehicle unit sales belies the stock shortage experienced during the second half of the year. There has been speculation regarding what level of sales could have been achieved had supply not been an issue. I believe that the increase would not have been significant, and that perhaps a 10% increase in supply would have satisfied demand. Whilst the 30% increase to 450 000 units is welcome after the 347 000 sold in the Covid-affected prior year, the level is still way below the economically-depressed years of 2017 to 2019, during which sales of 520 000 to 530 000 were achieved.

The Group recorded a 25% increase in unit sales. National sales of two of the franchises represented by the Group, viz. Ford and Mazda, suffered a fall in national market penetration because of significant stock shortages, and Group sales followed suit. The supply shortage did enable the Group to earn improved trading margins, in contrast to previous years when sales volumes, at thin margins, were the key to earning manufacturer incentives.

Group used vehicle unit sales increased 4%, in line with the national market. Sales were also negatively impacted by stock shortages. Ironically this was caused, in part, by the new vehicle shortage. On the one hand customers were unable to access new vehicles, and this led to a dearth of trade-ins. On the other hand, and perhaps more significant for the Group, the car hire division was unable to refresh its vehicles in accordance with its fleet retirement policy because insufficient replacements were available, and this meant that fewer vehicles were released for sale by the dealerships. The overall result was that, in respect of many models, price inflation exceeded that experienced by new vehicles.

The Group's digital marketing division, Rokkit, continued to refine and improve its applications, to provide valuable marketing and customer relations support. The use of social media has proved key to the generation of quality sales leads and enhanced customer experience engendered by a timely, professional response. Rokkit provides the platform for approximately 200 outside dealers to use the Group's marketing tools.

Covid-19 restrictions forced the adoption of work-from-home policies for many companies. This has reduced the amount of travel by motorists, and the need for service and parts. Despite this, the Group's service and parts departments both showed pleasing growth, with revenue up 20% and 29% respectively. Parts revenue reached 110% of the pre-pandemic level, and service revenue was almost on a par with 2019/20. Supply shortages of critical parts has hampered both divisions, but the extra volume generated by multi-franchise dealerships is being increasingly felt in the back-end departments.

Mandarin Parts Distributors, which imports, wholesales and retails aftermarket parts, enjoyed steady growth and profitability. The number of franchisees has increased by 25%, with a further three planned for the year ahead. This augurs well for future profitability.

National Workshop Equipment has exploited the acquisition, two years ago, of three new brands of vehicle diagnostic equipment, and has recorded pleasing growth.

REPORT OF THE CHIEF EXECUTIVE OFFICER
CONTINUED

Car hire

First Car Rental has shown outstanding results and achieved record returns during the year. The segment was the Group's hardest hit operation during the pandemic, and the effects have been felt the longest, in respect of both business and tourism travel. However, the various strategies adopted by management – not to panic-sell the surplus fleet when the used car market was depressed; to conclude new sales contracts with major customers when competitors were reducing exposure; to take full advantage of the FlySafair alliance to gain market share; and to focus on customer service despite being forced to retain an ageing vehicle fleet – have held the business in good stead during ongoing uncertain times. Management and staff have shown dedication and agility in reacting to the various unexpected setbacks, such as the last-minute restrictions enforced by foreign countries on travel to South Africa during the recent Christmas holidays, and the reversing of that decision two weeks later.

The business has earned and enjoyed the triple combination of increased market share, increased fleet utilisation, and an improved daily hire rate. The support of the Airports Company Of South Africa, which has aligned airport kiosk and parking rentals with the considerably reduced passenger traffic, and has pledged to do so until there is substantial improvement, is greatly appreciated.

About 50% of the vehicle fleet has passed normal retirement age, but is unable to be refreshed until new vehicle stock supplies normalise. The benefit is that the fleet has been depreciated during this extended period, and, if the used car market remains buoyant, should generate additional profit when eventually retired. Offsetting this is the expectation that the new fleet, both direct replacement and growth requirements, will be priced substantially higher with a negative impact on hire margins.

At year end the fleet size was up 33% over the prior year, and at 88% of pre-Covid February 2020. The expectation is that it will grow further during the year ahead.

Financial services

This division comprises the Group's finance joint ventures and various insurance underwriting entities. Prior year results for the finance joint ventures were depressed because of conservative doubtful debt provisioning during the second wave of the pandemic. The need for this prudent approach has eased markedly in the current year, and a substantial profit increase was recorded.

The underwriting cells enjoyed a premium growth of 14% and, although the death claim rate spiked during the third and fourth waves, the overall claims ratio held steady. The cost structure of the cells has reduced on business written from two years ago, when a new service provider was appointed. This has been offset to a degree by the reduced investment income on the cells' cash resources.

DIVIDENDS

Record headline earnings, strong cash flow generation and a more settled economic outlook have enabled the directors to recommend the payment in June 2022 of a dividend of 225 cents per share. This brings the total in respect of the year under review to 335 (prior year: 225) cents per share, which is covered 1,50 times by headline earnings. This cover is at the low point of the board's target range of 1,50 to 1,75 times cover, but the directors believe that the exceptional results and strong statement of financial position can support it.

PROSPECTS

The new year is likely to be characterised by low economic growth, with continued upward movements in both interest rates and the fuel price. The possibility of ongoing supply constraints, extended by new Covid-19 outbreaks in regions of Asia, has been exacerbated by the envisaged knock-on effects of the Russia-Ukraine hostilities. Even if supply is fully restored, it is likely to be at a substantially higher price, with a negative impact on trading margins. Continued load-shedding will result from Eskom's inability to provide a sustainable power supply, and the Group has had to develop ways to minimise the disruption. South African households are facing increasing financial pressure, and the proportion that can afford a vehicle is low. Medical experts are predicting a fifth wave of the pandemic, expected to strike around May/June, but the likelihood of a renewal of lockdown restrictions is considered remote.

Despite these factors, national sales of new vehicles are expected to grow 10%, and spawn a similar increase in the used vehicle market. First Car Rental should be able to refresh its fleet, and the release of retired vehicles to the dealer network at favourable prices will be a boon. Subject to the severity of the predicted fifth wave, the systematic removal of Covid-19 restrictions, especially those relating to foreign visitors, will generate a boost for both local and inbound travel, and benefit the car hire industry. At the end of February 2022, the level of car hire forward reservations was close to three times that of the prior year.

The add-on brands that the Group has developed over the past 2 to 3 years have grown in maturity, and most are now generating steady vehicle sales levels and growing workshop and parts business. It is expected that the two major manufacturers represented by the Group will resolve their production problems, and restore their market share to historic levels. Higher vehicle sales levels will generate increased opportunities for the financial services business.

Although we live in a country where business confidence is fickle, I believe that, all things considered, the plans and strategies which the Group has developed, will lead to continued growth.

AUDITOR

PricewaterhouseCoopers Inc. ("PWC"), and its predecessor firm, Price Waterhouse have been the Group's auditor since its inception in 1976.

Legislation regarding the enforcement of mandatory rotation of auditors has limited the period during which the firm can continue to act.

As a consequence, the firm will be retiring as auditor at the forthcoming annual general meeting. I take this opportunity to thank the firm, and the various lead partners, for a lengthy spell of support, wise counsel and guidance.

KPMG Inc. has been proposed by the Board as replacement auditor in the new year.

DIRECTORATE

Thebe Investment Corporation ("TIC"), the Group's empowerment partner, has the right to nominate two persons for appointment as non-executive directors. The nominees were JA Mabena and MR Nkadimeng, both of whom have served for a number of years, but have since left the employ of TIC. With effect from 1 July 2021 we welcomed the replacement nominations of RT Komane and AY Metu whose appointments will be placed before shareholders for approval at the next annual general meeting. The Board resolved to retain JA Mabena and MR Nkadimeng as independent non-executive directors in their personal capacities.

Zee Cele, who has served as a non-executive director for 15 years, has indicated that she will be retiring from the Board with effect from the annual general meeting. Zee has served the Group with passion and diligence. She has, at various times, been a member and chairman of the Board's committees, and her input at meetings has always been well-structured and meaningful. In latter years she has mentored new board members and helped introduce them to Group culture. On behalf of the Board, I wish her many years of happy and healthy retirement.

John Edwards, former independent non-executive director and chairman of the Group passed away during January 2022. The Board recorded his long and valuable contribution in a tribute addressed to his family.

APPRECIATION

So many aspects of our business and personal lives have been forever changed by the unprecedented difficulties we have faced over the past two years. I acknowledge the efforts of the skilled executive leadership group and their staff who have met the challenges with positivity and adaptability, and made the most of the few opportunities that arose. The year's results are just reward for their contribution.

The Group's trading partners, particularly the manufacturers, motor finance houses, and insurers have again provided valuable support, and I thank them for their input.

To my colleagues on the Board, I am grateful for the expertise and experience which you brought to Group deliberations, and for the manner in which you participated in fruitful and constructive engagement. I hope that the new year will bring an end to virtual meetings and we can interact on a more personal basis.

JD McIntosh
Chief executive officer

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 regularly considers whether the size and composition of the current Board is appropriate, having regard for the CMH Group Diversity Policy. In doing so, the Board considers whether there are any targets or aspects of the policy that have not been addressed and, as a consequence, have a negative impact on the efficacy of the Board.

The Board is satisfied that its composition reflects the right mix and promotes accountability, constructive debate, and effective decision-making, while meeting the necessary regulatory requirements and those of the Memorandum of Incorporation of the Company. Details of each director are recorded on pages 10 and 11.

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

- come from diverse backgrounds in commerce and industry;
- collectively are well qualified and 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 54 years old;
- have served on the Board an average of 7 years;
- comprise two white, and five African members, which exceeds the Board's race diversity policy target of 45%-50% of independent non-executives, and 25%-35% of the total Board, being from previously-disadvantaged races;
- comprise four males and three females, which exceeds 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 are given an induction programme to enable them to make the maximum contribution within the shortest possible time.

Board changes during the year ended 28 February 2022

In terms of a shareholders' agreement between the Company and its empowerment partner Thebe Investment Corporation (Pty) Ltd ("TIC"), TIC has the right to nominate two non-executive directors to the board of CMH. During the year TIC withdrew its nomination of MR Nkadimeng and JA Mabena and replaced them with RT Komane and AY Metu. The appointments of RT Komane and AY Metu were approved by the Board with effect from 1 July 2021, and require confirmation by shareholders at the annual general meeting.

The Board resolved to retain MR Nkadimeng and JA Mabena as independent non-executive directors in their personal capacity.

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:

- RT Komane and AY Metu meet the independence criteria despite them being nominees of TIC. 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 fourteen and eleven 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, JA Mabena and MR Nkadimeng meet 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, as the board has determined that the chairman is independent.

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
- is the chairman and one of three members 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;
- disclosure of directors' conflicts of interest;
- documentation in support of all matters on the agenda;
- update on matters arising since the last Board meeting; and
- governance updates to assist directors in remaining abreast of relevant legislation.

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

Subsidiary boards of directors

When deliberating on matters pertaining to CMH, the Board is always mindful of the impact that decisions may have on subsidiaries. The Board recognises the fiduciary duties of the directors of subsidiaries who are not directors of CMH.

Directors' share dealings

The Board complies with the JSE 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.

Kerrianne Fonseca CA(SA) is the Group company secretary. She joined the Group in 2006 and was appointed company secretary in 2010. The Board conducts an annual evaluation of the company secretary. In respect of the year under review, the Board is satisfied as to her effectiveness, qualification and experience and concluded that she has executed her responsibilities with the required level of competency and maintained an arms-length relationship with the Board. The Certification by the Company Secretary is recorded on page 34.

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 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	2/2
JS Dixon	3/3	2/2*	2/2	2/2	2/2
SK Jackson	3/3	2/2*	2/2*		2/2*
ME Jones	3/3	2/2			
RT Komane	1/1				
JA Mabena	3/3	2/2	2/2	2/2	2/2
JD McIntosh	3/3		2/2*	2/2	2/2*
AY Metu	1/1				
MR Nkadimeng	2/3	2/2			

** By invitation*

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 27.

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 25.

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 32.

Executive committee ("Exco")

Assisting the CEO in the discharge of his overall responsibility for the day-to-day management of the Group and the implementation and execution of approved strategy and policy 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 are disclosed on pages 53 to 55. Details of other risks faced by the Group are recorded in the King IV Code: Principle 11.

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.

Compliance with laws and regulations, codes and standards

The Group is committed to compliance with applicable laws and regulations, codes and standards. Areas of focus include the Companies Act, JSE Listings Requirements, labour laws, taxation legislation, health and safety regulations and other laws and statutes in respect of the various businesses and their operations. Day-to-day responsibility for compliance with legislation relevant to the Group has been delegated by the Board to management. The Board has not received notice of any 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.

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 encompassing financial, environmental and social dimensions. 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.

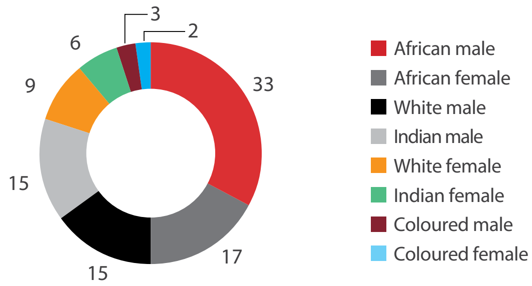
KEY SUSTAINABILITY ISSUES AT A GLANCE		2022	2021
Financial			
Revenue	(R'000)	**11 167 798**	8 579 558
Operating profit	(R'000)	**606 146**	345 045
Headline earnings per share	(cents)	**501,0**	230,4
Dividends paid per share	(cents)	**235,0**	100,0
Return on shareholders' funds	(%)	**37,1**	19,6
Income tax paid	(R'000)	**133 910**	58 703
Tax expense as percentage of profit before taxation	(%)	**26,5**	28,0
Value added tax paid	(R'000)	**182 439**	216 351
Employment			
Number of employees		**2 363**	2 204
Total employee costs	(R'000)	**830 480**	649 500
PAYE collected from employees on behalf of government	(R'000)	**163 734**	132 667
UIF and SDL contributions to government in respect of employees	(R'000)	**15 243**	10 842

EMPLOYEES

At year-end the Group employed 2 363 (2021: 2 204) permanent employees. This is still 13% below pre-pandemic levels. The Group does not employ temporary staff. As operations stabilise post the ongoing business interruptions arising from the Covid-19 pandemic, the Board strives to maintain the right balance between maximising profits, optimising employee numbers and rewarding employees commensurate with their performance. The Board recognises that employees continue to be the major contributor towards the Group's success by ensuring that its competitiveness and service levels remain high.

There is no doubt that some employees are still suffering from depression and anxiety associated with "pandemic fatigue" as they continue to meet their work and personal commitments in the "new" world of mask wearing, health screening, sanitising and social distancing while dealing with the personal trauma of reduced household income and losing loved ones. This has been compounded in the past 12 months by the increasingly volatile economic and socio-political conditions plaguing South Africa, including the civil unrest in KwaZulu-Natal and parts of Gauteng in July 2021. Exco members are continuously engaging with staff in an effort to motivate, educate and empower them to overcome the daily challenges.

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



Management, led by the chief executive officer executed a determined vaccination drive to maximise the number of vaccinated employees. This included educating staff on the importance of vaccinations and facilitating transport of staff to vaccination sites during working hours. At year-end 93% of staff had received at least two vaccinations. Whilst the Group has lost only 8 employees to Covid-19, the Board is aware that many employees have lost loved ones and extends its condolences to the families affected.

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 ("the EE 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.

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 EE 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 either the Group employment equity and transformation manager or the chief executive officer to ensure employment equity objectives are achieved.

The Group offers short-term internships for 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.

THE GROUP'S EMPLOYMENT PROFILE AT YEAR-END IS AS FOLLOWS:

	Male				Female				
Occupational levels	**African**	**Coloured**	**Indian**	**White**	**African**	**Coloured**	**Indian**	**White**	**Total**
2022									
Top management	**2**		**6**	**51**	**4**	**3**	**1**	**10**	**77**
Senior management	**29**	**6**	**67**	**96**	**28**	**4**	**38**	**68**	**336**
Professionals	**233**	**26**	**165**	**149**	**107**	**10**	**32**	**66**	**788**
Skilled	**87**	**11**	**27**	**13**	**69**	**11**	**43**	**38**	**299**
Semi-skilled	**307**	**23**	**87**	**28**	**111**	**20**	**30**	**37**	**643**
Unskilled	**113**	**5**	**3**	**4**	**90**	**1**	**1**	**3**	**220**
Total	**771**	**71**	**355**	**341**	**409**	**49**	**145**	**222**	**2 363**
2021									
Top management	1		6	50	4	3	1	9	74
Senior management	30	9	65	100	28	5	33	70	340
Professionals	200	27	147	157	101	11	30	66	739
Skilled	93	14	29	11	62	10	34	33	286
Semi-skilled	251	19	85	26	89	23	29	39	561
Unskilled	105	1	5	2	85	2	1	3	204
Total	680	70	337	346	369	54	128	220	2 204

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 are valued and a crucial part of the Group's success.

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 2 to 3 years. The Group currently has 56 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 interruption in ongoing training caused by the Covid-19 pandemic has delayed the successful completion of most programmes by between 6 and 12 months.

The Group believes that ongoing training is critical for employee development and progression. Each year, a large number of sales and technical staff attend mandatory training programmes required by the motor 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 R12,5 million was spent on training employees, involving a total of 5 829 training initiatives. Of this, approximately 42% was spent on training African employees and 72% spent on training African, Coloured and Indian employees collectively. The Group has timeously submitted its report in terms of Section 21 of the EE Act and, as a result, has recouped the maximum amount of Skills Development Levy.

THE GROUP'S PROFILE OF DISABLED EMPLOYEES AT YEAR-END IS AS FOLLOWS:

	Male				Female				
Occupational levels	**African**	**Coloured**	**Indian**	**White**	**African**	**Coloured**	**Indian**	**White**	**Total**
2022									
Top management				1			1		2
Senior management	1		2		1				4
Professionals			2	3				1	6
Skilled	3							2	5
Semi-skilled	1	1	1		1		1		5
Unskilled	2		2	2			1	3	10
Total	7	1	7	6	2		3	6	32
2021									
Top management				1			1		2
Senior management	1		2		1				4
Professionals	1		2	4					7
Skilled	3							1	4
Semi-skilled		1	1		1				3
Unskilled	2		3	2	1		1	3	12
Total	7	1	8	7	3		2	4	32

Staff with a disability

The Group has a disability awareness and support policy that 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.

BROAD-BASED BLACK ECONOMIC EMPOWERMENT ("B-BBEE")

The aim of the Board is to achieve sustainable empowerment through alignment with the five elements of the B-BBEE codes, being: ownership, management control, skills development, enterprise and supplier development and socio-economic development. The Board recognises that failure to achieve accelerated transformation targets set out in the B-BBEE codes may impact competitiveness and sustainability as well as the retention of existing contracts.

Despite the Group's ongoing commitment to direct more spend to black-owned businesses, its ability to increase the points earned in the enterprise and supplier development element is limited. Approximately 70% of Group procurement spend is related to motor manufacturers, none of which meets the criteria to be classified as an exempt micro entity, a qualifying small enterprise or a black-owned entity. The points that the Group can achieve in respect of the remaining 30% are limited, and this adversely impacts the B-BBEE scorecard level attainable.

The scorecards for the year ended 28 February 2021 were independently audited during the current year. The Group as a whole was verified using the generic codes and First Car Rental using the tourism sector codes. The audited scorecard ratings are recorded in the adjacent table. The Group aims to retain these levels at the next audit.

B-BBEE SCORECARD RATINGS	Max	Result 2021
Total Group		
Ownership	25	25
Management control	19	8
Skills development	20	9
Enterprise and supplier development	42	33
Socio-economic development	5	5
	111	80
B-BBEE recognition level contributor		4
Car hire and fleet division		
Ownership	27	27
Management control	19	14
Skills development	20	14
Enterprise and supplier development	40	35
Socio-economic development	5	5
	111	95
B-BBEE recognition level contributor		2

HEALTH AND SAFETY

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

Covid-19 has forever changed the work environment and interaction with stakeholders. The Group's health and safety policies are regularly reviewed and adjusted in accordance with changing Government legislation. These policies provide the core framework for standard processes. CMH believes incidents are preventable. Its policies seek to minimise potential hazards in operations to eliminate risk and provide a safe and healthy working environment. Comprehensive health and safety risk assessments have taken place across all Group operations, and systems have been implemented to manage identified risks and ensure compliance with government regulations.

Safety is the priority and responsibility of all employees. The dealer principal is the main individual responsible for health and safety matters at each dealership, with the chief executive officer assuming ultimate responsibility for the Group. Each site has a health and safety representative and a first aid officer. These representatives and officers receive external training to ensure that they are familiar with the legislative requirements and are equipped to discharge their responsibilities in this regard. 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 Social, ethics and transformation committee.

Reportable incidents are critically analysed by safety experts to understand the root cause. Where possible, improvements in operating procedures are introduced to prevent recurrence. The Group is pleased to report that it has once again recorded no fatalities nor serious safety incidents in the workplace. The Group had 10 reportable incidents during the year.

ENVIRONMENTAL ISSUES

The motor retail business sector is not generally regarded as a high environmental impact sector and 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 in all operations. At its larger car hire outlets, where car washing and water usage is high, the Group 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. It has also invested R5,1 million in solar power systems across eight sites. 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 utilises the services of an independent consultant to assess and monitor its energy use and to implement measures designed to reduce the environmental impact. The most recent report on energy consumption indicates that the Group has reduced its average monthly consumption by 30% (250 000 kwh) over the past five years and that the investments in solar technology have a return-on-investment period of approximately three years.

The safe disposal of hazardous and non-hazardous waste

Within the aftersales departments, the Group adheres to the relevant regulations concerning waste. Our policies promote processes and procedures which, so far as is reasonably practicable, avoid or minimise the contamination of water, air or the ground and manage responsibly the by-products of our activities, such as noise, waste packaging and waste substances. 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 reduction in printing, double-sided printing and recycling the majority of office paper waste. First Car Rental uses electronic vouchers and online invoice retrieval, complemented by its corporate Show&Go mobile checkout. Its 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 and disposes of batteries in accordance with applicable local regulations; and
- **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 the Group operates. Corporate Social Investment relates to financial and non-financial investment in socially-responsible initiatives. The Group supports a wide range of charitable projects with a focus on education and youth, particularly those with disabilities, and support of abused animals. 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.

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 2022.

All members are independent non-executive directors of the Company. The committee has adopted formal terms of reference agreed by the Board. These have been embodied in its charter and work plan which aligns with the Companies Act 2008, the King IV Code on Corporate Governance, and the JSE Listings Requirements.

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

REPORT OF THE AUDIT AND RISK ASSESSMENT COMMITTEE CONTINUED

ACCEPT RESPONSIBILITY FOR OVERSEEING OF INTERNAL AUDIT

The committee has satisfied itself that the Group's internal audit function is independent and has the necessary resources, budget, standing and authority within the Group to discharge its duties. Details of the Group's internal audit function are set out in the King IV Code: Principle 15 on the Group's web site, www.cmh.co.za. The internal audit plan has been considered and approved, and areas of overlap between internal and external audit identified so as to optimise the combined assurance model. There is regular communication between the committee chairman and the chief audit executive who also reports on its activities for the period at each committee meeting. The committee chairman meets with the chief audit executive annually without management's presence.

ACCEPT RESPONSIBILITY FOR THE GROUP'S RISK MANAGEMENT FUNCTION

Details of the committee's role and function in this area are provided on page 19. In discharging its responsibility, the committee focused on financial reporting risks, internal financial controls and fraud and information technology risks in relation to financial reporting. The committee is satisfied that these areas have been appropriately addressed.

OVERSEE THE APPOINTMENT OF THE EXTERNAL AUDITOR AND THE EXTERNAL AUDIT PROCESS

- recommend to shareholders the appointment, reappointment and removal of the external auditor and designated partner, after ensuring that the external auditor is accredited by the JSE Limited and the designated partner is suitably qualified and eligible to fulfil the position;
- approve the external auditor's terms of engagement and remuneration;
- review, monitor and report on the external auditor's independence and objectivity;
- discuss the external audit process without management's presence;
- define, for Board approval, a policy addressing the nature, extent and terms under which the external auditor may perform non-audit services and ensure compliance therewith; and
- develop a process in terms of which the committee receives, and communicates to the Board, any notices of reportable irregularities reported by the external auditor.

In respect of the 2023 financial year-end, the committee has recommended and the Board has approved the appointment of KPMG Inc. as external auditor and D Read as the designated partner. The committee has ensured that the proposed appointment complies with all applicable legal and regulatory requirements for the appointment of an auditor and has satisfied itself as to the qualifications and competence of KPMG Inc. and D Read. The proposed appointment for the year ended 28 February 2023 has been tabled as a resolution, for approval by shareholders at the forthcoming annual general meeting.

The committee is satisfied that, in respect of the financial year ended 28 February 2022, it has performed all of the functions required to be performed by an audit committee.

ME Jones
Chairman, Audit and risk assessment committee

28 April 2022

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 pages 18 and 19. 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 54% to 69% of total remuneration.
Pension, medical, other benefits	Benefits and allowances, both legislated and voluntary, which are appropriate to the job function. Benefits include: ▪ retirement funding ▪ health care ▪ UIF contributions ▪ use of Group-owned vehicles	Generally, benefit values align with base salaries. In respect of executive directors and executive committee members collectively, the value of benefits has, over the past three years, comprised 11% to 13% of total remuneration. In respect of health care and retirement funding, the cost is shared between the Group and employees.

REPORT OF THE REMUNERATION COMMITTEE CONTINUED

	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 29 for details on executive directors). In respect of executive directors and executive committee members collectively, the value of short term benefits has comprised 16% to 32% 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 3% to 15% of total remuneration. During the year under review, no vesting benefits accrued to participants, and no new awards were made. The number of share appreciation rights in issue during the year is recorded in note 14.2 to the consolidated financial statements.

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 the remuneration structure of the executive directors for the year under review, the country, and the economy, faced an unpredictable future. The country had been shattered by the pandemic, and the government had failed to secure a sufficient supply of vaccine to develop an immunisation programme. The economy had been in recession prior to the lockdown, and it was predicted that it would take at least two years of growth to recover from the 7% fall in GDP suffered during 2020.

The Group had recorded a substantial profit recovery during the second half of the previous year. It was believed that continued modest growth off the low base was possible, and the remuneration targets were structured around this assumption. The country's predicted rate of economic growth, stability of interest rates, national new vehicle sales level, and growth in airline passengers were key features of the Group's budget model. It was accepted that the assumptions were unlikely to hold true in all instances. In the event that an unforeseen change in assumptions had a positive or negative impact on the outcomes, Remco reserved the right to amend the targets so as to preserve the concept of "fair reward aligned to stakeholder interests". Following the outstanding results achieved during the first half of the current year, the targets were tightened for the second half.

During the previous year the basic salaries of executive directors were reduced by 15% to 20% during June 2020 to October 2020, and by 7,5% to 10% from November 2020 to February 2021. No increase in basic salary was proposed for the current year. Full details of the remuneration are recorded on page 83.

The year ahead

It is expected that the year ahead will bring modest economic growth. The motor industry is expected to face continued supply uncertainty, aggravated by potential knock-on effects of the Russia-Ukraine war, and rising fuel price and interest rates. Car Hire should benefit from an increase in passenger numbers as Covid restrictions are eased.

Remco has confirmed that the basis salaries of executive directors will be increased by 5% in respect of the year ahead. The performance-related earnings have been aligned 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 65% to 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.

Remco, once again, reserves the right to amend the targets in the event that an unforeseen change in circumstances has a material positive or negative effect on outcomes.

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	4 928	4 928	4 928
– annual performance-related	–	2 640	3 850
	4 928	7 568	8 778
Ratio	65	100	116
SK Jackson			
– guaranteed basic salary and benefits	6 149	6 149	6 149
– annual performance-related	–	2 620	3 560
	6 149	8 769	9 709
Ratio	70	100	111
JD McIntosh			
– guaranteed basic salary and benefits	7 825	7 825	7 825
– annual performance-related	–	4 250	6 050
	7 825	12 075	13 875
Ratio	65	100	115

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. No increase in fees was granted in respect of the year under review. During the prior year the retainer portion of their fees was reduced by 20% from June 2020 to October 2020, and by 10% from November 2020 to February 2021. Details of the fees earned during the year are recorded on page 83.

Full details of the fee structure tabled in respect of the year ahead are recorded in the Notice of Annual General Meeting, on page 89. A 5% increase in fees has been proposed.

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 89. At the 2021 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 6% 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 89, records the proposed resolutions. At the 2021 annual general meeting the Remuneration Policy and Implementation Report were endorsed by 95% and 93% of voting shareholders, respectively.

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

28 April 2022

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 composition of the committee is set out on page 19 and the qualifications of the committee members are disclosed on pages 10 and 11.

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

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 implementation of management initiatives that resulted in the Group's B-BBEE scorecard rating improving to a level 4 with 62,6% black ownership;
- review and approval of a revised Employment Equity Plan that has regard for the significant reduction in the Group workforce from 2020 to 2022. The committee approved it after satisfying itself that it complied with section 20 of the Employment Equity Act; and
- assessing and monitoring continued implementation of the Covid-19 health and safety protocols introduced in the prior year, and the effectiveness of the measures introduced by management in the current year to encourage employees to get vaccinated.

The focus areas in the coming year are expected to be:

- continued focus on maintaining the current B-BBEE ratings, with particular emphasis on meeting the minimum criteria on each of the priority elements, and maintaining greater than 50% black ownership;
- ongoing assessment of progress towards the achievement of targets and goals set out in the Employment Equity Plan approved in 2021. This will include specific focus on skills development which is key to achieving transformation; and
- assessing and monitoring continued implementation of the Covid-19 health and safety protocols to the extent that this is deemed necessary, having regard for the Covid-19 status within South Africa during the period.

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

28 April 2022

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 42 to 87, 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

28 April 2022

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 42 to 87 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee, Financial Pronouncements, as issued by the Financial Reporting Standards Council, and in the manner required by the Companies Act, 2008, and include amounts based on judgements and estimates made by management.

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

The directors are satisfied that the information contained in the financial statements fairly presents the results of operations for the year and the financial position of the Company and the Group at year-end. The directors also prepared the other information included in the integrated annual report and are responsible for both its accuracy and its consistency with the financial statements.

The directors have responsibility for ensuring that accounting records are kept. The accounting records should disclose with reasonable accuracy the financial position of the Company and the Group to enable the directors to ensure that the financial statements comply with the relevant legislation.

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

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

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

28 April 2022

CERTIFICATION BY THE COMPANY SECRETARY

In my capacity as company secretary, I hereby confirm that, for the year ended 28 February 2022, 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

28 April 2022

DIRECTORS' REPORT

FOR THE YEAR ENDED 28 FEBRUARY 2022

Your directors have pleasure in submitting their report on the affairs of the Company and the Group during the year ended 28 February 2022.

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 6 and 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 during the year under review:

	2022 R'000	2021 R'000
Dividend number 66: 110 cents, declared 14 October 2021	82 282	–
Dividend number 65: 125 cents, declared 30 April 2021	93 503	–
Dividend number 64: 100 cents, declared 13 October 2020	–	74 802
	175 785	74 802

RESOLUTIONS

At the annual general meeting of shareholders held on 8 June 2021, the following special resolution was passed:

- Approval of the fees of non-executive directors for their services as directors.

DIRECTORS AND SECRETARY

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

JS Dixon (independent non-executive chairman)

JD McIntosh (chief executive officer)

BWJ Barritt (executive)

LCZ Cele (independent non-executive)

SK Jackson (executive)

ME Jones (independent non-executive)

RT Komane (independent non-executive)

JA Mabena (independent non-executive)

AY Metu (independent non-executive)

MR Nkadimeng (independent non-executive)

In terms of a shareholders' agreement between CMH and its empowerment partner Thebe Investment Corporation (Pty) Ltd ("TIC"), TIC has the right to nominate two non-executive directors to the board of CMH. During the year TIC withdrew its nomination of JA Mabena and MR Nkadimeng and replaced them with RT Komane and AY Metu. The appointments of RT Komane and AY Metu were approved by the Board with effect from 1 July 2021. JA Mabena and MR Nkadimeng retire by rotation at the forthcoming annual general meeting, but, being eligible, offer themselves for re-election. The appointment of RT Komane and AY Metu, and the re-election of JA Mabena and MR Nkadimeng are subject to approval by shareholders at the annual general meeting.

A brief curriculum vitae of each of the above directors is recorded in the Notice of Annual General Meeting on page 90.

The executive directors, together with the members of the executive committee, represent the key management of the Group.

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

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

DIRECTORS' SHAREHOLDING

Details of the directors' direct and indirect shareholding in the Company are reflected on page 85.

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 82.

The results of the subsidiaries, so far as concerns the Company, comprise aggregate income and losses for the year, after taxation, of R364 642 000 (2021: R155 378 000) and R3 625 000 (2021: R16 800) respectively.

AUDITOR

As PricewaterhouseCoopers Inc. has held the position of external auditor of the Company and its subsidiaries for longer than ten consecutive years, the Board resolved to review the position during the year so as to ensure compliance with the mandatory audit firm rotation requirements prescribed by the Independent Regulatory Board for Auditors.

At the annual general meeting, shareholders will be requested to approve the Board's proposal to appoint KPMG Inc. and designated partner D Read, as auditor of the Company and its subsidiaries for the financial year ending 28 February 2023.

PENDING LITIGATION

The Group is not involved in any material legal or arbitration proceedings or legal actions, nor are the directors aware of any proceedings that are pending or threatened, that may have, or have had, in the 12-month period preceding the date of this Integrated Annual Report, a material adverse effect on the Group's financial position.

SUBSEQUENT EVENTS

Other than that recorded in note 34 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
28 April 2022

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 2022, 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 42 to 85 comprise:

- the consolidated and separate statements of financial position as at 28 February 2022;
- the consolidated and separate statements of comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate 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.

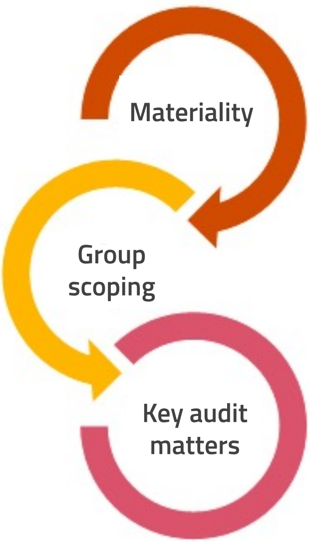
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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



Overall group materiality
Overall Group materiality: R72.6 million, which represents 0,65% of consolidated revenue.

Group audit scope
The consolidated financial statements are a consolidation of thirteen components.
Nine 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
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	R72,6 million
How we determined it	0,65% 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 0,65%, 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. Nine 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.

Key audit matter	How our audit addressed the key audit matter
DETERMINATION OF THE CARRYING VALUE OF CAR HIRE FLEET VEHICLES	
As at 28 February 2022, the carrying value of the Group's car hire fleet vehicles was R828,3 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.	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, 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 of during the current year, and the potential impact on disposal volumes as a result of the ongoing vehicle shortages, 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 Integrated Annual Report 2022", which includes the Directors' report, the report of the Audit and risk committee and the Certification by the company secretary as required by the Companies Act of South Africa. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information 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.

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 46 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: RD Klute
Registered Auditor

Durban, South Africa
28 April 2022

The examination of controls over the maintenance and integrity of the Group's website is beyond the scope of the audit of the financial statements. Accordingly, we accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

SEGMENT INFORMATION

FOR THE YEAR ENDED 28 FEBRUARY 2022

	Total		Retail motor		Car hire		Financial services		Corporate services/ Other	
2022	R'000	%	R'000	%	R'000	%	R'000	%	R'000	%
External revenue	11 167 798	100	10 502 191	95	466 212	4	146 307	1	53 088	–
Inter-segment revenue	30 129	100	–	–	324	1	–	–	29 805	99
Segment revenue	11 197 927	100	10 502 191	94	466 536	4	146 307	1	82 893	1
Operating profit/(loss)	606 146	100	426 355	70	146 307	24	50 114	8	(16 630)	(2)
Finance income	28 313	100	136	–	–	–	6 045	21	22 132	79
Finance costs	(124 105)	100	(90 422)	74	(30 362)	24	–	–	(3 321)	2
Profit before taxation	510 354	100	336 069	66	115 945	23	56 159	11	2 181	–
After charging										
– employee costs	830 480	100	684 308	82	86 322	11	–	–	59 850	7
– depreciation										
– plant and equipment	29 809	100	23 478	79	2 410	8	–	–	3 921	13
– car hire fleet vehicles	95 800	100	–	–	95 800	100	–	–	–	–
– right-of-use assets	114 403	100	107 296	92	5 105	6	–	–	2 002	2
Total assets	3 778 740	100	1 939 896	52	914 729	24	44 631	1	879 484	23
Total liabilities	2 668 347	100	1 740 190	65	847 889	32	–	–	80 268	3
Goodwill at year-end	57 296	100	57 296	100	–	–	–	–	–	–

	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	–	–	–	–	–	–

The Group's accounting policy for segment reporting is recorded in note 1.16 to the attached financial statements. Further information regarding what is included in the segments can be found on page 3.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 28 FEBRUARY 2022

	Notes	2022 R'000	2021 R'000
ASSETS			
Non-current assets			
Plant and equipment	4	**67 432**	67 068
Right-of-use assets	5	**450 565**	417 523
Car hire fleet vehicles	6	**828 375**	555 746
Goodwill	7	**57 296**	42 578
Insurance receivable	8	**44 631**	28 876
Deferred taxation	9	**84 854**	61 947
		1 533 153	1 173 738
Current assets			
Inventories	10	**1 150 218**	1 033 005
Trade and other receivables	11	**276 307**	238 666
Current tax receivable		**1 323**	1 769
Cash and cash equivalents	12	**817 739**	754 825
		2 245 587	2 028 265
Property held for sale		**–**	72 000
Total assets		**3 778 740**	3 274 003
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	13	**38 091**	38 091
Share-based payment reserve	14	**3 567**	1 529
Retained earnings		**1 068 735**	869 633
Total equity		**1 110 393**	909 253
Non-current liabilities			
Car hire fleet liability	15	**148 002**	89 011
Lease liabilities	16	**496 069**	458 882
		644 071	547 893
Current liabilities			
Trade and other payables	17	**1 305 850**	1 271 120
Car hire fleet liability	15	**605 365**	451 853
Lease liabilities	16	**101 834**	90 080
Current tax liabilities		**11 227**	3 804
		2 024 276	1 816 857
Total liabilities		**2 668 347**	2 364 750
Total equity and liabilities		**3 778 740**	3 274 003

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 28 FEBRUARY 2022

		Notes	2022 R'000	2021 R'000
Revenue		18	**11 167 798**	8 579 558
Cost of sales		20	**(9 097 650)**	(7 087 850)
Gross profit			**2 070 148**	1 491 708
Other income		19	**16 963**	26 230
Impairment of goodwill		7	**–**	(6 250)
Selling and administration expenses		20	**(1 480 965)**	(1 166 643)
Operating profit			**606 146**	345 045
Finance income		21	**28 313**	25 937
Finance costs		22	**(124 105)**	(136 662)
Profit before taxation			**510 354**	234 320
Tax expense		23	**(135 467)**	(65 557)
Total profit and comprehensive income			**374 887**	168 763
EARNINGS PER SHARE		24		
Basic	(cents)		**501,2**	225,6
Diluted basic	(cents)		**487,6**	225,6

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 28 FEBRUARY 2022

	Share capital R'000	Share-based payment reserve R'000	Retained earnings R'000	Attributable to equity holders of the company R'000	Non-controlling interest R'000	Total equity R'000
Balance at 29 February 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**
Total profit and comprehensive income			**374 887**	**374 887**		**374 887**
Share-based payment charge		**2 038**		**2 038**		**2 038**
Dividends paid			**(175 785)**	**(175 785)**		**(175 785)**
Balance at 28 February 2022	**38 091**	**3 567**	**1 068 735**	**1 110 393**	**–**	**1 110 393**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 28 FEBRUARY 2022

	Notes	2022 R'000	2021 R'000
Cash flows from operating activities			
Cash generated from operations	25	**527 907**	498 955
Taxation paid	26	**(133 910)**	(58 703)
Net cash movement from operating activities		**393 997**	440 252
Cash flows from investing activities			
Purchase of plant and equipment		**(32 176)**	(15 050)
Disposal/(purchase) of property		**72 000**	(72 000)
Proceeds on disposal of plant and equipment		**3 544**	3 346
Investment in special purpose entities conducting insurance underwriting activities	8	**(3 750)**	(1 250)
Dividend received from special purpose entities conducting insurance underwriting activities	8	**9 950**	39 598
Acquisition of business	31	**(4 691)**	(23 866)
Disposal of business		**–**	5 164
Net cash movement from investing activities		**44 877**	(64 058)
Cash flows from financing activities			
Finance income received	27	**22 268**	20 661
Finance costs paid	22	**(124 105)**	(136 662)
Principal element of lease liability repayments	28	**(98 338)**	(84 054)
Dividends paid	29	**(175 785)**	(76 160)
Repayment of secured loans acquired		**–**	(4 776)
Net cash movement from financing activities		**(375 960)**	(280 991)
Net movement in cash and cash equivalents		**62 914**	95 203
Cash and cash equivalents at beginning of year		**754 825**	659 622
Cash and cash equivalents at end of year	12	**817 739**	754 825

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2022

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 82.

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
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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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 the difference between these two values, plus any termination costs, 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.

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 expected credit 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 expected credit loss allowance in respect 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 allowance 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.

The expected credit loss allowance in respect of trade receivables is determined using the simplified approach permitted by IFRS 9. This requires expected credit losses from all possible default events over the expected life of the trade receivables to be recognised on inception.

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

Cash and cash equivalents

Cash and cash equivalents comprise deposits held at call with banks, net of bank overdrafts. Bank overdrafts are reflected under current liabilities except where they are held at the same bank and branch as favourable balances and there is a legal right of set-off.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 28 FEBRUARY 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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

Car hire fleet liability: this is measured initially at the fair value of proceeds received, net of transaction costs incurred, when the Group becomes party to the contractual provisions. It is 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 liability.

Financial liabilities 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.

1.12 Employee benefits continued

Health care

The Group provides health care benefits for its employees through contributions to various independent medical aid schemes. Payments to the medical aid schemes are charged to the statement of comprehensive income as incurred. The Group has no post-retirement obligations to employees.

Remuneration

The cost of all short-term employee remuneration is recognised during the period in which the employee renders the related service. An accrual is made for employee entitlement to salary, bonuses, profit share and leave pay based on contractual obligations at current rates of remuneration.

Equity compensation plans

The Group enters into share-based payment transactions in terms of the employee share appreciation rights scheme. Costs incurred in administering the scheme are expensed as incurred. The charge to profit or loss required by IFRS 2: Share-based Payment is accounted for on the basis that the instruments are equity-settled. The total amount to be expensed over the vesting period is determined by reference to the fair value of the rights determined at the grant date using the Black-Scholes valuation model. Non-market vesting conditions are included in assumptions about the number of rights that are expected to become exercisable and the number of shares that the employee will ultimately receive. The amount determined by the model is charged to the statement of comprehensive income over the vesting period, with a corresponding credit to "Share-based payment reserve". The reserve is released proportionately when the rights are exercised.

1.13 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

1.13 Revenue recognition continued

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.

1.16 Segment reporting continued

The various segments of the Group are each subject to risks and returns that are different to other business segments. The principal business segments identified within the Group are retail motor, car hire and financial services. The corporate services/other segment contains the Group's treasury function, and CMH Green and National Workshop Equipment which are not large enough for separate disclosure. The motor dealerships, although diverse in terms of product brands and locations, are considered to have a similar reaction to economic conditions and influences. Consequently they have been aggregated as one reportable segment.

Sales amongst segments are carried out on an arm's length basis at competitive market-related prices, and are eliminated on consolidation.

Segment assets, liabilities, revenue and expenditure are those directly attributable to the segment.

The Group operates only in the Republic of South Africa.

1.17 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 R2 091 000 (2021: R1 365 000) on the assumption that all other factors remained constant.

2. FINANCIAL RISK MANAGEMENT CONTINUED

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 expected credit loss allowance, 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 allowance in respect 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 expected credit loss allowance determined using the following provisioning matrix:

		Expected loss rate for ageing profile		
	Terms	0 to 60 days	61 to 90 days	90+ days
Banks with the country's highest long-term credit rating	1 day	0%	–	–
Corporate and fleet customers	30 days	*0%	10%	30%
Individual, parts and workshop customers	1 - 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 years prior to Covid-19. 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.

Insurance receivable
The principal component of insurance receivable is bank balances held within the various insurance cells. These balances are placed only with major financial institutions with the country's highest long-term credit rating.

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
2022					
Car hire fleet liability	**753 367**	**605 365**	**148 002**	**–**	**–**
Lease liabilities	**764 181**	**150 382**	**144 998**	**322 492**	**146 309**
Trade and other payables	**1 305 850**	**1 305 850**	**–**	**–**	**–**
	2 823 398	**2 061 597**	**293 000**	**322 492**	**146 309**
2021					
Car hire fleet liability	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

The liabilities will be paid using existing cash resources and proceeds from operating activities.

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.

The capital structure of the Group comprises share capital and retained earnings. 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. The Group's capital management strategy remained unchanged from the prior year.

2.6 Foreign currency risk

The Group has no material foreign currency risk.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 28 FEBRUARY 2022

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 reduced 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 2022					
Cost	**239 830**	**5 607**	**63 149**	**167 096**	**3 978**
Accumulated depreciation	**(172 398)**	**(2 158)**	**(43 946)**	**(125 287)**	**(1 007)**
Net book value	**67 432**	**3 449**	**19 203**	**41 809**	**2 971**
At 28 February 2021					
Cost	256 784	27 434	65 375	158 982	4 993
Accumulated depreciation	(189 716)	(26 877)	(47 809)	(113 365)	(1 665)
Net book value	67 068	557	17 566	45 617	3 328

4.2 Reconciliation of movement

	Total R'000	Leasehold improve-ments R'000	Plant and machinery R'000	Furniture and office equipment R'000	Motor vehicles R'000
Net book value 29 February 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	2 163	–	360	234	1 569
Disposal of business	(1 360)	(573)	(657)	(130)	–
Net book value 28 February 2021	67 068	557	17 566	45 617	3 328
Additions	32 176	3 651	9 430	16 940	2 155
Disposals	(3 328)	–	(1 034)	(529)	(1 765)
Depreciation charge	(29 809)	(759)	(7 826)	(20 477)	(747)
Acquisition of business (refer note 31)	1 325	–	1 067	258	–
Net book value 28 February 2022	**67 432**	**3 449**	**19 203**	**41 809**	**2 971**

4.3 The insurance replacement value of plant and equipment is R435 000 000 (2021: R405 000 000).

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

	2022 R'000	2021 R'000
5. RIGHT-OF-USE ASSETS		
5.1 Property		
Balance at beginning of year	**417 523**	466 094
Additions	**148 617**	82 192
Derecognition arising on early termination of lease agreements	**(1 172)**	(26 672)
Depreciation charge	**(114 403)**	(104 091)
Balance at end of year	**450 565**	417 523

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

	2022 R'000	2021 R'000
6. CAR HIRE FLEET VEHICLES		
6.1 Details of car hire fleet vehicles		
Cost	**965 986**	655 239
Accumulated depreciation	**(137 611)**	(99 493)
Net book value	**828 375**	555 746
6.2 Reconciliation of movement		
Opening net book value	**555 746**	713 315
Additions	**613 595**	250 723
Disposals	**(245 166)**	(348 696)
Depreciation charge	**(95 800)**	(59 596)
Closing net book value	**828 375**	555 746

6.3 Car hire fleet vehicles with a cost of R965 986 000 (2021: R655 239 000), held under capitalised finance arrangements have been pledged as security for the attendant liability aggregating R753 367 000 (2021: R540 864 000).

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

6.5 The movement in car hire fleet vehicles is reflected as an operating activity in the statement of cash flows.

	2022 R'000	2021 R'000

7. GOODWILL

7.1 Goodwill acquired through business combinations has been attributed to individual cash-generating units ("CGUs").

	2022 R'000	2021 R'000
Cost and net book value at beginning of year	**42 578**	31 828
Acquisition of business (refer note 31)	**14 718**	17 000
Amounts impaired during the year	**–**	(6 250)
Cost and net book value at end of year	**57 296**	42 578

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	
	2022 (%)	2021 (%)	2022 (%)	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	**6,5**	8,0
– operating expenses	**5,0**	5,0	**5,0**	5,0
Terminal growth rate	**1,0**	1,0	**1,0**	1,0
Pre-tax discount rate	**18,1**	19,7	**18,1**	19,7

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 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 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.

		2022 R'000	2021 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	**132 307**	115 767
	– investment income	**6 045**	5 276
	– increase in assurance funds	**(20 387)**	(21 313)
	– claims paid	**(31 641)**	(23 298)
	– marketing fee paid intergroup	**(8 000)**	–
	– other expenses	**(47 915)**	(42 886)
	– profit before taxation	**30 409**	33 546
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	**44 631**	28 876
8.6	**Reconciliation of movement**		
	Balance at beginning of year	**28 876**	43 078
	Share investment	**3 750**	1 250
	Profit after taxation	**21 955**	24 146
	Dividends received	**(9 950)**	(39 598)
	Balance at end of year	**44 631**	28 876

		2022 R'000	2021 R'000
9.	**DEFERRED TAXATION**		
9.1	Balance at beginning of year	61 947	60 068
	Acquisition of business (refer note 31)	8 141	–
	Temporary differences arising during year	14 766	1 879
	Balance at end of year	84 854	61 947
9.2	Balance at end of year comprises:		
	Expected credit loss allowance on trade receivables		
	– gross	2 335	1 250
	– less: related taxation allowances	(882)	(476)
		1 453	774
	Receipts in advance		
	– gross	14 408	10 957
	– less: related taxation allowances	(12 551)	(9 745)
		1 857	1 212
	Lease liabilities	167 413	153 709
	Right-of-use assets	(126 158)	(116 906)
	Accruals and provisions	28 817	21 347
	Share-based payment reserve	8 361	1 133
	Assessed loss	3 351	1 896
	Prepayments	(240)	(1 218)
		84 854	61 947

9.3 The deferred taxation balance has been calculated using a tax rate of 28%. The Finance Minister has announced that the tax rate will be reduced to 27% for years of assessment ending on or after 31 March 2023. Management has determined that the impact of this change on the deferred tax balance at year-end is immaterial.

9. DEFERRED TAXATION CONTINUED

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

	Closing balance 28 February 2022 R'000	Movement during the year 2022 R'000	Acquisition of business during the year 2022 R'000	Closing balance 28 February 2021 R'000	Movement during the year 2021 R'000	Closing balance 29 February 2020 R'000
Expected credit loss allowance on trade receivables						
– gross	2 335	1 068	17	1 250	(782)	2 032
– less: related taxation allowances	(882)	(399)	(7)	(476)	32	(508)
	1 453	669	10	774	(750)	1 524
Receipts in advance						
– gross	14 408	3 451	–	10 957	(2 432)	13 389
– less: related taxation allowances	(12 551)	(2 806)	–	(9 745)	1 949	(11 694)
	1 857	645	–	1 212	(483)	1 695
Lease liabilities	167 413	13 704	–	153 709	(9 934)	163 643
Right-of-use assets	(126 158)	(9 252)	–	(116 906)	13 600	(130 506)
Accruals and provisions	28 817	7 185	285	21 347	(943)	22 290
Share-based payment reserve	8 361	7 228	–	1 133	491	642
Assessed loss	3 351	(6 391)	7 846	1 896	697	1 199
Prepayments	(240)	978	–	(1 218)	(799)	(419)
Total	84 854	14 766	8 141	61 947	1 879	60 068

	2022 R'000	2021 R'000
10. INVENTORIES		
10.1 Inventories have been valued as stated in note 1.9 and comprise:		
– new vehicles	**532 873**	490 926
– used vehicles	**335 272**	297 752
– demonstration vehicles	**196 664**	171 137
– parts and accessories	**74 692**	60 349
– petrol, oils and other inventory	**10 717**	12 841
	1 150 218	1 033 005
10.2 Inventories of new and demonstration vehicles and parts aggregating R760 280 000 (2021: R687 929 000) form security for trade payables aggregating R964 275 000 (2021: R973 859 000).		
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:		
– used vehicles	**25 998**	21 933
– demonstration vehicles	**7 637**	8 353
– parts and accessories	**13 655**	11 910
	47 290	42 196

11. TRADE AND OTHER RECEIVABLES

		2022 R'000	2021 R'000
11.1	Trade receivables	237 012	206 506
	Less: expected credit loss allowance	(8 338)	(4 463)
		228 674	202 043
	Other receivables	47 633	36 623
		276 307	238 666

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 accounting policy for determining the expected credit loss allowance 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 allowance 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.

11.5 Trade receivables can be analysed as follows:

	2022 R'000	2021 R'000
0 to 30 days, neither overdue nor impaired	166 487	165 958
31 to 60 days, overdue less than 61 days and impaired	44 395	28 399
Expected credit loss allowance	(263)	(188)
	44 132	28 211
61 to 90 days, overdue more than 60, less than 91 days and impaired	10 090	6 177
Expected credit loss allowance	(839)	(461)
	9 251	5 716
91+ days, overdue more than 90 days and impaired	16 040	5 972
Expected credit loss allowance	(7 236)	(3 814)
	8 804	2 158
Total	237 012	206 506
Expected credit loss allowance	(8 338)	(4 463)
	228 674	202 043

11.6 Reconciliation of expected credit loss allowance

	2022 R'000	2021 R'000
At beginning of year	4 463	7 256
Utilised during year	(966)	(3 224)
Increase in expected credit loss allowance	4 841	431
At end of year	8 338	4 463

11.7 The net movement in the expected credit loss allowance for the year has been included under "Selling and administration expenses" in the statement of comprehensive income.

11.8 Trade receivables can be further analysed as follows:

	2022 R'000	2021 R'000
Banks with the country's highest long-term credit rating	49 168	32 423
Corporate and fleet customers and franchisees	80 654	78 853
Individual, parts and workshop customers	74 559	62 119
Fleet and warranty claims from motor manufacturers	32 631	33 111
	237 012	206 506

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	2022 R'000	2021 R'000
12. CASH AND CASH EQUIVALENTS		
Bank balances	**817 739**	754 825

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 2,25% to 4,7% per annum (2021: 2,9% to 3,7%).

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

	2022 R'000	2021 R'000
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:

	2022 R'000	2021 R'000
Balance at beginning of year	**1 529**	12 747
Charged as "Selling and administration expenses" during year	**2 038**	1 529
Released during year following forfeit of share appreciation rights	**–**	(12 747)
Balance at end of year	**3 567**	1 529

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

		2022	2021
At beginning of year	('000 rights)	**3 575**	4 685
Granted during year	('000 rights)	**–**	3 575
Forfeited during year	('000 rights)	**–**	(4 685)
At end of year	('000 rights)	**3 575**	3 575

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.

	2022 R'000	2021 R'000
15. CAR HIRE FLEET LIABILITY		
15.1 Current portion	605 365	451 853
Non-current portion	148 002	89 011
	753 367	540 864

15.2 This liability is 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 -1,35% per annum. The carrying amount of the liability approximates its fair value since the interest payable thereon is either close to current market rates, or the liability is of a relatively short-term nature.

15.3 The movement in the car hire fleet liability is reflected as an operating activity in the statement of cash flows.

16. LEASE LIABILITIES

	2022 R'000	2021 R'000
16.1 Arising in respect of property leases capitalised in compliance with IFRS 16: Leases		
Balance at beginning of year	548 962	584 439
Additions	148 617	82 192
Derecognition arising on early termination of lease agreements	(1 338)	(33 615)
Finance costs accrued	56 728	56 378
Contractual lease repayments	(155 066)	(140 432)
Balance at end of year	597 903	548 962
16.2 Current portion	101 834	90 080
Non-current portion	496 069	458 882
	597 903	548 962
16.3 The undiscounted future minimum lease payments in respect of these liabilities are as follows:		
Next 12 months	150 382	135 126
Years 2 to 5	467 490	434 731
Years 6+	146 309	163 116
	764 181	732 973

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 28 FEBRUARY 2022

	2022 R'000	2021 R'000
17. TRADE AND OTHER PAYABLES		
17.1 Trade payables	**1 038 218**	1 054 085
Other payables (note 17.4)	**267 632**	217 035
	1 305 850	1 271 120

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.

	2022 R'000	2021 R'000
17.4 Other payables comprise:		
Accrued expenses	**203 944**	151 756
Vendor finance	**–**	5 000
Deposits received in advance	**47 497**	40 276
Value-added tax	**16 191**	20 003
	267 632	217 035
18. REVENUE		
18.1 Revenue is derived from the various segments of the business as follows:		
Retail motor	**10 502 191**	8 193 792
Car hire	**466 212**	242 697
Financial services	**146 307**	115 767
Corporate services/other	**53 088**	27 302
	11 167 798	8 579 558
18.2 Revenue from contracts with customers		
Revenue from contracts with customers is further disaggregated by segment and timing of revenue recognition as follows:		
At a point in time		
Retail motor		
New vehicles	**5 724 934**	4 200 438
Used vehicles	**3 054 901**	2 620 674
Parts and accessories	**1 004 226**	776 878
Workshop services	**433 695**	361 331
Commission income	**284 436**	234 471
	10 502 192	8 193 792
Corporate services/other	**35 944**	16 998
	10 538 136	8 210 790
Over the service period		
Corporate services/other	**17 143**	10 304
	17 143	10 304
	10 555 279	8 221 094
18.3 Other revenue		
Other revenue is further disaggregated by segment as follows:		
Car hire	**466 212**	242 697
Financial services	**146 307**	115 767
	612 519	358 464

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

	2022 R'000	2021 R'000
19. OTHER INCOME		
Rental income	**5 970**	6 557
Profit on sale of plant and equipment	**216**	216
Recoupment of skills development and training costs	**3 265**	2 693
Gain arising on early termination of lease agreements	**166**	6 943
Profit on disposal of business	**–**	2 520
Other	**7 346**	7 301
	16 963	26 230
20. EXPENSES BY NATURE		
Cost of sales	**9 097 650**	7 087 850
Selling and administration expenses		
– Employee benefit expense (note 20.1)	**767 338**	595 909
– Depreciation		
– Plant and equipment (note 4.2)	**29 809**	30 473
– Right-of-use assets (note 5)	**114 403**	104 091
– Lease charges		
– Short-term leases	**92 167**	71 333
– Low value assets (not classified as short-term leases)	**5 298**	6 235
– Movement in expected credit loss allowance (note 11.6)	**4 841**	431
– Advertising expenses	**36 696**	29 056
– Auditor's remuneration	**6 467**	6 138
– Other expenses	**423 946**	322 977
Selling and administration expenses	**1 480 965**	1 166 643
20.1 Employee benefit expense		
Employee costs – selling and administration	**695 870**	547 853
– workshop labour	**57 976**	49 828
Pension fund contributions	**42 906**	20 363
Medical aid contributions	**31 690**	29 927
Share-based payment expense	**2 038**	1 529
Total employee benefit expense	**830 480**	649 500
Less: portion included in "Cost of sales"	**(63 142)**	(53 591)
Included in "Selling and administration expenses"	**767 338**	595 909
20.2 Key management employee benefit expense		
Short-term employee benefits	**79 282**	48 261
Share-based payment expense	**1 112**	–
	80 394	48 261

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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	2022 R'000	2021 R'000
20. EXPENSES BY NATURE CONTINUED		
20.3 Rental concessions		
During the prior financial year, rental concessions were received from lessors as a result of the Covid-19 lockdown. The value of the concessions was 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
21. FINANCE INCOME		
Bank	22 268	20 661
Insurance special purpose entities	6 045	5 276
	28 313	25 937
22. FINANCE COSTS		
Trade payables	38 881	47 606
Lease liabilities	56 728	56 378
Car hire fleet liability	28 496	32 678
Total interest paid	124 105	136 662
23. TAX EXPENSE		
23.1 South African normal taxation		
– current year	150 233	67 436
– deferred	(14 766)	(1 879)
	135 467	65 557

	%	%
23.2 Reconciliation of rate of taxation		
Statutory rate	28,0	28,0
Adjusted for:		
Disallowable expenditure		
– depreciation of leasehold improvements	–	0,1
– impairment of goodwill	–	0,8
– share-based payment expense*	(1,3)	–
– capital expenditure	0,1	0,1
Exempt income		
– profit on disposal of dealership	–	(0,3)
S12H learnership allowance	(0,3)	(0,5)
Assessed losses	–	(0,2)
Effective rate	26,5	28,0

* *Temporary differences arising between deferred tax balance raised for future costs to be incurred and income tax deduction granted in current year for costs actually incurred on the Share Appreciation Rights Scheme 2010 (refer note 14.1).*

		2022 R'000	2021 R'000

24. EARNINGS PER SHARE

24.1 Basic earnings and headline earnings per share are based on total profit and comprehensive income, and headline earnings respectively, and are calculated using the weighted average of 74 802 000 (2021: 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 (SAICA).

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, earnings 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.

		2022 R'000	2021 R'000
Weighted average number of shares in issue during year	('000 shares)	**74 802**	74 802
Adjustment for share appreciation rights	('000 shares)	**2 084**	–
Weighted average number of shares for dilution calculation		**76 886**	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

	2022 R'000	2021 R'000
Total profit and comprehensive income	**374 887**	168 763
Re-measurement items:		
– impairment of goodwill	**–**	6 250
– profit on disposal of dealership	**–**	(2 520)
– profit on sale of plant and equipment		
– gross	**(216)**	(216)
– impact of income tax	**60**	60
Headline earnings	**374 731**	172 337

24.4 Earnings per share

		2022	2021
Basic	(cents)	**501,2**	225,6
Diluted basic	(cents)	**487,6**	225,6
Headline	(cents)	**501,0**	230,4
Diluted headline	(cents)	**487,4**	230,4

	2022 R'000	2021 R'000
25. CASH GENERATED FROM OPERATIONS		
Operating profit	606 146	345 045
Adjustments for non-cash items:		
Movement in share-based payment reserve	2 038	1 529
Depreciation		
– Plant and equipment	29 809	30 473
– Car hire fleet vehicles	95 800	59 596
– Right-of-use assets	114 403	104 091
Impairment of goodwill	–	6 250
Gain arising on early termination of lease agreements	(166)	(6 943)
Profit on sale of plant and equipment	(216)	(216)
Profit on disposal of business	–	(2 520)
Insurance cell operating activities	(24 364)	(28 270)
Profit on sale of car hire fleet vehicles	(25 431)	(17 700)
Sale of car hire fleet vehicles	270 597	366 396
Purchase of car hire fleet vehicles	(613 595)	(250 723)
	455 021	607 008
Working capital changes:		
Inventories	(100 273)	299 436
Trade and other receivables	(18 853)	34 247
Trade and other payables	(20 491)	(287 534)
Car hire fleet liability	212 503	(154 202)
	72 886	(108 053)
Cash generated from operations	527 907	498 955
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	(2 035)	(2 722)
Amount owing acquired on acquisition of business	–	20
Amounts charged to the statement of comprehensive income	(150 233)	(67 436)
Taxation on insurance underwriting activities not settled in cash	8 454	9 400
Amounts unpaid at end of year	9 904	2 035
	(133 910)	(58 703)
27. FINANCE INCOME RECEIVED		
Amounts recognised in the statement of comprehensive income	28 313	25 937
Accrued on insurance underwriting activities not settled in cash	(6 045)	(5 276)
	22 268	20 661

	2022 R'000	2021 R'000
28. PRINCIPAL ELEMENT OF LEASE LIABILITY REPAYMENTS		
Total rentals paid	**(155 066)**	(140 432)
Less: portion classified as finance costs	**56 728**	56 378
	(98 338)	(84 054)
29. DIVIDENDS PAID		
Shareholders of the Company		
Dividend number 66: 110 cents, declared 14 October 2021	**(82 282)**	–
Dividend number 65: 125 cents, declared 30 April 2021	**(93 503)**	–
Dividend number 64: 100 cents, declared 13 October 2020	**–**	(74 802)
	(175 785)	(74 802)
Non-controlling shareholder of subsidiary	**–**	(1 358)
	(175 785)	(76 160)

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 5 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.

	2022 R'000	2021 R'000
Rentals paid are disclosed as:		
– lease charges – short-term leases	**62 074**	55 707
– finance costs on lease liability	**1 539**	1 873
– principal element of lease liability repayments	**4 012**	3 291
	67 625	60 871
The contractual undiscounted payments on the leases classified as short-term leases in the next 12 months are as follows:	**67 485**	64 168

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

	2022 R'000	2021 R'000
Excel Cars Proprietary Limited ("Excel Cars")		
– purchases included in operating expenses	**8 367**	5 412
– trade payables owing at year-end	**944**	895

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.

	2022 R'000	2021 R'000
Smallville Properties Proprietary Limited ("Smallville")		
Rental paid is disclosed as:		
– finance costs on lease liability	**889**	1 062
– principal element of lease liability repayments	**2 197**	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 BUSINESS

31.1 Effective 1 May 2021 the Group acquired 100% of the issued share capital of Ballito Motor Holdings (Proprietary) Limited, a business operating in the retail motor segment. The acquisition was in line with the Group's objective of growing the number of motor retail outlets from which it operates. The goodwill reflected as an asset in the statement of financial position of the acquiree, aligns with the Group's assessment of future profit and cash flow expected to be generated by the business. The goodwill will not be deductible for income tax purposes.
The purchase consideration was settled using existing cash resources.

Details of the assets and liabilities recorded in the statement of financial position of the acquiree at the effective date are as follows:

	Total R'000
Plant and equipment	1 325
Inventories	16 940
Trade and other receivables	18 788
Deferred tax	8 141
Goodwill	14 718
Trade payables	(55 221)
Net assets acquired excluding cash resources	4 691
Cash resources of acquiree at date of acquisition	15 426
Purchase consideration	20 117

The acquired business contributed "Revenue" of R191 430 000 and "Profit before taxation" of R6 811 000 to the Group from the date of acquisition to financial year-end. Had the acquired business been consolidated from the beginning of the financial year, it would have contributed "Revenue" of R245 760 000 and "Profit before taxation" of R6 940 000 to the Group for the year.

31.2 Businesses acquired in the prior year were in respect of:

– Mandarin Parts Distributors	23 407
– MPD Scrapyard	459
	23 866

	2022 R'000	2021 R'000
32. COMMITMENTS		
32.1 Operating lease commitments		
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:	67 912	64 606
32.2 Future sub-lease rentals		
The future minimum amount expected to be received under non-cancellable sub-leases is:	2 072	4 532
32.3 Capital commitments		
Approved, not yet contracted		
– plant and equipment	75 000	50 000

All capital commitments will be financed from existing cash resources.

33. EMPLOYEE BENEFIT INFORMATION

33.1 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.

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

33.3 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.

34. SUBSEQUENT EVENT

Dividend declaration

A dividend (dividend number 67) of 225 cents per share will be paid on Monday, 13 June 2022 to members reflected in the share register of the Company at the close of business on the record date, Friday, 10 June 2022. Last day to trade cum dividend is Tuesday, 7 June 2022. First day to trade ex dividend is Wednesday, 8 June 2022. Share certificates may not be dematerialised or rematerialised from Wednesday, 8 June 2022 to Friday, 10 June 2022, 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 R168 304 495 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 180 cents to those shareholders who are not exempt in terms of section 64F of the Income Tax Act.

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

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

IFRS 17: Insurance contracts (effective for periods beginning on or after 1 January 2023)

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 is currently assessing the impact on disclosure, but does not believe that IFRS 17 will have a material effect on the Group's future financial statements.

IAS 1: Presentation of financial statements (effective for periods beginning on or after 1 January 2023)

This amendment clarifies that the classification of liabilities must be based on whether the right to defer settlement by at least twelve months exists at the end of the reporting period and is unaffected by expectation of settlement. This amendment is not expected to have any impact on the Group's future financial statements as the requirements of the standard are currently applied.

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 28 FEBRUARY 2022

	Notes	2022 R'000	2021 R'000
ASSETS			
Non-current assets			
Investment in subsidiary	2	**1**	1
Advance to subsidiary	3	**101 108**	227 588
		101 109	227 589
Current assets			
Other receivables		**946**	1 374
Cash and cash equivalents	4	**621 268**	506 091
		622 214	507 465
Total assets		**723 323**	735 054
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	5	**38 091**	38 091
Retained earnings		**683 596**	695 512
Total equity		**721 687**	733 603
LIABILITIES			
Current liabilities			
Other payables		**1 315**	1 082
Current tax liability		**321**	369
Total liabilities		**1 636**	1 451
Total equity and liabilities		**723 323**	735 054

COMPANY STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 28 FEBRUARY 2022

	Notes	2022 R'000	2021 R'000
Dividend income	6	**150 000**	153 174
Finance income	7	**19 816**	18 640
Revenue		**169 816**	171 814
Selling and administration expenses	8	**(412)**	(365)
Profit before taxation		**169 404**	171 449
Tax expense	9	**(5 535)**	(5 208)
Total profit and other comprehensive income for the year attributable to equity holders of the Company		**163 869**	166 241

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 28 FEBRUARY 2022

	Attributable to equity holders of the Company		
	Share capital R'000	Retained earnings R'000	Total R'000
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
Total profit and comprehensive income	–	163 869	163 869
Dividends paid	–	(175 785)	(175 785)
Total at 28 February 2022	**38 091**	**683 596**	**721 687**

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 28 FEBRUARY 2022

	Notes	2022 R'000	2021 R'000
Cash flows from operating activities			
Cash generated from operations	10	**20 065**	18 896
Taxation paid	11	**(5 583)**	(5 202)
Net cash movement from operating activities		**14 482**	13 694
Cash flows from investing activities			
Advance to subsidiary	3	**276 480**	(74 414)
Net cash movement from investing activities		**276 480**	(74 414)
Cash flows from financing activities			
Dividends paid	12	**(175 785)**	(74 801)
Net cash movement from financing activities		**(175 785)**	(74 801)
Net movement in cash and cash equivalents		**115 177**	(135 521)
Cash and cash equivalents at beginning of year		**506 091**	641 612
Cash and cash equivalents at end of year		**621 268**	506 091

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2022

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 expected credit 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 expected credit loss allowance in respect 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 allowance 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.

	2022 R'000	2021 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	227 588	–
Dividend income	150 000	153 174
Loans advanced	–	74 414
Loan payments received	(276 480)	–
Balance at end of year	101 108	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. The provision for expected credit losses is not material.		
4 CASH AND CASH EQUIVALENTS		
Bank balances	621 268	506 091

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 2,25% to 4,7% per annum (2021: 2,9% to 3,7%).

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 28 FEBRUARY 2022

	2022 R'000	2021 R'000
5. SHARE CAPITAL		
5.1 Preference share capital		
Authorised		
1 032 400 7,5% 'C' redeemable cumulative preference shares of R1 each		
Issued		
Nil shares		
5.2 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
6. DIVIDEND INCOME		
Subsidiary	**150 000**	153 174
7. FINANCE INCOME		
Bank	**19 520**	18 640
Other	**296**	–
	19 816	18 640
8. SELLING AND ADMINISTRATION EXPENSES		
Selling and administration expenses comprise the following charges:		
– Auditor's remuneration	**84**	84
– Other expenses	**328**	281
	412	365
9. TAX EXPENSE		
9.1 South African normal taxation		
– current	**5 535**	5 208

	%	%
9.2 Reconciliation of rate of taxation		
Statutory rate	**28,0**	28,0
Exempt dividend income	**(24,7)**	(25,0)
Effective rate	**3,3**	3,0

	2022 R'000	2021 R'000
10. CASH GENERATED FROM OPERATIONS		
Profit before taxation	**169 404**	171 449
Adjustment for non-cash item:		
Dividend income received through loan account	**(150 000)**	(153 174)
Working capital changes:		
Other receivables	**428**	592
Trade and other payables	**233**	29
Cash generated from operations	**20 065**	18 896
11. TAXATION PAID		
Taxation paid is reconciled to the amounts disclosed in the statement of comprehensive income as follows:		
Amounts unpaid at beginning of year	**(369)**	(363)
Amounts charged to statement of comprehensive income	**(5 535)**	(5 208)
Amounts unpaid at end of year	**321**	369
Amount paid	**(5 583)**	(5 202)
12. DIVIDENDS PAID		
Dividend number 66: 110 cents, declared 14 October 2021	**(82 282)**	–
Dividend number 65: 125 cents, declared 30 April 2021	**(93 503)**	–
Dividend number 64: 100 cents, declared 13 October 2020	**–**	(74 801)
	(175 785)	(74 801)
13. RELATED PARTY TRANSACTIONS		
Transactions conducted with related companies during the year:		
Dividends received from subsidiary	**150 000**	153 174
Year-end balances with related companies:		
– Advance to subsidiary	**101 108**	227 588
– Investment in subsidiary	**1**	1

14. 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 expected to have a material impact on the Company's future accounting periods.

SUBSIDIARIES

FOR THE YEAR ENDED 28 FEBRUARY 2022

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

		Effective holding (indirect)/direct	
Name of company	**Activity**	**2022 %**	**2021 %**
Ballito Motor Holdings	1	**(85)**	–
CMH Car Hire	2	**(48)**	(48)
CMH Car Hire Fleet	2	**(85)**	(85)
CMH Green Machine	4	**(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)**	(85)
Pipemakers	3	**(85)**	(85)
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*
   4 *Dormant, pending deregistration*
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 2022

Executive directors	Total R'000	BWJ Barritt R'000	SK Jackson R'000	JD McIntosh R'000
2022				
Salary	**15 063**	**4 045**	**4 807**	**6 211**
Performance-related payments	**11 950**	**3 400**	**3 400**	**5 150**
Share-based payment award	**143**	**143**	**-**	**-**
Other benefits	**1 048**	**144**	**452**	**452**
Contributions to pension and medical aid funds	**1 685**	**374**	**556**	**755**
	29 889	**8 106**	**9 215**	**12 568**
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

Executive directors' salaries were reduced by 15 – 20% during June 2020 to October 2020, and by 7,5 – 10% from November 2020 to February 2021. No company contributions on behalf of executive directors were made to the Group's pension fund during the period June 2020 to December 2020.

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.*

Non-executive directors' fees	2022 R'000	2021 R'000
LCZ Cele	**285**	257
JS Dixon	**813**	723
ME Jones	**422**	377
RT Komane	**109**	–
JA Mabena	**326**	298
AY Metu	**109**	–
MR Nkadimeng	**248**	224
Total	**2 312**	1 879

The retainer portion of non-executive directors' fees was reduced by 20% from June 2020 to October 2020, and by 10% from November 2020 to February 2021.

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
At 28 February 2021		
– BWJ Barritt	250	250
Movements during the year	–	–
At 28 February 2022		
– BWJ Barritt	**250**	**250**
	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 28 February 2021				
– direct	422	335	87	–
– indirect	32 153	295	5 788	26 070
	32 575	630	5 875	26 070
Shares acquired during the year				
– direct	65	65	–	–
– indirect	55	55	–	–
	120	120	–	–
Beneficial shareholding at 28 February 2022				
– direct	**487**	**400**	**87**	**–**
– indirect	**32 208**	**350**	**5 788**	**26 070**
	32 695	**750**	**5 875**	**26 070**

ANALYSIS OF ORDINARY SHAREHOLDERS

	Number of shareholders		Number of shares held ('000)		Percentage of shares held	
	2022	2021	**2022**	2021	**2022**	2021
Individuals	**3 791**	1 919	**7 446**	6 258	**10,0**	8,4
Nominee companies and trusts	**195**	184	**3 397**	4 126	**4,5**	5,5
Other corporate bodies	**271**	262	**63 959**	64 418	**85,5**	86,1
	4 257	2 365	**74 802**	74 802	**100,0**	100,0
Holdings						
1 – 2 500	**3 482**	1 613	**979**	769	**1,3**	1,0
2 501 – 5 000	**250**	250	**925**	910	**1,2**	1,2
5 001 – 10 000	**172**	165	**1 284**	1 214	**1,7**	1,6
Over 10 000	**353**	337	**71 614**	71 909	**95,8**	96,2
	4 257	2 365	**74 802**	74 802	**100,0**	100,0
Public shareholders	**4 254**	2 362	**42 107**	42 227	**56,3**	56,5
Non-public shareholders – directors of Company	**3**	3	**32 695**	32 575	**43,7**	43,5
	4 257	2 365	**74 802**	74 802	**100,0**	100,0

Notes:

1. *In addition to the directors' shareholdings recorded above, the following shareholder has reported holding in excess of 5%:*
   – Ninety One SA Proprietary Limited: 6,94%
2. *A copy of the detailed share register as at 28 February 2022 is available on written request to the company secretary.*

STOCK EXCHANGE PERFORMANCE

		2022	2021
Closing price	(cents)	**2 800**	1 550
Market capitalisation at year end	(R'000)	**2 094 456**	1 159 431
Volume of shares traded	('000)	**12 162**	11 227
Value of shares traded	(R'000)	**283 365**	145 439
Volume of shares traded as percentage of total issued shares	(%)	**16,3**	15,0
JSE General Retailers Index		**6 336**	5 254
JSE All-share Index		**76 090**	66 138
Lowest price during the year	(cents)	**1 550**	900
Highest price during the year	(cents)	**2 900**	1 860
Earnings yield	(%)	**17,9**	14,9
Dividend yield	(%)	**8,4**	6,5

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the thirty-fifth public annual general meeting ("AGM") of shareholders of Combined Motor Holdings Limited will be held in the boardroom at CMH Ballito Motor City located at 35 Moffat Drive, Ballito, on Tuesday, 7 June 2022 commencing at 14:30, to pass, if thought fit, the ordinary and special resolutions proposed in this notice.

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

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 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.

1. ORDINARY RESOLUTION NUMBER 1

Approval of financial statements
To receive, approve and adopt the financial statements of the Company and the Group for the year ended 28 February 2022, such financial statements having been approved by the Board as required by section 30(3)(c) of the Act, and the reports of the Directors, the Audit and risk assessment committee, the Social, ethics and transformation committee, and the Remuneration committee, which are presented to the shareholders in the integrated annual report.

2. ORDINARY RESOLUTION NUMBER 2

Election and re-election of non-executive directors
To confirm the re-election of JA Mabena and MR Nkadimeng who retire by rotation in terms of the memorandum of incorporation and who have offered themselves for re-election.

To confirm the election of RT Komane and AY Metu as directors.

In terms of a shareholders' agreement between CMH and its empowerment partner Thebe Investment Corporation (Pty) Ltd ("TIC"), TIC has the right to nominate two non-executive directors to the board of CMH. During the year TIC withdrew its nomination of MR Nkadimeng and JA Mabena as TIC-nominated directors and replaced them with RT Komane and AY Metu. The appointments of RT Komane and AY Metu were approved by the Board with effect from 1 July 2021.

A brief curriculum vitae of each of the above directors is recorded on page 90. The Board recommends the election/re-election of each of the directors.

3. ORDINARY RESOLUTION NUMBER 3

Election of Audit and risk assessment committee
To elect members of the Audit and risk assessment committee for the ensuing year, as required by section 94(2) of the Act. The Board proposes the election of the following members, subject to their election/re-election in terms of ordinary resolution number 2 above:

ME Jones (chairman)
AY Metu
MR Nkadimeng

4. ORDINARY RESOLUTION NUMBER 4

Appointment of external auditor
PriceWaterhouseCoopers, formerly Price Waterhouse, has acted as external auditor since the Group's inception in 1976. Legislation enforcing mandatory rotation of auditors of JSE-listed entities has curtailed the future period for which the firm may continue to act.

The Audit and risk assessment committee, on behalf of the Board, assessed proposals submitted by alternate audit firms and selected KPMG Inc. as the preferred successor. Consequently, the Board recommends for approval the appointment, as required by section 90(1) of the Act, of KPMG Inc. and designated partner D Read, as auditor of the Company and the Group for the ensuing year.

5. ORDINARY RESOLUTION NUMBER 5

5.1 Remuneration policy

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

5.2 Implementation report

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

Both the remuneration policy and the implementation report are contained in the Report of the Remuneration Committee on pages 27 to 31.

6. SPECIAL RESOLUTION NUMBER 1

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

7. SPECIAL RESOLUTION NUMBER 2

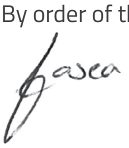
Approval of fees of non-executive directors
To approve, in terms of section 66(8) of the Act, the fees of non-executive directors for their services as directors, as follows:

	2023 R'000
Chairman of the Board	772
Director	171
Audit and risk assessment committee	
– chairman	232
– member	49
– per meeting	20
Remuneration committee	
– chairman	41
– member	18
– per meeting	12
Social, ethics and transformation committee	
– chairman	41
– member	18
– per meeting	12
Nominations committee	
– per member, per *ad hoc* meeting	9

IMPORTANT DATES

Record date (in terms of section 59(1)(a) of the Act) to receive the Notice of the AGM	Friday, 29 April 2022
Notice of AGM distributed to shareholders	Monday, 9 May 2022
Last day to trade in order to be eligible to vote at the AGM	Tuesday, 24 May 2022
Record date (in terms of section 59(1)(b) of the Act) to vote at the AGM	Friday, 27 May 2022

By order of the board of directors



K Fonseca
Company secretary

28 April 2022

CURRICULUM VITAE

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

JA MABENA

Jerry Mabena was appointed a non-executive director of the Company in June 2014 as a TIC-nominated representative director. He was appointed to the Remuneration, and the Social, ethics and transformation committees in 2015, the Audit and risk assessment committee in 2018 and the Nominations committee in 2019. Jerry is an entrepreneurial business executive with vast experience in the media, tourism and property management sectors. Jerry left TIC during 2021 to become CEO of the newly formed Motsamayi Tourism Group where he is responsible for managing a tourism portfolio. He has a Bachelor of Commerce degree majoring in industrial psychology and economics from Rhodes University. He also holds a diploma in project management from Damelin and a certificate in accounting and finance from Wits Business School. Jerry has held various senior positions in companies such as Unilever, J Walter Thompson, Ucingo Marketing, Kagiso Exhibitions and Events and TIC. He also serves on a number boards including the Tourism Business Council of SA, the Tourism Transformation Council of SA and the UJ School of Tourism and Hospitality. Jerry was last elected to office in 2020.

MR NKADIMENG

Refiloe Nkadimeng was appointed to the Board and the Audit and risk assessment committee in August 2015. Refiloe is a chartered accountant and completed her articles at SizweNtsaluba before joining Royal Bafokeng Holdings ("RBH") in 2007 as Group Reporting Manager. Whilst at RBH she was promoted to General Finance Manager, and then Finance Director. Refiloe joined TIC in 2014 and served as Group Financial Director until 2019. She is currently the Chief Financial Officer for African Rainbow Capital.

Refiloe has extensive knowledge of, and experience with, finance, tax regulation and risk management. She has over 10 years of board experience spread across diverse industries, including financial and property management services, mining services and supplies, tourism, automotive and engineering. Refiloe was last elected to office in 2019.

RT KOMANE

Tumisho Komane is a chartered accountant with a Masters in Finance. On completion of his articles, Tumisho worked as a valuations manager in the Corporate Finance Division at Deloitte. In 2013 he joined TIC as a Corporate Finance Principal participating in investment valuations, mergers and acquisitions, investment management, and value-creation strategies. Tumisho was appointed to the CMH Board as a TIC-nominated representative in July 2021.

AY METU

Yondie Metu is a chartered accountant with over 10 years' financial experience. She is currently the General Manager: Group Finance at TIC. Yondie has served on the audit committee of Biofuels Business Incubator and the Gauteng Gambling Board, and on the finance committee of the Black Business Council. She is a member of the Black Management Forum and African Women Chartered Accountants. Yondie was appointed to the CMH Board as a TIC-nominated representative in July 2021.

FORM OF PROXY

COMBINED MOTOR HOLDINGS LIMITED ANNUAL GENERAL MEETING 7 JUNE 2022

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, 7 June 2022 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: JA Mabena			
Ordinary resolution number 2.2: MR Nkadimeng			
Ordinary resolution number 2.3: RT Komane			
Ordinary resolution number 2.4: AY Metu			
Ordinary resolution number 3.1: ME Jones			
Ordinary resolution number 3.2: AY Metu			
Ordinary resolution number 3.3: MR Nkadimeng			
Ordinary resolution number 4: Appointment of external auditor			
Ordinary resolution number 5.1: Remuneration policy			
Ordinary resolution number 5.2: Implementation report			
Special resolution number 1: Approval of financial assistance			
Special resolution number 2: Approval of non-executive directors' fees for:			
Special resolution number 2.1: Chairman of the Board			
Special resolution number 2.2: Directors			
Special resolution number 2.3: Chairman of the Audit and risk assessment committee			
Special resolution number 2.4: Other fees			

Notes:

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 company secretary at, 1 Wilton Crescent, Umhlanga Ridge 4319, or by email at kerriannef@cmh.co.za, by no later than 14:30 on Monday, 6 June 2022. Nevertheless, completed Forms of Proxy may be lodged with the chairman of the meeting at any time prior to the commencement of the meeting.
3. If no direction is given as to how a vote is to be cast, then the proxy holder will be entitled to vote as he/she deems fit.
4. In terms of the Companies Act 2008, any shareholder or proxy who attends the meeting must provide satisfactory identification. A South African green bar-coded identification document, smart ID card, driver's licence or passport will be acceptable.

Registered office
1 Wilton Crescent, Umhlanga Ridge, 4319

Postal address
PO Box 1033, Umhlanga Rocks, 4320

ADMINISTRATION

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

Directors
BWJ Barritt *(executive)*
LCZ Cele, BCom, Postgrad Dip Tax, MAcc (Tax) *(independent non-executive)*
JS Dixon, CA (SA) *(independent non-executive)*
SK Jackson, BCom (Hons) (Tax Law), CA (SA) *(executive)*
ME Jones, CA (SA) *(independent non-executive)*
RT Komane, CA (SA), MFin *(independent non-executive)*
JA Mabena, BCom *(independent non-executive)*
AY Metu, CA (SA) *(independent non-executive)*
JD McIntosh, CA (SA) *(executive)*
MR Nkadimeng, CA (SA) *(independent non-executive)*

Business address and registered office
1 Wilton Crescent
Umhlanga Ridge 4319

Postal address
PO Box 1033
Umhlanga Rocks 4320

Company secretary
K Fonseca

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