COMBINED MOTOR HOLDINGS LIMITED

INTEGRATED ANNUAL REPORT 2019

CMH
GROUP

CONTENTS

SCOPE OF THIS REPORT

This integrated annual report is a holistic and integrated representation of the Group's performance, in terms of both finances and sustainability, for the year ended 28 February 2019. It contains information about the operations of the Group and the opportunities, risks and other material issues it faces in the normal course of business.
This integrated annual report has been approved by the Board. In its opinion the report is a complete, timely, relevant and accurate disclosure of information on a basis comparable with that of previous years.

OUR MISSION

Customers

to provide a total commitment to customer satisfaction in all aspects of business, and to ensure that our customers are treated fairly and equitably by a motivated, well-trained team of specialists.

Suppliers

to conduct our relations in an ethical and supportive manner conducive to the achievement of mutual long-term profit and market share objectives.

Employees

to provide a stable and challenging work environment in which employees are treated on an equal opportunity basis with open lines of communication, are encouraged to participate to the maximum of their ability and are rewarded commensurate with their achievement.

Shareholders

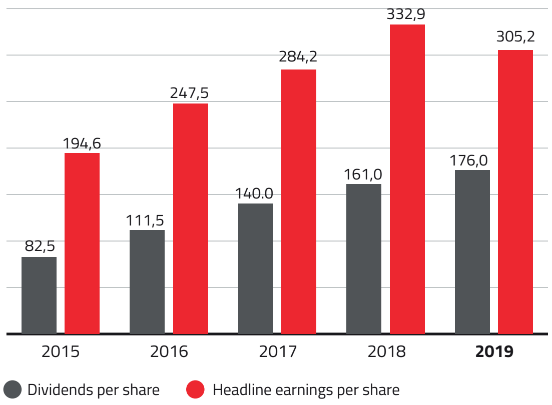
to produce a consistent, meaningful growth in earnings and dividends, commensurate with the risks involved, after making adequate provision for future expansion.

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

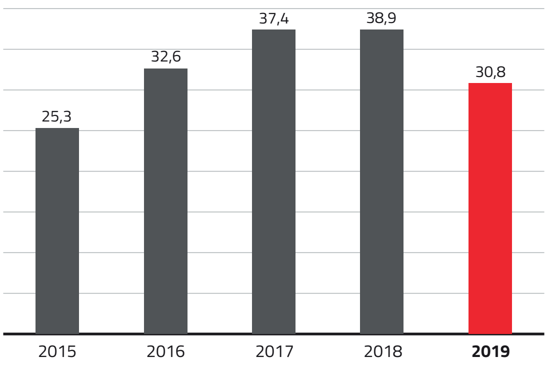
GROUP FINANCIAL HIGHLIGHTS

		2019	2018	% change
Total assets	R'000	**3 110 681**	2 772 650	12,2
Cash resources	R'000	**675 966**	372 882	81,3
Net asset value per share	cents	**1 052**	935	12,5
Revenue	R'000	**11 154 757**	10 572 596	5,5
Operating profit	R'000	**411 181**	438 378	(6,2)
Net profit attributable to ordinary shareholders	R'000	**228 166**	247 358	(7,8)
Return on shareholders' funds	%	**30,8**	38,9	(20,8)
Basic earnings per share	cents	**305,0**	330,7	(7,8)
Headline earnings per share	cents	**305,2**	332,9	(8,3)
Dividends paid per share	cents	**176,0**	161,0	9,3
Dividend declared – payable June 2019	cents	**115,0**	115,0	0,0

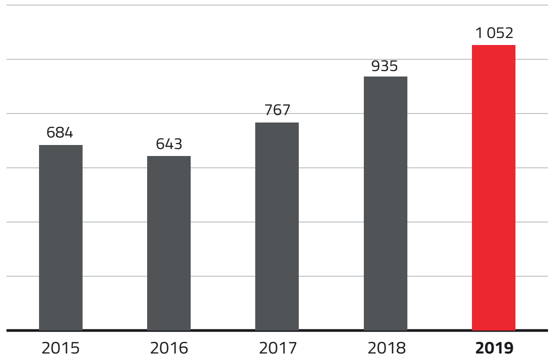
Headline earnings and dividends per share (cents)



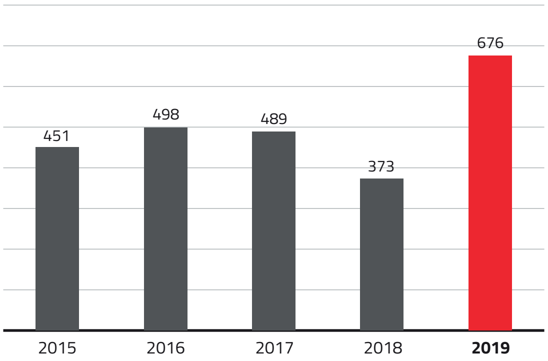
Return on shareholders' funds (%)



Net asset value per share (cents)



Cash resources (R'million)



BOARD OF DIRECTORS

JAMES DIXON

CA (SA)

Independent non-executive chairman
Age: 67

Board appointment: 2010
Member of social, ethics and transformation committee
Member of remuneration committee

JEBB MCINTOSH

CA (SA)

Chief executive officer
Age: 73

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

BRUCE BARRITT

Executive
Age: 60

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

ZEE CELE

BCom, Postgrad Dip Tax, MAcc (Tax)

Independent non-executive
Age: 66

Board appointment: 2007
Chairman of remuneration committee
Chairman of social, ethics and transformation committee

STUART JACKSON

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

Financial director
Age: 66

Board appointment: 1986

MIKE JONES

CA (SA)

Independent non-executive
Age: 66

Board appointment: 2015
Chairman of audit and risk assessment committee

JERRY MABENA

BCom

Independent non-executive
Age: 49

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

REFILOE NKADIMENG

CA (SA)

Independent non-executive
Age: 37

Board appointment: 2015
Member of audit and risk assessment committee

GROUP FIVE-YEAR STATISTICAL REVIEW

STATEMENT OF FINANCIAL POSITION		2019	2018	2017	2016	2015
Borrowings to total assets	(%)	**25,8**	20,3	30,2	26,1	24,8
Borrowings to total equity	(%)	**101,9**	80,6	146,7	151,0	104,2
Current ratio	(ratio)	**1,1**	0,9	0,9	0,8	1,0
Current ratio, including car hire fleet and attendant borrowings	(ratio)	**1,3**	1,3	1,2	–	–
Net asset value per share	(cents)	**1 052**	935	767	643	684
Total assets per employee	(R'000)	**1 127**	1 031	1 041	1 042	935

STATEMENT OF COMPREHENSIVE INCOME		2019	2018	2017	2016	2015
Weighted average number of shares in issue	('000)	**74 802**	74 802	74 802	81 653	93 673
Headline earnings per share	(cents)	**305,2**	332,9	284,2	247,5	194,6
Basic earnings per share	(cents)	**305,0**	330,7	263,3	223,5	162,7
Dividends per share	(cents)	**176,0**	161,0	140,0	111,5	82,5
Dividend cover	(times)	**1,7**	2,1	2,0	2,2	2,4
Net interest cover	(times)	**4,1**	4,4	3,6	3,6	3,6
Number of employees		**2 759**	2 688	2 676	2 671	2 881
Revenue per employee	(R'000)	**4 043**	3 933	3 821	4 124	3 727
Operating profit on average total equity	(%)	**55,3**	68,9	72,0	66,5	52,8
Return on shareholders' funds	(%)	**30,8**	38,9	37,4	32,6	25,3

Notes: Figures presented above include continuing and discontinued operations.

BASIC EARNINGS PER SHARE
Total profit attributable to equity holders divided by the weighted average number of shares in issue.

CURRENT RATIO
Current assets divided by current liabilities.

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

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

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

NET INTEREST COVER
Operating profit before net finance costs divided by net finance costs.

HEADLINE EARNINGS PER SHARE
Total profit attributable to equity holders after excluding the impact, net of taxation, of goodwill impaired and profit/losses on disposal of plant and equipment, divided by the weighted average number of shares in issue.

NET ASSET VALUE PER SHARE
Total equity divided by the number of shares in issue at year-end.

RETURN ON SHAREHOLDERS' FUNDS
Total profit attributable to equity holders of the Company divided by the average ordinary shareholders' equity during the year.

WEIGHTED AVERAGE NUMBER OF SHARES IN ISSUE
The number of shares in issue at the beginning of the year adjusted for shares issued during the year weighted on a time basis for the period during which the shares are in issue.

GROUP FIVE-YEAR FINANCIAL REVIEW

STATEMENT OF FINANCIAL POSITION	2019 R'000	2018 R'000	2017 R'000	2016 R'000	2015 R'000
ASSETS					
Plant and equipment	**71 431**	64 967	74 864	71 715	74 846
Car hire fleet vehicles	**813 102**	760 282	757 085	–	–
Insurance receivable	**37 530**	45 144	38 162	30 032	20 418
Deferred taxation	**38 676**	43 865	39 454	39 934	51 224
Goodwill	**8 078**	8 078	10 078	27 078	44 972
Current assets	**2 141 864**	1 850 314	1 867 163	2 614 710	2 501 855
Total assets	**3 110 681**	2 772 650	2 786 806	2 783 469	2 693 315
EQUITY AND LIABILITIES					
Ordinary shareholders' equity	**785 501**	698 403	572 430	480 091	640 348
Non-controlling interest	**1 502**	1 229	1 127	722	275
Borrowings	**801 613**	563 681	841 196	726 137	667 561
Advance from non-controlling shareholder of subsidiary	**–**	–	–	255	255
Insurance payable	**–**	–	–	–	1 680
Lease liabilities	**56 002**	51 072	46 700	51 158	89 530
Other current liabilities	**1 466 063**	1 458 265	1 325 353	1 525 106	1 293 666
Total equity and liabilities	**3 110 681**	2 772 650	2 786 806	2 783 469	2 693 315

STATEMENT OF COMPREHENSIVE INCOME	2019 R'000	2018 R'000	2017 R'000	2016 R'000	2015 R'000
Continuing operations					
Revenue	**11 154 757**	10 572 596	10 224 900	11 016 150	10 737 862
Operating profit to revenue (%)	**3,7**	4,2	3,7	3,4	3,0
Operating profit	**411 181**	438 378	379 652	372 905	326 158
Net finance costs	**(99 202)**	(100 419)	(104 840)	(102 738)	(88 534)
Profit before taxation	**311 979**	337 959	274 812	270 167	237 624
Tax expense	**(83 540)**	(90 499)	(77 424)	(87 218)	(77 074)
Total profit from continuing operations	**228 439**	247 460	197 388	182 949	160 550
Loss from discontinued operation	**–**	–	–	–	(8 000)
Total profit	**228 439**	247 460	197 388	182 949	152 550
Non-controlling interest	**(273)**	(102)	(405)	(447)	(163)
Attributable profit	**228 166**	247 358	196 983	182 502	152 387
Dividends	**(131 651)**	(120 430)	(104 722)	(97 140)	(77 281)
Attributable profit after dividends	**96 515**	126 928	92 261	85 362	75 106

GROUP OPERATIONS

Retail motor dealerships

FRANCHISE		LOCATIONS	EMPLOYEES	MANAGEMENT
	Volvo	Bryanston, Cape Town, Hatfield, Pretoria East, Umhlanga Rocks, West Rand	204	O Fourie, D Gray, N Kelly, C Pienaar, O Robertse, C Walters, S Atkinson (franchise manager)
	Land Rover	Cape Town, Pretoria, Umhlanga Rocks	129	W Edgar, D Gray, E Vorster, C Walters, S Atkinson (franchise manager)
	Jaguar	Cape Town, Pretoria, Umhlanga Rocks	45	D Gray, E Vorster, C Walters, S Atkinson (franchise manager)
	Mitsubishi	The Glen, Hatfield, Menlyn, Pinetown, West Rand	42	R Downs, N Kelly, D Pepperell, C Pienaar, P Voges, S Atkinson (franchise manager)
	Honda	The Glen, Hatfield, Menlyn, Pinetown	144	R Parsons, D Pepperell, D Schlanders, C Thirion, R van der Walt, S Singleton (franchise manager)
	Ford	Durban, Durban South, Hatfield, Pretoria, Pretoria North, Randburg, Umhlanga Rocks	470	M Buck, B Cole, P Gething, R Nortje, V Ramsunder, P Ras, H Venter, T Wessels, T Morey (franchise manager)
	Mazda	Durban, Hatfield, Menlyn, Randburg, Umhlanga Rocks	204	D Govender, N Grobler, D McCulloch, A Sumares, P Voges, T Morey (franchise manager)
	Isuzu	Boksburg, Umhlanga Rocks	67	C McHaffie, D McCulloch, S Singleton (franchise manager)
	Opel	Boksburg, Umhlanga Rocks	60	C McHaffie, S Singleton (franchise manager)
	Haval	Pretoria East, West Rand	20	N Kelly, O Robbertse, S Atkinson (franchise manager)

Retail motor dealerships

FRANCHISE		LOCATIONS	EMPLOYEES	MANAGEMENT
	Nissan	Ballito, Durban, Hillcrest, Midrand, Pietermaritzburg, Pinetown, Sandton	338	R Downs, B Faulds, D Govender, J Grey, M Mansoor, M Moffatt, S Singleton, V Subramoney, C Webber (franchise manager)
	Datsun	Ballito, Durban, Hillcrest, Midrand, Pietermaritzburg, Pinetown, Sandton	45	R Downs, B Faulds, D Govender, J Grey, M Moffatt, S Singleton, V Subramoney, C Webber (franchise manager)
	UD Trucks	Cornubia, Pietermaritzburg, Pinetown	86	R Byng, W Geyer, S Singleton (franchise manager)
	Eicher	Pietermaritzburg, Pinetown	4	R Byng, W Geyer, S Singleton (franchise manager)
	Toyota	Alberton, Melrose Arch, Umhlanga Rocks	220	D Chater, P de Villiers, A Hughes, M van Heerden, C Webber (franchise manager)
	Lexus	Umhlanga Rocks	8	M van Heerden, C Webber (franchise manager)
	Suzuki	Ballito, Pinetown, Umhlanga Rocks	12	D McCulloch, D Schlanders, S Singleton (franchise manager)
	Subaru	Boksburg	6	C McHaffie, S Singleton (franchise manager)
	Renault	Ballito, Midrand	20	J Grey, V Subramoney, C Webber (franchise manager)
	Used Car Buyers	Umhlanga	15	H Louw, T Morey (franchise manager)

GROUP OPERATIONS CONTINUED

Financial and support services

DIVISION		LOCATIONS	EMPLOYEES	MANAGEMENT
CMH GROUP	**CMH Finance** **CMH Insurance** **CMH IT**	All Group operations	61	C Downs, K Fonseca, A Julius, N Khowa, G Liebenberg, R Minnaar, N Peterson, V Naidoo

Marketing and distribution

DIVISION		LOCATIONS	EMPLOYEES	MANAGEMENT
CMH GROUP	**CMH Fleet**	Durban, Gauteng	9	M Johnson, T Govender, S Singleton (franchise manager)
ROKKIT digital agency	**Rokkit Digital Agency, Carshop**	Durban, Gauteng	23	C Massey-Hicks, S-L McIntosh
NWE NATIONAL WORKSHOP EQUIPMENT	**National Workshop Equipment**	Herriotdale, Pinetown	17	N Peterson
CMH GREEN Our journey to a greener world	**CMH Green**	Countrywide	27	S McCulloch

Car hire

DIVISION		LOCATIONS	EMPLOYEES	MANAGEMENT
	First Car Rental	**Airports** OR Tambo (Johannesburg), King Shaka International (Durban), Port Elizabeth, East London, George, Cape Town, Bloemfontein, Nelspruit, Kimberley, Upington, Richards Bay, Lanseria, Polokwane, Pietermaritzburg, Mthatha **Other** Braamfontein, Bellville, Boksburg, Cape Town central, Centurion, Durban, Klerksdorp, Menlyn, Midrand, Pinetown, Pomona, Pretoria, Randburg, Rondebosch, Roodepoort, Rustenburg, Sandton, Stellenbosch, Southbroom, Umhlanga Ridge, Witbank	483	**Executive committee** B Barritt (managing director), U Crouse, N Khowa, R McKay, A Nel, M Storey, B Troeberg **Other senior management** C Ault, S Dunston, V Govender, L Margo, C McWilliams, J Ramcharan, C Reid, C Saayman, L Smit, M Voges, K Werth

REPORT OF THE CHIEF EXECUTIVE OFFICER

"Whilst it is disappointing to interrupt a record of rising headline earnings per share, given the political and economic background I am satisfied with the results achieved."

The head winds which the domestic economy faced during the year under review have been comprehensively documented. Suffice to record that the widespread corruption, mismanagement of SOEs, uncertainty regarding land expropriation threats, and political leadership focused on short-term tactics ahead of the election, have combined to reduce business confidence to near all-time lows.

FINANCIAL OVERVIEW

In the face of the onslaught the Group suffered an 8,3% decline in headline earnings per share.

Revenue grew 5,5%. This resulted from a slight increase in vehicle sales volumes, an increased mix of higher-priced luxury models, and a modest 2-3% average new vehicle price hike. The more competitive industry meant that trading margins were squeezed, and the gross profit margin fell from 16,7% to 16,4%.

The increased gross profit led to an increase in variable costs, which accounted for a proportion of the overall 6,0% increase in total selling and administration expenses, and the resulting operating margin aligns with the top achievers in the retail motor sector.

Excellent cash flow controls kept net finance costs on a par with last year. Increased interest paid on vehicle floorplan levels, during periods when dealers were forced by manufacturers to hold higher than optimum inventory, was offset by the periodic use of surplus funds to settle car hire borrowings. The tax rate remained constant at 26,8%.

Despite the decrease in headline earnings, continued strong cash flow generation has enabled the directors to recommend that the dividend scheduled for payment in June 2019 be held at last year's level of 115 cents per share.

Looking at the statement of financial position, the only noteworthy movements are in respect of the car hire fleet and its attendant borrowings (both long- and short-term). The net book value of the fleet has increased R52,8 million, whilst the related borrowings level has increased R237,9 million. In previous years the Group has used a portion of its surplus cash to early settle interest-bearing borrowings. Whilst this policy continued during the year under review, at year end a parcel of new fleet vehicles acquired was financed using external finance facilities, and the intra-Group funds were returned and held on call account. At year end, the Group held cash resources of R676 million compared with the previous year's R373 million.

Inventory and receivables levels remained constant, as did the related trade payables.

With effect from 1 March 2019, the Group will adopt the new accounting principle relating to property lease transactions. This will have a significant impact on the statement of financial position. The Group will record a 'right of use' asset in respect of the unexpired period of its property leases, and a liability representing the present value of future lease commitments. Further details regarding the impact are described in note 31 to the financial statements.

OPERATIONAL OVERVIEW

The Group's core values of honesty, integrity and treating customers fairly remained entrenched in its culture. The stability of senior management, and the development of the next generation of leaders, have provided a solid platform for organic growth in a sector where acquisitive expansion is both difficult and expensive to achieve.

The Group maintains centralised control over cash flow, accounting systems and risk management. Marketing, which is the strength and focus of operational managers, is supported by increasingly sophisticated electronic applications which provide sales information and leads, and customer convenience.

Staff training and skills development remain a business imperative. Continued focus is being applied to improvement of the Group's level of compliance in terms of the revised and more challenging B-BBEE scorecard. As reported last year, the Group will continue to be scored down until a solution is found to meet the minimum criteria under the procurement element. The Group purchases about 70% of its measurable procurement from the motor manufacturers which are neither 51% black-owned, nor 30% black women-owned. I am confident that, having implemented various initiatives during the year, the Group's overall score will improve from a level 8 to a level 6 rating if current targets in respect of procurement are achieved.

MOTOR RETAIL

This segment represents the majority of the Group's business and is at the leading edge of economic cycles.

During the year under review, national new passenger and light commercial vehicle sales volumes decreased 1,8%. This follows a 0,4% rise last year, and declines in each of the preceding three years. The macro picture for the industry is one of increasing costs, principally salaries and property costs, offsetting a stagnant revenue line.

Against the national sales volume decline, the Group achieved a modest 1,9% improvement. The opportunity for higher volume growth was hampered by supply disruptions at Ford, which manufacturer represents the highest volume contributor to Group sales. Ford's market share fell 18% during the financial year. The hiccup has been resolved, and the launch of exciting new products will provide a boost for next year.

The national luxury model segment continued its downward trend in volume sales. Fortunately the Group is only exposed in respect of its Volvo/Land Rover/Jaguar dealerships, and these, collectively, bucked the trend and recorded volume growth.

The segment's overall decline in profitability is attributable mainly to the difficult conditions in the used car departments. Whilst national sales levels are estimated to have fallen ±10%, Group sales volumes were flat.

I warned in my half-year report of the challenges facing this area of business. Longer periods over which new vehicles are financed, coupled with a fall in their residual values, has led to a greater gap between trade in values and finance settlement values. This forces owners to drive their vehicles for longer periods, until the gap closes. When these vehicles are eventually traded-in, they have high mileage, and are often not in the desired condition to be resold with a warranty by a reputable retailer. The lack of trade-ins has forced dealers to source inventory in the open market where retained margins are lower.

Parts and service departments once again provided the essential stability and dependability that underpins successful dealerships. These departments, however, do face potential threats in the medium- to long-term future. The first relates to the proposed new Code of Conduct which is being proposed by the office of the Competition

Commissioner ("CC"). This loosely-termed 'right to repair' code proposes, inter alia, to allow independent, non-franchised dealers to service and maintain new vehicles within the warranty period, and using non-genuine parts and accessories. The National Association of Motor Manufacturers of South Africa ("NAAMSA") has submitted a number of counterproposals to the CC, which align with the prevailing practice in Europe, and the outcome is awaited. It should be noted that an estimated only 25% of out-of-warranty repairs and servicing is performed by franchised dealers, so the potential adverse impact should not be material. The Group has recognised the customers' perception that non-franchised outlets offer a cheaper alternative, and has introduced express service facilities where customers can be in and out within an hour spent in comfortable facilities with refreshments and wi-fi connectivity.

The second threat relates to the future generation of electric cars. Whilst more expensive to purchase, the cars have fewer moving parts and longer service intervals. I believe it will be at least a decade, and probably longer, before a significant number of these vehicles are sold locally. The only countries where this product has shown any traction, and even then at very low levels, are those where the ticket price has been heavily reduced by government subsidies.

Following the withdrawal of GM in 2017, the Group undertook a major reshuffle of its dealership network in the Umhlanga/Cornubia area. The process, which is now almost complete, caused trading disruption and inevitable cost. However, the result is that dealerships are now located where the overhead structure best suits the level of trading and the product sold.

CAR HIRE

This segment suffered a reversal of its 10-year record of rising earnings. The 24% fall was attributable to the reduced prices at which the retired fleet was able to be sold. I have addressed the difficulties faced by the Group's used car departments, and similar difficulties were experienced on disposal of the car hire fleet. This aside, the fleet size, utilisation rate, and average daily income rate remained stable. The increase in the price of replacement fleet vehicles has been offset, in part, by a reduction in the number of luxury vehicles and the replacement thereof by models in the medium-price range. The sector remains extremely competitive and the drive to reduce operating costs continues.

FINANCIAL SERVICES

This segment comprises insurance cells, relating to products sold in tandem with the sale of vehicles, and joint ventures in respect of the financing and collection of credit facilities granted to purchasers. Both areas recorded increased profitability despite the tough market and adverse consumer credit statistics. Particularly pleasing is the 11% growth in premium income, an indication of improved penetration in a flat market. This annuity-type income will provide steady growth in the years ahead.

PROSPECTS

It is not easy to be optimistic about the short-term future of the domestic market. The brief euphoric spell, which prevailed during the first months following the election of our new president early last year, soon evaporated in the face of daily revelations of large-scale corruption, further job losses, higher indirect taxes, petrol price increases and a power struggle ahead of the May elections between the ANC and the labour unions, and within the party itself. The Eskom debacle has been, and continues to be, highly disruptive and costly.

Much hope is now being centred on the new dispensation promised after the elections. However, the inclusion in the ANC's election lists, both national and provincial, of high-ranking members who have been exposed as alleged perpetrators of corruption and mismanagement, is an indication of the difficulty the president faces in his attempt to introduce a clean and competent administration.

Predictions of national motor sales growth for calendar 2019 vary from -1% to +2%, which will mean the lowest level in almost a decade. On the positive side, interest rates appear to be stable, and, in real terms, new vehicle affordability continues to improve. NAAMSA has recently reported that the rate of new vehicle price increases has been well below the CPI for the last 15 months. Competitive pressures facing motor manufacturers are likely to ensure that attractive sales incentives continue.

The Group is in a sound financial position. Its financial statements record a solid and stable asset base, backed by strong cash flow generation. Costs have been reduced to a minimum, and the management team is experienced, hardworking and enthusiastic. The missing ingredient is a boost to the revenue line.

ACKNOWLEDGEMENTS

The relationships which the Group has with its trading partners, and especially its manufacturers and financiers, is a vital component of its ongoing success. I thank them for their continued support.

To the executive team and their staff, I recognise the extra effort you have extended during another difficult year. My perception is that you have worked harder and, in many cases, for less reward.

I thank my colleagues on the board, under the new chairmanship of James Dixon, for their support and assistance in ensuring that good governance remains a constant despite the trading challenges.

JD McIntosh
Chief executive officer

16 April 2019

CORPORATE GOVERNANCE

BACKGROUND

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

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

The Board is fully committed to business integrity, fairness, transparency and accountability in all its activities. To this end the Board subscribes to high standards of corporate governance in all aspects of the business and to the ongoing development and implementation of best business practices. Whilst the principles of King IV are of universal application, the practices are recognised as not being appropriate for all organisations. King IV envisages that practices are to be scaled in accordance with the size of the business and its workforce, its resources, and the extent and complexity of its activities. The Group's directors recognise that the ultimate compliance officers are the various stakeholders. They will, by their continued support, or lack thereof, let the Board know whether they believe that acceptable standards have been achieved.

BOARD OF DIRECTORS

COMPOSITION

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

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

- come from diverse backgrounds in commerce and industry;
- collectively have a wide range of experience, insight and judgement on issues of strategy, performance, risk, resources, marketing, and standards of conduct;
- are an average of 57 years old;
- have served on the Board an average of 6,5 years;
- comprise two white, and three African members, which is within the Board's race diversity policy target of 45% to 50% of independent non-executives, and 25% to 35% of the total Board, being from previously-disadvantaged races;
- comprise three males and two females, which is within the Board's gender diversity policy target of 30% to 40% of independent non-executives, and 20% to 25% of the total Board, being female; and
- are of sufficient number to serve on committees without overburdening members.

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

NOMINATION, ELECTION AND APPOINTMENT OF BOARD MEMBERS

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

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

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

INDEPENDENCE AND CONFLICTS

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

CLASSIFICATION

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

CORPORATE GOVERNANCE CONTINUED

substance-over-form view, after consideration of whether the member:

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

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

- JA Mabena and MR Nkadimeng meet the independence criteria despite them being nominees of Thebe Investment Corporation ("TIC"), the Group's empowerment partner. TIC does not have the ability to control nor significantly influence the Board, and the CMH investment does not constitute a significant proportion of its portfolio. Consequently, the CMH impact on the value of TIC's shares is not material in value to their respective personal wealth;
- LCZ Cele meets the independence criteria despite her having acquired a 43% interest in a segment of the 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 meets the independence criteria despite having served on the Board for eleven years. The Board has concluded that her long association with the Group has not impaired her 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 her decision-making; and
- JS Dixon and ME Jones 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.

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

It is recorded that the chairman of the Board:

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

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

APPOINTMENT AND TENURE OF NON-EXECUTIVE DIRECTORS

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

BOARD MEETINGS

The Board has three scheduled meetings each year, and these are augmented when necessary with meetings held at short notice. Proceedings at meetings are directed by a formal agenda. The proposed agenda is circulated prior to the meeting to allow Board members sufficient opportunity to request additional agenda items.

In addition, a comprehensive board pack is distributed to all directors in advance of meetings to ensure they are properly informed and enable them to undertake meaningful discussion and effectively discharge their duties. These packs typically include:

- agenda;
- previous meeting minutes;
- documentation in support of all matters on the agenda;
- update on matters arising since the last Board meeting; and
- governance updates to assist directors in remaining abreast of relevant legislation.

Attendance at meetings of the Board during the year under review is recorded in the table on page 17.

SUBSIDIARY BOARDS OF DIRECTORS

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

DIRECTORS' SHARE DEALINGS

The Board complies with the JSE Limited Listings Requirements in relation to restrictions on the trading of CMH's shares by directors and executive committee ("Exco") members during the defined closed periods. Restrictions may also be placed on share dealings at other times if the Group is involved in corporate activity or sensitive negotiations. The company secretary notifies all directors and Exco members prior to the commencement of the closed trading periods, which commence 15 days before the half-year and year-end, and end on the date the respective results are published. Details of directors' share dealings are disclosed to the listings division of the JSE Limited and communicated through its electronic news service, SENS. There is a process in place in terms of the JSE Limited Listings Requirements for directors to obtain prior clearance before dealing in CMH's shares. All transactions are conducted at the ruling market price on the JSE Limited.

COMPANY SECRETARY

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

The Board considers on an annual basis, the competence, qualifications and experience of the company secretary, K Fonseca CA (SA) who was appointed company secretary in 2010. She is a qualified chartered accountant with 20 years' post-graduate experience, of which 13 years have been with the Group.

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

BOARD COMMITTEES

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

The composition of these committees as well as changes thereto during the current year are reflected below.

Attendance at meetings is recorded below.

REMUNERATION COMMITTEE

Members:

- LCZ Cele (independent non-executive) – chairman
- JS Dixon (independent non-executive) – appointed 31 May 2018
- JA Mabena (independent non-executive)
- JTM Edwards (independent non-executive) – resigned 31 May 2018

The Report of the Remuneration Committee is recorded on page 25.

AUDIT AND RISK ASSESSMENT COMMITTEE

Members:

- ME Jones (independent non-executive) – member, appointed chairman 31 May 2018
- JA Mabena (independent non-executive) – appointed 31 May 2018
- MR Nkadimeng (independent non-executive)
- JS Dixon (independent non-executive) – chairman, resigned 31 May 2018

The Report of the Audit and Risk Assessment Committee is recorded on page 23.

SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE

Members:

- LCZ Cele (independent non-executive) – chairman
- BWJ Barritt (executive)
- JS Dixon (independent non-executive) – appointed 11 October 2018
- JA Mabena (independent non-executive)
- JD McIntosh (chief executive officer)

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

ATTENDANCE AT MEETINGS DURING THE YEAR UNDER REVIEW

Director	Full Board	Audit and risk assessment committee	Remuneration committee	Social, ethics and transformation committee	Executive committee
BWJ Barritt	3/3			2/2	5/5
LCZ Cele	3/3		2/2	2/2	
JS Dixon	3/3	1/1, 1/1*	1/1	1/1*	
JTM Edwards	2/2	1/1*	1/1	1/1*	
SK Jackson	3/3	2/2*	2/2*		4/5
ME Jones	3/3	2/2			
JA Mabena	3/3	0/1	2/2	2/2	
JD McIntosh	3/3	2/2*	2/2*	2/2	5/5
MR Nkadimeng	2/3	2/2			

** By invitation.*

CORPORATE GOVERNANCE CONTINUED

EXECUTIVE COMMITTEE (EXCO)

Assisting the CEO in the discharge of his overall responsibility for the day-to-day management of the Group is the Exco.

The Exco members represent the key management of the Group. Their wide range of complementary skills, together with their years of experience in their particular fields of expertise, justify their selection to Exco. None of the members of Exco (other than the executive directors) has the individual authority to exercise executive control over and management of the whole, or a significant portion, of the business and activities of the Group. Consequently the Board considers that they do not meet the Companies Act definition of "prescribed officers" and their remuneration is not individually recorded in this report. The Board confirms that no Exco member earns in excess of the executive directors.

THE GOVERNANCE OF RISK

The Board recognises the critical role of risk management in the Group and accepts responsibility for the governance of risk through formal processes which include the total system and process of risk management. Subject to its ultimate accountability, the Board has delegated the responsibility for risk management to the audit and risk assessment committee. The Group operates within an effective risk management framework in the normal course of its business. All material risks are identified, managed and mitigated to within acceptable levels, to enable sustainable growth of the Group. Full details of the Group's exposure to a variety of financial risks is disclosed on pages 47 and 48. Details of other risks faced by the Group are recorded in the King IV Code: Principle 11.

COMPLIANCE WITH LAWS, RULES, CODES AND STANDARDS

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

INTERNAL AUDIT

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

GOVERNING STAKEHOLDER RELATIONSHIPS

The Board recognises the important role it has to play as the ultimate custodian of the corporate reputation of the Group and its relationships with stakeholders. Full details in this regard are recorded in the King IV Code: Principle 16.

INTEGRATED REPORTING AND DISCLOSURE

Integrated reporting means a holistic and integrated representation of performance in terms of both finances and sustainability. Key to the Group's long-term success is providing deliverables to all stakeholders. The starting point is a sustainable return to shareholders. A profitable and cash-generating business is the foundation which underpins the Group's interactions with other stakeholders.

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

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

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

  Details of the Group's financial results are addressed throughout this report. A summary of pertinent financial information is contained in the table on page 19.

- **providing a safe place of work where employees are treated on an equal opportunity basis with open lines of communication, are trained and encouraged to participate to the maximum of their ability and are rewarded commensurate with their achievement.**

  Realising that there is no formal training school for tomorrow's leaders in the retail motor industry, the Group has invested extensively in skills development programmes for its current and potential departmental and branch managers, and technical staff. Further details are provided in the report on transformation and employment equity on page 19.

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

  Operating as it does in the retail industry, the Group has a relatively low environmental impact. However, measures are taken to determine the Group's utilisation of resources and implement steps to effect reductions. Further details are provided in the report on environmental issues on page 21.

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

Occupational levels	Male				Female				Foreign nationals		Total
	A	C	I	W	A	C	I	W	M	F	
ALL EMPLOYEES											
Top management	1		5	48	3	3	1	10	1		72
Senior management	18	9	53	98	25	3	30	80	1		317
Professionally qualified and experienced specialists	241	33	137	211	107	17	35	84	4		869
Skilled technical and academically qualified	118	16	38	21	114	11	34	49	2	1	404
Semi-skilled	325	31	108	22	117	28	37	61	2	1	732
Unskilled	164	2	5	3	126	4	1	2	1	3	311
Total permanent	867	91	346	403	492	66	138	286	11	5	2705
Temporary employees	8		3	2	5		3				21
Total August 2018	875	91	349	405	497	66	141	286	11	5	2726
Total August 2017	822	105	341	398	492	70	142	299	19	8	2696
DISABLED STAFF ONLY											
Top management				1							1
Senior management			2	1			1				4
Professionally qualified and experienced specialists	1	1	1	4	1		1	1			10
Skilled technical and academically qualified								2			2
Semi-skilled	3	1	2	1							7
Unskilled	6		4	3	2		1	2			18
Total August 2018	10	2	9	10	3	0	3	5	0	0	42
Total August 2017	6		5	5	2	1	1	3			23

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

KEY SUSTAINABILITY ISSUES AT A GLANCE

		2019	2018
Financial			
Revenue	(R'000)	11 154 757	10 572 596
Operating profit	(R'000)	411 181	438 378
Headline earnings per share	(cents)	305,2	332,9
Dividends paid per share	(cents)	176,0	161,0
Cash generated from operations	(R'000)	653 370	223 241
Cash resources	(R'000)	675 966	372 882
Return on shareholders' funds	(%)	30,8	38,9
Employment			
Number of employees		2 759	2 688
Revenue per employee	(R'000)	4 043	3 933
Total employee costs	(R'000)	789 491	745 005

TRANSFORMATION AND EMPLOYMENT EQUITY

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

EMPLOYMENT EQUITY

The Group's Employment Equity Plan ("the Plan") has been developed on the principles of transformation, equity, equality, diversity and empowerment. Prior to the formulation of the Plan, the Group conducted an extensive analysis of its employee structure and profile and revisited all its practices relating to employment equity, to ensure that the Plan is not only in compliance with the Employment

CORPORATE GOVERNANCE CONTINUED

Equity Act ("the Act") but is also successful in achieving the overall employment equity goals and strategies of the Group. The core principles in the Plan underlie the Group's commitment, to gradually and reasonably, achieve a representative work force, as prescribed by the Act.

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

The Board's philosophy regarding the appointment of management has been based on the concept of "merit with bias". Where there are a number of candidates who merit promotion to a particular position, then bias will be shown towards those from a disadvantaged background. It is not considered wise to promote managers, from whatever background, beyond their level of competency and training. The Group ensures that opportunities are provided for all employees from any culture, background, gender, age, disability or race. Employment equity policies have been implemented within the Group to create an environment in which employees from previously disadvantaged backgrounds are trained, instructed, promoted and rewarded according to their initiative, loyalty and work ethic.

The Group has, during each year since the inception of the Skills Development Act, exceeded its training targets. The Group has timeously submitted its report in terms of Section 21 of the Employment Equity Act and, as a result, has recouped in full its costs in respect of the Skills Development Levy. Extracts of the most recent report submitted, as at 31 August 2018, are tabled on page 19.

SKILLS DEVELOPMENT

The retail motor industry continues to experience a shortage of suitably skilled manpower. There is no formal training programme for dealership managers other than on-the-job experience and mentoring and management believes in the value of skills transfer. The Group is mindful of the fact that many employees strive for career growth, and consequently the Group's focus has been to develop candidates from lower levels in the expectation that, given time, the "cream" will rise to higher positions.

The Group's apprenticeship programme continues to be a significant tool in attracting young people to the business. The Group recruits recent matriculants onto the Merseta apprenticeship programme. This programme is a National Qualification Framework ("NQF") level 5 programme that allows the apprentices to qualify as artisan technicians over a period of 2 to 3 years. The Group has 38 apprentices employed on this programme. In total 192 apprentices have qualified whilst employed in the Group in the past 10 years. On average, approximately 10% of the apprentices recruited drop out during the course of the apprenticeship and approximately 40% of those that qualify are retained as artisan technicians within the Group.

The Group continues to run various 12-month learnerships, specifically aligned towards the development of workshop and First Car Rental front-line personnel. The learnerships are aimed at unemployed and first-time employees from previously disadvantaged backgrounds, with a particular focus on African learners and learners with a disability. The learnerships allow individuals with little or no previous work experience the opportunity to gain general work experience and select areas in which they would like to specialise. On completion of the learnership the learners obtain an NQF level 4 accreditation.

During the year under review 38 new learnerships were registered. Thirty-four learners completed the learnership, of whom 13 were retained within the Group in a permanent capacity. Management is confident that those who were not retained at the end of their contract, are in a better position to find further employment having had 12 months' work experience and operational training. A further 36 learnerships have commenced for the 2019/2020 year.

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

The aim of the Board is to achieve sustainable empowerment through alignment with the five elements of the B-BBEE codes, being: ownership, management control, skills development, enterprise and supplier development and socio-economic development.

The scorecards for the year ended 28 February 2018 were independently audited during May 2018 using the amended, and considerably more challenging, scorecards. The Group as a whole is verified using the generic codes and First Car Rental using the tourism sector codes. Despite the onerous targets, First Car Rental achieved a level 3 rating for the second consecutive year. Management is confident the rating will remain unchanged in 2019.

Hindered by the procurement element of the scorecard, the Group as a whole only scored sufficient points to achieve a level 7 rating but, having missed the minimum score for procurement, was then penalised one level and rated a level 8. To address this, management has performed a detailed stratification of its suppliers according to the qualifying categories in the B-BBEE codes. Management identified that, despite most of its measurable procurement being from the original equipment manufacturers, the minimum score for procurement could be achieved by procuring a significant portion of the balance of its measurable procurement from exempt micro entities and qualifying small entities, with particular focus on those that are 51% black-owned and 30% black women-owned. A centralised team has been tasked with driving this process and accurately measuring spend with exempt micro entities and qualifying small entities.

Management has performed a self-assessment for the Group for the 2019 year and concluded that, with the increased focus on employment equity and procurement, the rating of the Group will increase to level 6.

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

B-BBEE SCORECARD RATINGS (INDEPENDENTLY AUDITED)

	Max	2018
CAR HIRE AND FLEET DIVISION		
Ownership	27	27,0
Management control	19	12,4
Skills development	20	14,3
Enterprise and supplier development	40	32,7
Socio-economic development	5	5,0
	111	91,4
B-BBEE recognition level contributor		3
TOTAL GROUP		
Ownership	25	19,6
Management control	19	8,1
Skills development	20	10,0
Enterprise and supplier development	40	21,6
Socio-economic development	5	4,3
	109	63,6
B-BBEE recognition level contributor		8

HEALTH AND SAFETY

The directors acknowledge their responsibility to protect and promote the health and safety ("HS") of employees and customers and to remain compliant with occupational health and safety standards.

A consistent Group-wide policy, approved by the Board, provides the core framework for standard processes. CMH believes incidents are preventable. Its policies seek to minimise potential hazards in operations to eliminate risk and provide a safe and healthy working environment. The policy is reviewed regularly, and updated where necessary.

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

ENVIRONMENTAL ISSUES

Operating as it does in the retail business sector, the Group is a relatively low consumer of basic utilities such as water and electricity, and consequently has a small carbon footprint. It does, however, continue to focus on environmentally friendly business practices. Taking into consideration the nature of the business, the most significant opportunities for minimising its environmental impact are:

Reducing the consumption of water

In a water-scarce country like South Africa, management recognises that responsible use of this resource is critical. The Group rents the "CMH Green" waterless car wash system to 105 third party customers and uses the system throughout the Group. Through its showrooms, vehicle rental branches and service departments the Group washes more than 2 500 vehicles daily. The resultant saving from the use of the waterless system is estimated at 250 kilolitres of water per day. At its larger outlets, where car washing and water usage is high, the car hire division has installed water filtration and recycling plants together with rain water capture facilities to reduce water consumption.

Reducing electricity consumption

The directors are aware of the negative impact which the above-inflationary increases in electricity have had on Group profitability and has continued to focus on reducing energy consumption. The Group has invested substantial amounts in energy-efficient lighting and automated timing devices in the vehicle dealerships and utilises the services of an independent consultant to assess and monitor its energy use and to implement measures designed to reduce the environmental impact. In new properties that have been developed by third parties for use by the Group, management has ensured that similar initiatives are put in place by the owners of the properties.

The Group has installed 3 solar power systems since November 2016. Although the initial investment in these projects is costly, the result is a saving of in excess of 50% of electricity costs. The systems also shield operations from the effects of load-shedding, which can be crippling to a dealership. For these reasons, the Board has committed to a further 8 solar installations over the next 24 months at a cost of approximately R16 million.

CORPORATE GOVERNANCE CONTINUED

The safe disposal of hazardous and non-hazardous waste
The Group adheres to the relevant regulations concerning waste. The following programmes are in place to minimise or recycle waste wherever possible:

- **Paper:** The Group has embarked on an ongoing drive to reduce paper consumption through double-sided printing, and recycling the majority of office paper waste. FCR uses electronic vouchers and online invoice retrieval, complemented by its corporate Show&Go mobile checkout. The FCR Customer Services division is also a paperless environment.
- **Tyres:** Used tyres that are no longer required are collected by registered agents of Recycling and Economic Development Initiative of South Africa.
- **Glass:** Most glass replacements are contracted out to specialist fitment centres. Where replacements are done on site, the old glass is removed by the contracted company and recycled in an approved manner
- **Used motor oil and batteries:** The Group uses accredited waste oil service providers to dispose of its waste motor oil and disposes of batteries according to local regulations governing the disposal of lead and similar products.
- **Hazardous waste:** Hazardous waste material is removed by accredited waste removal companies and, where required, waste removal and disposal certificates are obtained, in line with the Waste Management Act.

SOCIAL ISSUES

Whilst appreciating that long-term financial success is an essential component of stakeholder confidence, the directors recognise that the Group's operations and activities must be such that it is able to support the communities in which it operates, and ensure that its operations do not adversely impact the environment to the detriment of future generations.

Corporate Social Investment relates to financial and non-financial investment in socially-responsible initiatives. The concept of sharing the wealth generated by Group operations has prompted the directors to select and support a wide range of charitable projects with a focus on education and youth, particularly those with disabilities. The primary beneficiaries during the current year were:

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

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

- Fulton School for the Deaf;
- The Unit for Students with Disabilities at the University of the Free State;
- Save the Children South Africa;
- The Mr Price Foundation;
- The Domino Foundation; and
- Reach for a Dream.

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 2019. All members are independent non-executive directors of the Company. The committee has adopted formal terms of reference agreed by the Board. These have been embodied in its charter and work plan which aligns with the Companies Act 2008, the King IV Code on Corporate Governance, and the JSE Listings Requirements.

The committee meets biannually. Attendance details are recorded on page 17. The chief executive officer, financial director, external auditor and chief audit executive of the Company are required to attend committee meetings and the Company chairman attends by invitation.

The role and functions of the committee, the manner in which it has discharged its responsibilities, and the key areas of focus for the year, are as follows:

OVERSEE INTEGRATED REPORTING

- evaluate significant judgements and reporting decisions made by management, including changes in accounting policies and decisions requiring a significant element of judgement;
- be informed of any monitoring or enforcement actions and involved in management's response thereto;
- consider any evidence that comes to its attention that brings into question any previously-published Group information;
- review forward-looking statements of financial or sustainable information to ensure their credibility;
- review and comment on the annual and interim financial statements, accounting practices and internal financial controls; and
- review management's statement regarding the going-concern status of the 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, and that the financial reporting procedures are operating effectively;
- considering and, when appropriate, making recommendations on the effectiveness of the internal financial controls;
- dealing with concerns or complaints relating to accounting policies, internal audit and internal financial controls;
- considering any whistle-blowing complaints;
- reviewing the report of the external auditor and the key audit matters; and
- recommending to the Board that the financial statements and integrated report be approved, and that the Group's status as a going concern be confirmed.

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

The committee has satisfied itself that the combined assurance provided by internal and external assurance providers and management is sufficient to address significant risk areas within the Group and to ensure that suitable controls exist to mitigate and reduce these risks. Details of the Group's combined assurance model are set out in the King IV Code: Principle 15 on the Group's web site, www.cmh.co.za

SATISFY ITSELF OF THE EXPERTISE, RESOURCES AND EXPERIENCE OF THE GROUP'S FINANCE FUNCTION

The committee has evaluated and satisfied itself of the suitability of the expertise and experience of the financial director, SK Jackson, and the adequacy of resources and expertise of the finance department and its senior management.

ACCEPT RESPONSIBILITY FOR OVERSEEING OF INTERNAL AUDIT

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

REPORT OF THE AUDIT AND RISK ASSESSMENT COMMITTEE CONTINUED

ACCEPT RESPONSIBILITY FOR THE GROUP'S RISK MANAGEMENT FUNCTION

Details of the committee's role and function in this area are provided on page 18. In discharging its responsibility, the committee focused on financial reporting risks, internal financial controls and fraud and information technology risks in relation to financial reporting. The committee is satisfied that these areas have been appropriately addressed.

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

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

The committee reviewed and approved the external audit plan, the external auditor's terms of engagement and proposed remuneration. It is satisfied that, despite the fact that the external auditor has been the auditor of CMH and the Group for the past 43 years, it is independent of the Group, and able to express an objective opinion. The re-appointment of PricewaterhouseCoopers Inc., and appointment of lead partner, R Klute, were considered and are recommended for approval by shareholders at the forthcoming annual general meeting.

The committee is satisfied that, in respect of the financial year ended 28 February 2019, it has performed all of the functions required to be performed by an audit committee.

ME Jones
Chairman, Audit and Risk Assessment Committee

16 April 2019

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 biennually by the Board, and meets independently. It comprises three independent non-executive directors elected annually by the Board, and provides feedback, through its chairman, at the next Board meeting. A summary of minutes of Remco meetings is circulated to the Board, and all directors are given the opportunity to raise questions or concerns arising therefrom.

The Remco chairman and committee members in office during the year under review, together with their attendance at meetings, are recorded on page 17. Where their input is sought, the Group CEO and CFO are requested to attend Remco meetings, but are required to recuse themselves when their remuneration is discussed.

REMUNERATION POLICY

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

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

The policy aims to ensure that:

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

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

	Purpose, and link to Group strategy	Earnings opportunity
GUARANTEED		
Base salary	Market-related level of remuneration commensurate with job function and CPI. Reviewed annually after consideration of personal performance and responsibilities measured against objectives, and individual behaviour in line with Group culture.	Market-related. In respect of executive the base salary has, over the past 3 years, comprised 55% to 65% of total remuneration.
Pension, medical, other benefits	Benefits and allowances, both legislated and voluntary, which are appropriate to the job function. Benefits include: ▪ retirement funding ▪ health care ▪ UIF contributions ▪ use of Group-owned vehicles	Generally, benefit values align with base salaries. In respect of executive directors and executive committee members, the value of benefits has, over the past 3 years, comprised 10% to 12% of total remuneration. In respect of health care and retirement funding, the cost is shared between the Group and employees.

REPORT OF THE REMUNERATION COMMITTEE

	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 27 for details on executive directors). In respect of executive directors and executive committee members, the value of short term benefits has comprised 20% to 25% of total remuneration over the past 3 years.
MEDIUM TERM		
Profit-share	To motivate senior employees to achieve medium term strategic financial objectives, and to provide an element of alignment with shareholder interests. Creates an element of key-employee retention as rewards are dependant on both sustainability of achieved levels, and continued employment. Applied to dealer principals, the performance award is based on dealership net profit earned in excess of agreed targets. The incentive is paid over three years provided profitability is sustained.	No limit applies. The value of this medium term benefit comprises between 0% and 10% of dealer principals' total remuneration.
LONG TERM		
Share incentive scheme	To motivate senior employees to achieve long term strategic financial objectives, and to provide full alignment with shareholder interests. Participation in the Group Share Appreciation Rights Scheme is limited primarily to executive directors, executive committee members, regional accountants, and regional finance and insurance managers. In terms of the Scheme, participants are given conditional rights to receive CMH shares, the number of which is determined with reference to the rise in the CMH share price over 3 to 5 years.	No limit applies to the value which may be earned. In respect of executive directors and executive committee members, the value of this long term benefit has comprised 5% to 15% of total remuneration over the past 3 years.

IMPLEMENTATION REPORT

BACKGROUND STATEMENT

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

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

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

OVERVIEW OF EXECUTIVE DIRECTOR REMUNERATION

The policy of the Remco is to ensure that the executive directors are fairly rewarded for their individual contributions to the Group's overall performance, and to provide a competitive remuneration package commensurate with their management of the Group in the long-term interests of all stakeholders. To this end, Remco believes that a meaningful proportion of executive directors' remuneration should be performance-driven, a feature which is common in the retail motor sector.

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

The earnings of the executive directors in respect of the year ended 28 February 2019 are tabled on page 65. Other than in respect of share appreciation rights which have not yet vested, all variable incentive scheme earnings have been provided for in the attached financial statements. The performance-related payments in respect of JD McIntosh and SK Jackson were based on a combination of financial results, being:

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

and the following non-financial key performance indicators:

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

Of the performance-related payments, those relating to financial issues had a weighting of 70% to 72%, and non-financial issues, 28% to 30%.

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

During January/February 2018, when budgets were being finalised, expectations were that the new president would herald renewed confidence and a mild economic recovery. The reality was that the euphoria was short-lived. In a country which experiences such volatility, and a business sector which is at the forefront of confidence levels, it is difficult to set targets which maintain management motivation for a 12-month period, and ensure fair reward for input. As a consequence target levels were revisited, and reset where necessary, after the half-year results were analysed.

REPORT OF THE REMUNERATION COMMITTEE CONTINUED

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

	Minimum R'000	On-target R'000	%	Maximum R'000	Achievement R'000
BWJ Barritt					
HEPS growth %	–	175	7	400	–
Return on shareholder funds %	–	70	3	150	49
Car Hire profit growth %	–	1 750	70	2 700	796
Non-financial KPIs	–	500	20	850	525
	–	2 495	100	4 100	1 370
SK Jackson					
HEPS growth %	–	1 200	47	2 050	–
Return on shareholder funds %	–	650	25	900	600
Non-financial KPIs	–	700	28	1 200	900
	–	2 550	100	4 150	1 500
JD McIntosh					
HEPS growth %	–	1 950	47	3 650	–
Return on shareholder funds %	–	1 000	24	1 650	900
Non-financial KPIs	–	1 200	29	2 000	1 650
	–	4 150	100	7 300	2 550

PERFORMANCE-RELATED PAYMENTS

In respect of the year ending 29 February 2020, Remco has not implemented any substantial changes to the structure. The table below indicates the components of remuneration that will be paid to each director under minimum, on-target, and maximum performance outcomes. The values exclude the expected vesting outcomes of long-term share appreciation rights.

	Minimum R'000	On-target R'000	Maximum R'000
BWJ Barritt			
– guaranteed basic salary and benefits	4 650	4 650	4 650
– annual performance-related	–	2 495	4 101
	4 650	7 145	8 751
Ratio	65	100	122
SK Jackson			
– guaranteed basic salary and benefits	5 795	5 795	5 795
– annual performance-related	–	2 551	4 150
	5 795	8 346	9 945
Ratio	69	100	119
JD McIntosh			
– guaranteed basic salary and benefits	7 341	7 341	7 341
– annual performance-related	–	4 150	7 300
	7 341	11 491	14 641
Ratio	64	100	127

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

NON-EXECUTIVE DIRECTORS' FEES

The fees of the non-executive directors in respect of the year ended 28 February 2019 are tabled on page 65, and reflect an average increase of 1,7%. An increase of 5% is proposed in respect of the year ahead, and full details of the fee structure are recorded in the Notice of Annual General Meeting, on page 71.

VOTING ON REMUNERATION

In terms of the Companies Act requirements, the fees of non-executive directors for their services as directors must be approved by special resolution of shareholders. The proposed resolution is contained in the Notice of Annual General Meeting, on page 71. At the 2018 annual general meeting 92% of voting shareholders approved the corresponding resolution.

In terms of the JSE Listings Requirements and King IV, each of the above Remuneration Policy and Implementation Report should be tabled before shareholders for a separate non-binding advisory vote of approval. The Notice of Annual General Meeting, on page 70, records the proposed resolutions. At the 2018 annual general meeting 94% of voting shareholders approved the non-binding advisory resolutions in favour of both the Remuneration Policy and Implementation Report.

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

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

LCZ Cele
Chairman, Remuneration Committee

16 April 2019

REPORT OF THE SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE

This report has been compiled on behalf of the Board in compliance with Regulation 43(5)(c) of the Companies Act Regulations 2011.

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

The committee meets biannually. Attendance details are recorded on page 17.

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

The purpose of the social, ethics and transformation committee is to:

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

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

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

The Committee's main areas of focus during the reporting period were oversight of initiatives to improve the B-BBEE scorecard rating and actions to achieve employment equity targets. These will continue to be key focus areas going forward, with particular emphasis on identifying initiatives that will allow the Group to meet the minimum criteria on each priority element of the scorecard, to ensure that its BEE rating is not discounted by one level. An additional focus area in the coming year will be to review and approve the new Employment Equity Plan, ensuring it is in line with the Group's transformation strategy.

The Committee has satisfied itself that the Group's activities have regard to relevant legislation and prevailing codes of best practice in each of the relevant areas.

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

LCZ Cele
Chairman, Social, Ethics and Transformation Committee

16 April 2019

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

FOR THE YEAR ENDED 28 FEBRUARY 2019

The directors are responsible for the preparation, integrity and fair presentation of the financial statements. The financial statements presented on pages 38 to 69 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee, Financial Pronouncements, as issued by the Financial Reporting Standards Council, and in the manner required by the Companies Act, 2008, and include amounts based on judgements and estimates made by management.

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

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

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

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

The going-concern basis has been adopted in preparing the financial statements. The directors believe that the Group will be a going concern in the foreseeable future, based on forecasts and available cash resources. These financial statements support the viability of the Group.

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

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

JD McIntosh
Chief executive officer

16 April 2019

JS Dixon
Chairman

CERTIFICATION BY THE COMPANY SECRETARY

In my capacity as company secretary, I hereby confirm that, for the year ended 28 February 2019, the Company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Companies Act, 2008, and that all such returns are true, correct and up to date.

K Fonseca
Company secretary

16 April 2019

DIRECTORS' REPORT

FOR THE YEAR ENDED 28 FEBRUARY 2019

Your directors have pleasure in submitting their report on the affairs of the Group during the year ended 28 February 2019.

NATURE OF BUSINESS

Combined Motor Holdings Limited ("the Company") is an investment holding company with subsidiaries owning significant interests in retail motor, car hire and financial services. The Company does not trade and all of its activities are undertaken through its subsidiaries. Full details of the Group's operations and operating locations appear on pages 8 to 11.

The Company is listed in the "General Retailers" sector of the JSE Limited. The financial statements of the Company are available for inspection at the registered office, and are published on the Group's website, www.cmh.co.za.

OPERATING RESULTS

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

SHARE CAPITAL

Details of the authorised and issued share capital are set out in note 12 to the attached financial statements.

DIVIDENDS

The following dividends were declared during the year under review:

	2019 R'000	2018 R'000
Dividend number 61: 61 cents, declared 11 October 2018	**45 628**	–
Dividend number 60: 115 cents, declared 12 April 2018	**86 023**	–
Dividend number 59: 61 cents, declared 12 October 2017	**–**	45 628
Dividend number 58: 100 cents, declared 13 April 2017	**–**	74 802
	131 651	120 430

RESOLUTIONS

At the annual general meeting of shareholders held on 31 May 2018, the following special resolutions were passed:

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

DIRECTORS AND SECRETARY

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

JS Dixon (independent non-executive chairman)

JD McIntosh (chief executive officer)

BWJ Barritt (executive)

LCZ Cele (independent non-executive)

SK Jackson (executive)

ME Jones (independent non-executive)

JA Mabena (independent non-executive)

MR Nkadimeng (independent non-executive)

JTM Edwards resigned as a director effective 31 May 2018.

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

JS Dixon and MR Nkadimeng retire by rotation at the forthcoming annual general meeting but, being eligible, offer themselves for re-election. A brief curriculum vitae of each of the directors appears in the Notice of Annual General Meeting on page 72.

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' SHAREHOLDINGS

Details of the directors' direct and indirect shareholdings in the Company are reflected on page 67.

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

SUBSIDIARIES

Full details of the Company's subsidiaries are set out on page 64.

The results of the subsidiaries, so far as concerns the Company, comprise aggregate income and losses for the year, after taxation, of R214 326 000 (2018: R285 504 000) and Rnil (2018: Rnil) respectively.

AUDITOR

PricewaterhouseCoopers Inc. will continue in office in accordance with section 90(6) of the Companies Act 2008. At the annual general meeting, shareholders will be requested to appoint PricewaterhouseCoopers Inc. as the Group's auditor for the 2020 financial year. It is noted that R Klute will be the individual registered auditor who will undertake the audit.

SUBSEQUENT EVENTS

Other than that recorded in note 30 to the attached financial statements, no fact or circumstance material to an appreciation of these financial statements has occurred between the financial year-end and the date of this report.

Umhlanga Ridge
16 April 2019

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF COMBINED MOTOR HOLDINGS LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

OUR OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Combined Motor Holdings Limited (the Company) and its subsidiaries (together the Group) as at 28 February 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

WHAT WE HAVE AUDITED

Combined Motor Holdings Limited's consolidated financial statements set out on pages 38 to 67 comprise:

- the Group statement of financial position as at 28 February 2019;
- the Group statement of comprehensive income for the year then ended;
- the Group statement of changes in equity for the year then ended;
- the Group statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

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

INDEPENDENCE

We are independent of the Group in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B).

OUR AUDIT APPROACH

OVERVIEW

MATERIALITY ▪ Overall Group materiality: R55,8 million, which represents 0,5% of revenue.
HOW WE TAILORED OUR GROUP AUDIT SCOPE ▪ The Group financial statements are a consolidation of eleven components. For Group reporting requirements, seven of the components were subject to full scope audits based on their financial significance. We performed analytical review procedures over the remaining components.
KEY AUDIT MATTERS ▪ 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 financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

MATERIALITY

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

Overall Group materiality	R55,8 million
How we determined it	0,5% of revenue
Rationale for the materiality benchmark applied	We have selected revenue as our materiality benchmark because, in our view, it is one of the benchmarks against which the performance of the Group is measured by users, as the Group operates in a high value per unit, low margin industry. We chose 0,5%, which is lower than the normal quantitative materiality rule of thumb used for profit-oriented companies in this sector given the number of users and the level of third party debt.

HOW WE TAILORED OUR GROUP AUDIT SCOPE

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The consolidated financial statements are a consolidation of eleven companies (the "components"), comprising the Group's operating businesses, including retail motor, car hire, financial services, and corporate services. Seven of these components were considered to be significant to the Group due to their contribution to Group revenue and therefore full scope audits were performed 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 Group 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 financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
DETERMINATION OF THE CARRYING VALUE OF CAR HIRE FLEET VEHICLES	
As at 28 February 2019, the carrying value of the Group's car hire fleet vehicles was R 813,1 million which includes accumulated depreciation of R 146,7 million. The Group tests annually whether car hire fleet vehicles are valued at cost less accumulated depreciation, calculated to reduce their cost to their estimated residual values over their estimated useful life. In determining the estimated residual value and remaining useful life of the car hire fleet vehicles, management considers the kilometres travelled, condition of the vehicles, the number of similar vehicles expected to be retired within a short time frame and the impact that high sales volumes may have on resale values, and the current prices in the market for comparable models. The estimates require judgement due to the uncertainty involved in estimating the useful lives and selling prices. Any material change to the estimates in determining the residual values and remaining useful lives of car hire fleet vehicles, may result in changes to the depreciation charge for the year and the carrying value of the car hire fleet vehicles. Accordingly, the assessment of management's estimates was considered to be a matter of most significance to the audit. Refer to notes 1.3, 3.1 and 5 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 establishing an independent expectation of the residual values and useful lives for these vehicles. Our assessment included, amongst others, the following procedures: ▪ We obtained the latest independent automotive industry forecasts to understand the prevailing market conditions; ▪ We performed a physical asset inspection for a sample of car hire fleet vehicles at year end to assess the condition of the vehicles; ▪ We considered realised residual values on disposals in the current and previous five years in establishing our independent expectation of residual value; ▪ For a sample of car hire fleet vehicles at year end, we developed our independent expectation based on the current selling prices of similar vehicles which are already at the end of their useful life. The current selling prices were estimated based on the TransUnion Dealers Guide adjusted to take into consideration the specific characteristics of car hire vehicles such as multiple users and high mileage; and ▪ We considered the average age of fleet vehicles disposed of during the current year and of the fleet vehicles on hand at year end in establishing our independent expectation of useful lives. We compared our independent expectations to management's estimates and found management's estimates to be reasonable.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the Combined Motor Holdings Limited 2019 Integrated Annual Report and the Combined Motor Holdings Limited Company Financial Statements, which includes the Directors' Report, the Report of the Audit and Risk Assessment Committee and the Certification by the Company Secretary as required by the Companies Act of South Africa. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether it is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Combined Motor Holdings Limited for 43 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.

Director: RD Klute
Registered Auditor

Durban
16 April 2019

SEGMENT INFORMATION

FOR THE YEAR ENDED 28 FEBRUARY 2019

	TOTAL R'000	%	RETAIL MOTOR R'000	%	CAR HIRE R'000	%	FINANCIAL SERVICES R'000	%	CORPORATE SERVICES/OTHER R'000	%
2019										
Segment revenue	11 196 974	100	10 523 718	93	512 561	5	82 591	1	78 104	1
Inter-segment revenue	(42 217)	100	–	–	–	–	–	–	(42 217)	100
External revenue	11 154 757	100	10 523 718	94	512 561	5	82 591	1	35 887	–
Operating profit	411 181	100	279 932	68	94 570	23	34 824	9	1 855	–
Finance income	23 769	100	–	–	203	1	6 601	28	16 965	71
Finance costs	(122 971)	100	(75 946)	62	(45 695)	37	–	–	(1 330)	1
Profit before taxation	311 979	100	203 986	65	49 078	16	41 425	13	17 490	6
After charging										
– employee costs	789 491	100	643 266	82	89 111	11	–	–	57 114	7
– depreciation	147 490	100	21 314	14	122 111	83	–	–	4 065	3
Total assets	3 110 681	100	1 468 009	47	893 967	29	37 531	1	711 174	23
Total liabilities	2 323 678	100	1 408 794	60	851 735	37	–	–	63 149	3
Goodwill at year-end	8 078	100	8 078	100	–	–	–	–	–	–

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

The Group's accounting policy for segment reporting is recorded in note 1.13 to the attached financial statements.

GROUP STATEMENT OF FINANCIAL POSITION

AS AT 28 FEBRUARY 2019

	Notes	2019 R'000	2018 R'000
ASSETS			
Non-current assets			
Plant and equipment	4	**71 431**	64 967
Car hire fleet vehicles	5	**813 102**	760 282
Goodwill	6	**8 078**	8 078
Insurance receivable	7	**37 530**	45 144
Deferred taxation	8	**38 676**	43 865
		968 817	922 336
Current assets			
Inventories	9	**1 160 680**	1 164 428
Trade and other receivables	10	**304 770**	311 635
Taxation paid in advance		**448**	1 369
Cash and cash equivalents	11	**675 966**	372 882
		2 141 864	1 850 314
Total assets		**3 110 681**	2 772 650
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	12	**38 091**	38 091
Share-based payment reserve	13	**10 927**	8 873
Retained earnings		**736 483**	651 439
Ordinary shareholders' equity		**785 501**	698 403
Non-controlling interest		**1 502**	1 229
Total equity		**787 003**	699 632
Non-current liabilities			
Borrowings	14	**287 419**	60 081
Lease liabilities	15	**55 001**	49 780
		342 420	109 861
Current liabilities			
Trade and other payables	16	**1 460 215**	1 452 888
Borrowings	14	**514 194**	503 600
Lease liabilities	15	**1 001**	1 292
Current tax liabilities		**5 848**	5 377
		1 981 258	1 963 157
Total liabilities		**2 323 678**	2 073 018
Total equity and liabilities		**3 110 681**	2 772 650

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 28 FEBRUARY 2019

		Notes	2019 R'000	2018 R'000
Revenue		17	**11 154 757**	10 572 596
Cost of sales			**(9 329 488)**	(8 806 119)
Gross profit			**1 825 269**	1 766 477
Other income		18	**22 634**	29 659
Impairment of goodwill		6	**–**	(2 000)
Selling and administration expenses		19	**(1 436 722)**	(1 355 758)
Operating profit			**411 181**	438 378
Finance income		20	**23 769**	24 452
Finance costs		21	**(122 971)**	(124 871)
Profit before taxation			**311 979**	337 959
Tax expense		22	**(83 540)**	(90 499)
Total profit and comprehensive income			**228 439**	247 460
Attributable to:				
Equity holders of the company			**228 166**	247 358
Non-controlling interest			**273**	102
			228 439	247 460
EARNINGS PER SHARE		23		
Basic	(cents)		**305,0**	330,7
Diluted basic	(cents)		**302,4**	325,8

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 28 FEBRUARY 2019

	Share capital R'000	Share-based payment reserve R'000	Retained earnings R'000	Attributable to equity holders of the company R'000	Non-controlling interest R'000	Total equity R'000
Balance at 28 February 2017	38 091	6 981	527 358	572 430	1 127	573 557
Total profit and comprehensive income			247 358	247 358	102	247 460
Release following exercise of share appreciation rights		(2 349)	2 349			
Cost of shares delivered in terms of share appreciation rights scheme			(5 196)	(5 196)		(5 196)
Share-based payment charge		4 241		4 241		4 241
Dividends paid			(120 430)	(120 430)		(120 430)
Balance at 28 February 2018	**38 091**	**8 873**	**651 439**	**698 403**	**1 229**	**699 632**
Total profit and comprehensive income			**228 166**	**228 166**	**273**	**228 439**
Release following exercise of share appreciation rights		**(3 160)**	**3 160**			
Cost of shares delivered in terms of share appreciation rights scheme			**(14 631)**	**(14 631)**		**(14 631)**
Share-based payment charge		**5 214**		**5 214**		**5 214**
Dividends paid			**(131 651)**	**(131 651)**		**(131 651)**
Balance at 28 February 2019	**38 091**	**10 927**	**736 483**	**785 501**	**1 502**	**787 003**

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 28 FEBRUARY 2019

	Notes	2019 R'000	2018 R'000
Cash flows from operating activities			
Cash generated from operations	24	653 370	223 241
Taxation paid	25	(76 959)	(89 340)
Net cash movement from operating activities		576 411	133 901
Cash flows from investing activities			
Purchase of plant and equipment		(38 927)	(20 616)
Proceeds on disposal of plant and equipment		3 470	3 406
Insurance receivable		7 614	(6 982)
Net cash movement from investing activities		(27 843)	(24 192)
Cash flows from financing activities			
Cost of shares delivered in terms of share appreciation rights scheme		(14 631)	(5 196)
Finance income received	20	23 769	24 452
Finance costs paid	21	(122 971)	(124 871)
Dividends paid	26	(131 651)	(120 430)
Net cash movement from financing activities		(245 484)	(226 045)
Net movement in cash and cash equivalents		303 084	(116 336)
Cash and cash equivalents at beginning of year		372 882	489 218
Cash and cash equivalents at end of year	11	675 966	372 882

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2019

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 64.

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

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

The Group has applied the following standards from 1 March 2018:

IFRS 9: Financial Instruments

IFRS 9 replaces the provisions of IAS 39 that related to the classification and measurement of financial instruments, and introduces an expected credit loss model, as opposed to an incurred credit loss model when determining the impairment of financial assets. The implementation of IFRS 9 has not resulted in any changes to the classification and measurement of the Group's financial instruments, but it was required to revise its impairment methodology for trade receivables. The implementation of the expected credit loss model did not result in a material change to prior year figures. Further details of the new methodology are provided in note 1.4.

IFRS 7: Financial Instruments: Disclosure

With the introduction of IFRS 9, the disclosure requirements set out in IFRS 7 were updated. The updated standard requires additional disclosure relating to the expected credit loss model when calculating impairments of financial assets. The additional disclosure has been included in the notes to the financial statements.

IFRS 15: Revenue from Contracts with Customers

IFRS 15 introduces a five-step approach to the timing of revenue recognition based on performance obligations in customer contracts. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of the good or service transfers to a customer. To determine the impact of IFRS 15, management performed an assessment of each revenue stream (refer note 1.10) in terms of the following criteria:

- the unique contract with the customers was identified;
- the various performance obligations in the contract were separately identified;
- the transaction price for the contract was determined; and
- the transaction price was allocated to the applicable separately identifiable performance obligations.

Based on this assessment, management concluded that revenue recognition under the previous accounting policies is consistent with the requirements of IFRS 15.

Both IFRS 9 and IFRS 15 have been adopted retrospectively. The implementation of the standards has not had a material impact on amounts reported in prior years and accordingly management has not restated any comparative amounts.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

1.3 PLANT AND EQUIPMENT AND CAR HIRE FLEET VEHICLES

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

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

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

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

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

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

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

1.4 FINANCIAL ASSETS

Financial assets include "Trade receivables" and "Cash and cash equivalents" which the Group classifies as those to be measured at amortised cost. Since the implementation of IFRS 9 on 1 March 2018, the classification depends on the Group's business model for managing the asset, and the cash flow characteristics of the asset. Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal debt, are classified as those to be measured at amortised cost. The classification is determined at initial recognition. These financial assets are initially measured at fair value plus transaction costs. Thereafter they are measured at amortised cost using the effective-interest-rate method, less impairment losses, which are recognised in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred, and the Group has transferred substantially all the risks and rewards of ownership.

In the prior year, the impairment of financial assets was assessed based on the incurred loss model and calculated only when there was objective evidence that a financial asset or group of financial assets was impaired. Under IFRS 9 it is no longer necessary for a credit event to have occurred before financial assets are impaired. Accordingly, from 1 March 2018, the Group assesses, on a forward-looking basis, the expected credit losses associated with its financial assets. The amount of the impairment is recognised in the statement of comprehensive income within "Selling and administration expenses".

Trade receivables

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

From 1 March 2018, trade receivables are impaired using the simplified approach permitted by IFRS 9. This requires expected credit losses from all possible default events over the expected life of the trade receivables to be recognised on inception.

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

Cash and cash equivalents

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

1.5 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.

1.6 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.

1.7 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.

1.8 FINANCIAL LIABILITIES

The Group has the following financial liabilities:

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

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

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

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

1.9 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED
FOR THE YEAR ENDED 28 FEBRUARY 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

1.9 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.

1.10 REVENUE RECOGNITION

Group revenue arises from contracts with customers from the following principal activities:

Activity	Timing of revenue recognition
Retailing motor vehicles, parts and accessories	– at a point in time
Providing services through the workshop departments	– at a point in time
Earning commission from the facilitation of customer finance	– at a point in time

Revenue recognised "at a point in time" using IFRS 15: Revenue from Contracts with Customers 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.

Where the Group services a customer's vehicle, job cards are 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.

Revenue relating to car hire services is recognised on a straight-line basis over the hire period applying the principles of IAS17: Leases.

Premium income on insurance products is recognised over the contract period, calculated on a time-proportionate basis, applying the principles of IFRS 4: Insurance Contracts.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of business, net of discounts allowed and value-added tax, and after eliminating sales within the Group.

1.11 FINANCE INCOME

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

1.12 DIVIDENDS

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

1.13 SEGMENT REPORTING

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

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

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

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

The Group operates only in the Republic of South Africa.

1.14 UNDERWRITING ACTIVITIES

Underwriting results are determined on an annual basis. The principle applied is that the costs of incurred claims, commission and related expenditure are applied against the earned proportion of premiums received, as follows:

- Claims incurred comprise claims and related expenditure paid in the year and changes in the provision for outstanding claims incurred but not reported, and are expensed in the year during which they are incurred.
- Commission paid is expensed in the year during which it is incurred.

Premiums earned relate to business written during the year, adjusted for unearned premiums. Unearned premiums represent that portion of the premiums that relates to unexpired terms of the insurance policy, calculated on a time-proportionate basis.

The activities for the year are included in the statement of comprehensive income on a line-by-line basis.

Underwriting activities are conducted through external financial services providers at market-related terms and conditions.

The net result of the year's activities is presented in the statement of financial position as "Insurance receivable".

1.15 OPERATING LEASES

Operating leases are those where substantially all the risks and rewards of ownership are retained by the lessor. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

2. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the chief executive officer and financial director under policies approved by the board of directors. They identify, evaluate and hedge financial risks in close co-operation with the Group's operating units. The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign currency risk, interest rate risk, credit risk, and the investment of excess liquidity.

2.1 INTEREST RATE RISK

Interest rate exposures are reviewed regularly. The Group is exposed to interest rate risk on its investments and borrowing facilities, all of which are linked to the prime overdraft rate.

Had interest rates for the year been 0,5 percentage point higher or lower and been applied to the interest-bearing debt and investments at year-end, the profit before taxation for the year would have been lower or higher by R4 008 000 (2018: R3 967 000) 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 and are due within a period of 1 to 60 days after sale and are therefore classified as current. There are no significant concentrations of credit risk.

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

		Expected loss rate for ageing profile		
	Terms	0 to 60 days	61 to 90 days	91+ days
Banks with a long-term credit rating of Baa3	1 day	0%	–	–
Corporate and fleet customers	30 days	*0%	10%	30%
Individual, parts and workshop customers	1 to 60 days	*0%	10%	30%
Fleet and warranty claims from motor manufacturers	30 days	0%	–	–

** Rounded down to nearest percentage.*

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

The maximum exposure to credit risk at year-end is the carrying amount of each class of financial assets. Further detail on the credit quality of trade receivables is contained in note 10.

Cash an cash equivalents
Cash and cash equivalents are placed only with major financial institutions with a long-term credit rating of Baa3.

2.3 EQUITY PRICE RISK

The Group has no direct exposure to any equity price risk.

2.4 LIQUIDITY RISK

The Group manages its liquidity risk by regularly monitoring its projected cash flow requirements against its cash resources and unutilised borrowing facilities.

In terms of its memorandum of incorporation the Company has unlimited borrowing powers.

The expected maturity of all significant financial liabilities is disclosed in the relevant notes to the financial statements. These liabilities are expected to be settled from the proceeds of realisation of car hire fleet vehicles and current assets.

2.5 CAPITAL RISK

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue or repurchase shares, or sell assets to reduce debt.

2.6 FOREIGN CURRENCY RISK

The Group has no significant foreign currency risk.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that may affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates will, by definition, rarely equal the actual results achieved. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3.1 CARRYING VALUE OF 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.

4. PLANT AND EQUIPMENT

4.1 DETAILS OF PLANT AND EQUIPMENT

	Total R'000	Leasehold improvements R'000	Plant and machinery R'000	Furniture and office equipment R'000	Motor vehicles R'000
At 28 February 2019					
Cost	236 707	40 063	59 833	131 810	5 001
Accumulated depreciation	(165 276)	(34 355)	(39 588)	(89 383)	(1 950)
Net book value	**71 431**	**5 708**	**20 245**	**42 427**	**3 051**
At 28 February 2018					
Cost	219 350	42 160	55 222	116 488	5 480
Accumulated depreciation	(154 383)	(33 357)	(37 526)	(81 824)	(1 676)
Net book value	**64 967**	**8 803**	**17 696**	**34 664**	**3 804**

4.2 RECONCILIATION OF MOVEMENT

	Total R'000	Leasehold improvements R'000	Plant and machinery R'000	Furniture and office equipment R'000	Motor vehicles R'000
Net book value 28 February 2017	74 864	13 011	18 490	40 498	2 865
Additions	20 616	14	7 165	9 673	3 764
Disposals	(2 961)	(10)	(1 300)	(332)	(1 319)
Depreciation charge	(27 552)	(4 212)	(6 659)	(15 175)	(1 506)
Net book value 28 February 2018	64 967	8 803	17 696	34 664	3 804
Additions	38 927	1 050	11 465	23 935	2 477
Disposals	(3 689)	–	(1 483)	(552)	(1 654)
Depreciation charge	(28 774)	(4 145)	(7 433)	(15 620)	(1 576)
Net book value 28 February 2019	71 431	5 708	20 245	42 427	3 051

4.3 The insurance replacement value of plant and equipment is R368 800 000 (2018: R335 273 000).

4.4 R30 000 000 (2018: R45 000 000) has been budgeted and authorised for capital expenditure in respect of leasehold improvements and the replacement of plant and equipment. No portion of this was committed at year-end. This amount will be financed from existing cash resources.

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

	2019 R'000	2018 R'000
5. CAR HIRE FLEET VEHICLES		
5.1 DETAILS OF CAR HIRE FLEET VEHICLES		
Cost	**959 848**	950 914
Accumulated depreciation	**(146 746)**	(190 632)
Net book value	**813 102**	760 282
5.2 RECONCILIATION OF MOVEMENT		
Opening net book value	**760 282**	757 085
Additions	**525 558**	471 433
Disposals	**(354 022)**	(356 655)
Depreciation charge	**(118 716)**	(111 581)
Closing net book value	**813 102**	760 282

5.3 Car hire fleet vehicles with a cost of R933 445 000 (2018: R563 518 000), held under capitalised finance arrangements have been pledged as security for interest-bearing borrowings aggregating R801 613 000 (2018: R563 681 000).

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

	2019 R'000	2018 R'000
6. GOODWILL		
6.1 Cost at beginning of year	**8 078**	19 313
Amounts fully impaired	**–**	(11 235)
Cost at end of year	**8 078**	8 078
6.2 Accumulated impairment at beginning of year	**–**	9 235
Amounts impaired during year	**–**	2 000
Amounts fully impaired	**–**	(11 235)
Accumulated impairment at end of year	**–**	–
6.3 Net book value at beginning of year	**8 078**	10 078
Amounts impaired during the year as a result of:		
– closed dealerships	**–**	(2 000)
Net book value at end of year	**8 078**	8 078

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

7. INSURANCE RECEIVABLE

7.1 Underwriting activities are conducted through special purpose entities on commercial terms and conditions and at market rates.

The Group sells insurance policies to customers who enter into credit agreements in respect of vehicle purchases. The risks covered include life, disability and retrenchment during the period of the credit agreements. The Group also sells extended warranty cover in respect of vehicles and components thereof.

Underwriting reserves held by the Group in respect of these risks are based on independent actuarial calculations.

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

		2019 R'000	2018 R'000
7.3	Statement of comprehensive income effect:		
	– gross written premium	**82 591**	74 585
	– investment income	**6 601**	5 892
	– increase in assurance funds	**(1 121)**	(2 511)
	– claims paid	**(16 924)**	(15 044)
	– other expenses	**(37 332)**	(33 815)
	– profit before taxation	**33 815**	29 107
7.4	Reflected in the statement of financial position as:		
	– insurance receivable	**37 530**	45 144

	2019 R'000	2018 R'000
8. DEFERRED TAXATION		
8.1 Balance at beginning of year	43 865	39 454
Temporary differences arising during year	(5 189)	4 411
Balance at end of year	38 676	43 865
8.2 Balance at end of year comprises:		
Impairment of receivables		
– gross	2 123	2 128
– less: related taxation allowances	(531)	(532)
	1 592	1 596
Receipts in advance		
– gross	11 661	13 654
– less: related taxation allowances	(10 064)	(12 008)
	1 597	1 646
Lease liabilities	15 681	14 300
Accruals and provisions	17 965	22 689
Share-based payment reserve	817	3 856
Assessed loss	1 588	–
Prepayments	(564)	(222)
	38 676	43 865

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

	Closing balance 28 February 2019 R'000	Movement during the year 2019 R'000	Closing balance 28 February 2018 R'000	Movement during the year 2018 R'000	Closing balance 28 February 2017 R'000
Impairment of receivables					
– gross	2 123	(5)	2 128	(251)	2 379
– less: related taxation allowances	(531)	1	(532)	63	(595)
	1 592	(4)	1 596	(188)	1 784
Receipts in advance					
– gross	11 661	(1 993)	13 654	3 547	10 107
– less: related taxation allowances	(10 064)	1 944	(12 008)	(3 298)	(8 710)
	1 597	(49)	1 646	249	1 397
Lease liabilities	15 681	1 381	14 300	1 224	13 076
Accruals and provisions	17 965	(4 724)	22 689	1 129	21 560
Share-based payment reserve	817	(3 039)	3 856	1 605	2 251
Assessed loss	1 588	1 588	–	–	–
Prepayments	(564)	(342)	(222)	392	(614)
Total	38 676	(5 189)	43 865	4 411	39 454

8.4 At 28 February 2019, subsidiaries had assessable losses aggregating R9 455 000 (2018: R19 038 000). No deferred taxation asset has been raised in respect of these assessable losses as it is not probable that taxable profit will be available to utilise them.

	2019 R'000	2018 R'000
9. INVENTORIES		
9.1 Inventories have been valued as stated in note 1.6 and comprise:		
– new vehicles	**629 765**	630 333
– used vehicles	**289 878**	293 152
– demonstration vehicles	**190 280**	195 818
– parts and accessories	**36 925**	33 875
– petrol, oils and other inventory	**13 832**	11 250
	1 160 680	1 164 428

9.2 Inventories of new and demonstration vehicles and parts aggregating R855 839 000 (2018: R858 521 000) form security for trade payables aggregating R1 170 394 000 (2018: R1 151 449 000).

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

	2019 R'000	2018 R'000
9.4 Inventories are stated after deduction of the following provisions:		
– used vehicles	**22 272**	17 829
– demonstration vehicles	**18 262**	16 460
– parts and accessories	**3 268**	3 082
	43 802	37 371

	2019 R'000	2018 R'000
10. TRADE AND OTHER RECEIVABLES		
10.1 Trade receivables	**262 374**	259 854
Less: impairment	**(7 580)**	(7 601)
	254 794	252 253
Other receivables	**49 976**	59 382
	304 770	311 635

10.2 Trade receivables are amounts owed by customers for goods sold or services performed in the ordinary course of business and are primarily in respect of vehicle, car hire, parts and workshop sales. These amounts are subject to the Group's standard credit terms and are due within a period of 60 days after year-end. No interest is charged on these accounts. The Group's impairment accounting policy and its credit risk policy are outlined in notes 1.4 and 2.2 respectively.

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

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

	2019 R'000	2018 R'000
10. TRADE AND OTHER RECEIVABLES CONTINUED		
10.5 Trade receivables can be analysed as follows:		
0 to 30 days, neither overdue nor impaired	200 142	199 552
31 to 60 days, overdue less than 61 days and impaired	41 924	40 373
Impairment	(340)	(393)
	41 584	39 980
61 to 90 days, overdue more than 60, less than 91 days and impaired	4 263	5 721
Impairment	(427)	(448)
	3 836	5 273
91+ days, overdue more than 90 days and impaired	16 045	14 208
Impairment	(6 813)	(6 760)
	9 232	7 448
Total	262 374	259 854
Impairment	(7 580)	(7 601)
	254 794	252 253
10.6 The movement in the allowance for impairment is as follows:		
At beginning of year	7 601	8 606
Utilised during year	(3 494)	(5 238)
Increase in impairment	3 473	4 233
At end of year	7 580	7 601
10.7 The net movement in the allowance for impairment and the charge for bad and doubtful debts for the year have been included under "Selling and administration expenses" in the statement of comprehensive income.		
10.8 Trade receivables can be further analysed as follows:		
Banks with a long-term credit rating of Baa3	48 035	55 971
Corporate and fleet customers	71 050	62 079
Individual, parts and workshop customers	107 976	108 764
Fleet and warranty claims from motor manufacturers	35 313	33 040
	262 374	259 854
11. CASH AND CASH EQUIVALENTS		
Bank balances	675 966	372 882

Bank balances are held at financial institutions with a long-term credit rating of Baa3.
The effective interest rate earned on bank balances was 6,9% (2018: 6,65%).

	2019 R'000	2018 R'000

12. SHARE CAPITAL

12.1 PREFERENCE SHARE CAPITAL

Authorised

1 032 400 7,5% 'C' redeemable cumulative preference shares of R1 each

Issued

Nil shares

12.2 ORDINARY SHARE CAPITAL

Authorised

143 590 560 ordinary shares of no par value

Issued

	2019 R'000	2018 R'000
At beginning and end of year – 74 801 998 shares	**38 091**	38 091

13. SHARE-BASED PAYMENT RESERVE

13.1 SHARE APPRECIATION RIGHTS SCHEME 2010

On 1 June 2010, the Group introduced the Combined Motor Holdings Limited Share Appreciation Rights Scheme 2010 ("the scheme"). Under the scheme, participating employees are awarded the right to receive shares equal in value to the difference between the exercise price and the grant price. The employee therefore participates in the share price appreciation of the Company. The vesting of the right is conditional on the achievement of compound real growth in headline earnings per share over the performance period.

The amounts recognised in the financial statements for these share-based payment transactions are as follows:

	2019 R'000	2018 R'000
Balance at beginning of year	**8 873**	6 981
Charged as "Selling and administration expenses" during year	**5 214**	4 241
Released during year following exercise of share appreciation rights	**(3 160)**	(2 349)
Balance at end of year	**10 927**	8 873

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

		2019	2018
At beginning of year	('000 rights)	**4 737**	4 322
Granted during year	('000 rights)	**1 075**	1 175
Exercised/forfeited during year	('000 rights)	**(887)**	(760)
At end of year	('000 rights)	**4 925**	4 737

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.

	2019 R'000	2018 R'000
14. BORROWINGS		
14.1 CAR HIRE FLEET LIABILITY		
Current portion	**514 194**	503 600
Non-current portion	**287 419**	60 081
	801 613	563 681

14.2 These borrowings are secured by car hire fleet vehicles (refer note 5). The underlying contracts have a maturity of 1 to 18 months after year-end and bear interest at rates varying from prime -1% to prime -1,45% per annum. The carrying amounts of borrowings approximate their fair value.

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

	2019 R'000	2018 R'000
15. LEASE LIABILITIES		
At beginning of year	**51 072**	46 700
Movement during year	**4 930**	4 372
At end of year	**56 002**	51 072
Less: current portion	**(1 001)**	(1 292)
Non-current portion	**55 001**	49 780

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

	2019 R'000	2018 R'000
16. TRADE AND OTHER PAYABLES		
16.1 Trade payables	**1 255 049**	1 228 703
Other payables (note 16.4)	**204 470**	222 785
Provisions	**696**	1 400
	1 460 215	1 452 888

16.2 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.

16.3 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.

	2019 R'000	2018 R'000
16.4 Other payables comprise:		
Accrued expenses	**150 923**	158 007
Deposits received in advance	**37 472**	58 830
Value-added tax	**16 075**	5 948
	204 470	222 785

	2019 R'000	2018 R'000
17. REVENUE		
17.1 Revenue is derived from the various segments of the business as follows:		
Retail motor	**10 523 718**	9 958 756
Car hire	**512 561**	497 415
Financial services	**82 591**	74 585
Corporate services/other	**35 887**	41 840
	11 154 757	10 572 596
17.2 REVENUE FROM CONTRACTS WITH CUSTOMERS		
Revenue from contracts with customers is further disaggregated by segment and timing of revenue recognition as follows:		
Retail motor		
– at a point in time	**10 523 718**	9 958 756
	10 523 718	9 958 756
Corporate services/other		
– at a point in time	**18 518**	23 530
– over the service period	**17 369**	18 310
	35 887	41 840

17.3 Revenue relating to car hire services is recognised on a straight-line basis over the hire period.

Premium income on insurance products is recognised over the contract period, calculated on a time-proportionate basis.

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

	2019 R'000	2018 R'000
18. OTHER INCOME		
Rental income	**9 634**	14 504
Recoupment of skills development and training costs	**8 570**	3 716
Compensation for loss of franchise	**–**	7 412
Profit on sale of plant and equipment	**–**	445
Other	**4 430**	3 582
	22 634	29 659

	2019 R'000	2018 R'000
19. EXPENSES BY NATURE		
Cost of sales	9 329 488	8 806 119
Selling and administration expenses		
– Employee benefit expense (note 19.1)	722 393	688 654
– Depreciation (note 4.2)	28 774	27 552
– Auditor's remuneration	5 669	5 333
– Operating lease charges		
– Properties	231 333	202 187
– Equipment	6 024	5 621
– Impairment charge for bad and doubtful debts (note 10.6)	3 473	4 233
– Loss on sale of plant and equipment	219	–
– Advertising expenses	53 285	45 228
– Other expenses	385 552	376 950
Selling and administration expenses	1 436 722	1 355 758
19.1 EMPLOYEE BENEFIT EXPENSE		
Employee costs – selling and administration	649 395	621 848
– workshop labour	61 369	51 419
Pension fund contributions	42 218	39 586
Medical aid contributions	31 295	27 911
Share-based payment expense	5 214	4 241
Total employee benefit expense	789 491	745 005
Less: portion included in "Cost of sales"	(67 098)	(56 351)
Included in "Selling and administration expenses"	722 393	688 654
19.2 KEY MANAGEMENT EMPLOYEE BENEFIT EXPENSE		
Short-term employee benefits	48 175	50 128
Share-based payment expense	3 341	2 669
	51 516	52 797

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

	2019 R'000	2018 R'000
20. FINANCE INCOME		
Bank	23 769	24 452
21. FINANCE COSTS		
Trade payables	(77 276)	(73 134)
Borrowings	(45 695)	(51 737)
Total interest paid	(122 971)	(124 871)
22. TAX EXPENSE		
22.1 SOUTH AFRICAN NORMAL TAXATION		
– current year	78 435	94 910
– prior year	(84)	–
– deferred – current year	5 189	(4 411)
	83 540	90 499

	%	%
22.2 RECONCILIATION OF RATE OF TAXATION		
Statutory rate	28,0	28,0
Adjusted for:		
Disallowable expenditure	0,4	0,5
Exempt income and allowances	(0,7)	(0,9)
Assessed losses	(0,9)	(0,8)
Effective rate	26,8	26,8

Disallowable expenditure of the Group comprises principally the depreciation of leasehold improvements and, in the prior year, the goodwill impairment charge. Exempt income and allowances comprises taxation allowances in respect of learnership contracts.

23. EARNINGS PER SHARE

23.1 Basic earnings and headline earnings per share are based on total profit and comprehensive income, and headline earnings attributable to equity holders of the Company respectively, and are calculated using the weighted average of 74 802 000 (2018: 74 802 000) shares in issue during the year.

23.2 The Group's Share Appreciation Rights Scheme 2010 ("the scheme") is described in note 13.1. In the event that all of the awards are settled by the issue of new shares, earning and headline earnings per share will be diluted.

The number of shares used to calculate diluted earnings and headline earnings per share is determined by adding to the weighted average number of shares in issue, the number of shares which would be issued to meet the scheme's obligation. This number has been calculated using the volume-weighted average share price of the Company during the year under review, and its appreciation since the grant date.

		2019 R'000	2018 R'000
Weighted average number of shares in issue during year	('000 shares)	**74 802**	74 802
Adjustment for share appreciation rights	('000 shares)	**642**	1 110
Weighted average number of shares for dilution calculation		**75 444**	75 912

Past entitlements of employees have been settled by the award to them of shares purchased on the open market. The directors have determined that this practice will continue in respect of future entitlements. On this basis there will be no fresh issue of shares.

23.3 RECONCILIATION OF HEADLINE EARNINGS

	2019 R'000	2018 R'000
Total profit and comprehensive income attributable to equity holders of the Company	**228 166**	247 358
Re-measurement items:		
– impairment of goodwill	**–**	2 000
– loss/(profit) on sale of plant and equipment		
– gross	**219**	(445)
– impact of income tax	**(61)**	125
Headline earnings attributable to equity holders of the Company	**228 324**	249 038

23.4 EARNINGS PER SHARE

		2019	2018
Basic	(cents)	**305,0**	330,7
Diluted basic	(cents)	**302,4**	325,8
Headline	(cents)	**305,2**	332,9
Diluted headline	(cents)	**302,6**	328,1

	2019 R'000	2018 R'000

24. CASH GENERATED FROM OPERATIONS

	2019 R'000	2018 R'000
Operating profit	**411 181**	438 378
Adjustments for non-cash items:		
Movement in lease liabilities	**4 930**	4 372
Movement in share-based payment reserve	**5 214**	4 241
Depreciation	**147 490**	139 133
Movement in provisions	**(704)**	(700)
Loss/(profit) on sale of plant and equipment	**219**	(445)
Impairment of goodwill	**–**	2 000
Profit on sale of car hire fleet vehicles	**(17 664)**	(42 841)
Sale of car hire fleet vehicles	**371 686**	399 496
Purchase of car hire fleet vehicles	**(525 558)**	(471 433)
	396 794	472 201
Working capital changes:		
Inventories	**3 748**	(45 865)
Trade and other receivables	**6 865**	(56 792)
Trade and other payables	**8 031**	131 212
Borrowings	**237 932**	(277 515)
	256 576	(248 960)
Cash generated from operations	**653 370**	223 241

25. TAXATION PAID

Taxation paid is reconciled to the amount disclosed in the statement of comprehensive income as follows:

	2019 R'000	2018 R'000
Amounts (unpaid)/paid in advance at beginning of year	**(4 008)**	1 562
Amounts charged to the statement of comprehensive income	**(78 351)**	(94 910)
Amounts unpaid at end of year	**5 400**	4 008
	(76 959)	(89 340)

26. DIVIDENDS PAID

	2019 R'000	2018 R'000
Ordinary dividends		
Dividend number 61: 61 cents, declared 11 October 2018	**(45 628)**	–
Dividend number 60: 115 cents, declared 12 April 2018	**(86 023)**	–
Dividend number 59: 61 cents, declared 12 October 2017	**–**	(45 628)
Dividend number 58: 100 cents, declared 13 April 2017	**–**	(74 802)
	(131 651)	(120 430)

	2019 R'000	2018 R'000
27. RELATED PARTY TRANSACTIONS		
27.1 During the year a number of subsidiary companies occupied properties which are owned directly or indirectly by various directors of the Company.		
Rentals paid during the year amounted to	**50 968**	46 048
27.2 Other transactions conducted and balances with related entities were as follows:		
Operating expenses		
– purchases from Excel Cars Proprietary Limited	**4 278**	4 729
Year-end balances		
– trade payables owing to Excel Cars Proprietary Limited	**498**	435
Excel Cars Proprietary Limited is controlled by a director of the Company.		
28. COMMITMENTS		
28.1 OPERATING LEASE COMMITMENTS		
The Group leases premises under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.		
The future minimum lease payments under non-cancellable operating leases are as follows:		
Next 12 months	**216 137**	190 809
Years 2 to 5	**422 310**	397 351
Years 6+	**295 893**	235 809
	934 340	823 969
Less: accrued in statement of financial position	**(56 002)**	(51 072)
Future expense	**878 338**	772 897
28.2 FUTURE SUBLEASE RECEIVABLES		
The future minimum amount expected to be received under non-cancellable subleases is	**3 224**	7 276

29. EMPLOYEE BENEFIT INFORMATION

29.1 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.

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

29.3 The Group pays a fixed monthly contribution to these separate legal entities and has no legal or constructive obligation to pay further contributions if the funds do not hold sufficient assets to pay all employees the benefits relating to their employment service.

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

30. SUBSEQUENT EVENTS

Dividend declaration

A dividend (dividend number 62) of 115 cents per share will be paid on Tuesday, 18 June 2019 to members reflected in the share register of the Company at the close of business on the record date, Friday, 14 June 2019. Last day to trade *cum* dividend is Tuesday, 11 June 2019. First day to trade *ex* dividend is Wednesday, 12 June 2019. Share certificates may not be dematerialised or rematerialised from Wednesday, 12 June 2019 to Friday, 14 June 2019, both days inclusive.

The number of ordinary shares in issue at the date of the declaration is 74 801 998. Consequently, the gross dividend payable is R86 022 298 and will be distributed from income reserves. The dividend will be subject to dividend withholding tax at a rate of 20%, which will result in a net dividend of 92 cents to those shareholders who are not exempt in terms of section 64F of the Income Tax Act.

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

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

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

IFRS 16 will replace IAS 17: Leases for the Group's financial year commencing 1 March 2019, and will have a significant impact on the financial statements. In terms of the new standard, the Group will recognise, within the statement of financial position, a right of use asset and a related lease liability for all applicable property leases. Within the statement of comprehensive income, rent expense will be replaced by depreciation of the right of use asset, and finance costs. This will result in a decrease in "Selling and administration expenses" and an increase in "Finance costs".

The Group intends to apply the retrospective transition approach with the practical expedient not to reassess the definition of a lease on transition to IFRS 16. The Group will apply the statement retrospectively to each prior reporting period presented. Had the new standard been introduced from the date of inception of the Group's property leases, the impact on the financial statements at 28 February 2019 would have been as follows:

- derecognition of "Lease liability" of R56 002 000;
- recognition of "Right of use" assets of approximately R466 000 000;
- recognition of "Right of use" liabilities of approximately R564 000 000;
- a reduction in "Total profit and comprehensive income" for the year of approximately R2 000 000; and
- a reduction in "Basic earnings per share" and "Headline earnings per share" for the year of approximately 3 cents.

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

IFRS 17 will replace IFRS 4: Insurance Contracts. IFRS 4 allowed insurers to use different accounting policies to measure similar insurance contracts that they write in different countries. IFRS 17 provides consistent principles for all aspects of accounting for insurance contracts. It removes existing inconsistencies and enables investors, analysts and others to meaningfully compare companies, contracts and industries. Management is currently assessing the impact of IFRS 17 on the Group's future financial statements.

SUBSIDIARIES

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

NAME OF COMPANY	Activity	Effective holding (indirect)/direct 2019 %	2018 %
CMH Car Hire	2	**(48)**	(48)
CMH Car Hire Fleet	2	**(85)**	(85)
CMH Green Machine	3	**(85)**	(85)
CMH Holdings	3	**85**	85
CMH Management (previously Mandarin Motors)	3	**(85)**	(85)
Datcentre Motors	1	**(85)**	(85)
Kempster Sedgwick	1	**(85)**	(85)
Mandarin Motors Three	1	**(85)**	(85)
Pipemakers	3	**(60)**	(60)
Whitehouse Motors	1	**(85)**	(85)

Notes:

1. *All subsidiaries are Proprietary Limited companies incorporated in South Africa.*
2. *Activity index:*
   1 retail motor
   2 car hire
   3 corporate services/other
3. *No business of a subsidiary was managed by a third party during the year under review.*
4. *Although the Company does not own any of the issued ordinary share capital of Main Street 445 Proprietary Limited ("Main Street"), an agreement entered into with the shareholders of Main Street enables the Company to control the activities of Main Street. Consequently Main Street has been consolidated in the financial statements of the Group.*
5. *With effect from 1 December 2017, the Group concluded a black economic empowerment transaction with Azepha Proprietary Limited ("Azepha"), a company owned by Company director, LCZ Cele and her family. In terms of the transaction, Azepha acquired a 43% equity interest in the restructured CMH Car Hire Proprietary Limited. The purchase price was funded by the Group, and will be repaid from future dividends. The terms and nature of the transaction are such that it does not meet the requirements of IFRS 9 in terms of the transfer of risks and rewards of ownership to the subscriber. Consequently the issue of shares to Azepha has not been recognised in the financial statements.*

DIRECTORS' EMOLUMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2019

EXECUTIVE DIRECTORS	Total R'000	BWJ Barritt R'000	SK Jackson R'000	JD McIntosh R'000
2019				
Salary	14 310	3 816	4 579	5 915
Performance-related payments	5 420	1 370	1 500	2 550
Share-based payment award	917	564	353	–
Other benefits	952	140	406	406
Contributions to pension and medical aid funds	1 617	431	525	661
	23 216	6 321	7 363	9 532
2018				
Salary	13 680	3 780	4 320	5 580
Performance-related payments	7 920	2 020	2 200	3 700
Share-based payment award	824	460	364	–
Other benefits	859	113	373	373
Contributions to pension and medical aid funds	1 471	369	491	611
	24 754	6 742	7 748	10 264

NON-EXECUTIVE DIRECTORS' FEES	2019 R'000	2018 R'000
LCZ Cele	269	251
JS Dixon	662	372
JTM Edwards	189	693
ME Jones	360	217
JA Mabena	279	211
MR Nkadimeng	236	217
Total	1 995	1 961

Notes:

1. *All remuneration paid by subsidiary companies.*
2. *"Share-based payment award" represents the cost to the Group, determined in accordance with a Black-Scholes model, of share appreciation rights granted.*

DIRECTORS' SHARE APPRECIATION RIGHTS

FOR THE YEAR ENDED 28 FEBRUARY 2019

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 2013 at R13,70	Granted June 2015 at R17,75	Granted June 2016 at R17,15	Granted June 2017 at R21,97	Granted June 2018 at R33,00
At 28 February 2018						
– BWJ Barritt	541	41	150	200	150	
– SK Jackson	425		150	150	125	
	966	41	300	350	275	
Movements during the year						
– rights granted						
– BWJ Barritt	100					100
– rights exercised at R33,00						
– BWJ Barritt	(91)	(41)	(50)			
– SK Jackson	(50)		(50)			
	(41)	(41)	(100)			100
At 28 February 2019						
– BWJ Barritt	**550**		**100**	**200**	**150**	**100**
– SK Jackson	**375**		**100**	**150**	**125**	
	925		**200**	**350**	**275**	**100**
The rights may be exercised as follows:						
– June 2019	**217**		**100**	**117**		
– June 2020	**309**		**100**	**117**	**92**	
– June 2021	**242**			**116**	**92**	**34**
– June 2022	**124**				**91**	**33**
– June 2023	**33**					**33**
	925		**200**	**350**	**275**	**100**

DIRECTORS' SHAREHOLDING

('000 shares)	Total	BWJ Barritt	JTM Edwards	SK Jackson	JD McIntosh
Beneficial shareholding at 28 February 2018					
– direct	333	239	7	87	–
– indirect	32 042	184	–	5 788	26 070
	32 375	423	7	5 875	26 070
Shares acquired during the year					
– direct	71	71	–	–	–
– indirect	111	111	–	–	–
	182	182	–	–	–
Retirement of director	(7)	–	(7)	–	–
Beneficial shareholding at 28 February 2019					
– direct	**397**	**310**	**–**	**87**	**–**
– indirect	**32 153**	**295**	**–**	**5 788**	**26 070**
	32 550	**605**	**–**	**5 875**	**26 070**

ANALYSIS OF ORDINARY SHAREHOLDERS

	Number of shareholders		Number of shares held ('000)		Percentage of shares held	
	2019	2018	**2019**	2018	**2019**	2018
Individuals	**1 408**	1 076	**6 338**	5 112	**8,5**	6,8
Nominee companies and trusts	**214**	157	**4 387**	4 168	**5,9**	5,6
Other corporate bodies	**206**	160	**64 077**	65 522	**85,6**	87,6
	1 828	1 393	**74 802**	74 802	**100,0**	100,0
Holdings						
1 – 2 500	**1 145**	860	**908**	597	**1,2**	0,8
2 501 – 5 000	**227**	161	**831**	605	**1,1**	0,8
5 001 – 10 000	**167**	138	**1 246**	1 037	**1,7**	1,4
Over 10 000	**289**	234	**71 817**	72 563	**96,0**	97,0
	1 828	1 393	**74 802**	74 802	**100,0**	100,0
Public shareholders	**1 825**	1 389	**42 252**	42 427	**56,5**	56,7
Non-public shareholders – directors of Company	**3**	4	**32 550**	32 375	**43,5**	43,3
	1 828	1 393	**74 802**	74 802	**100,0**	100,0

Notes:

1. *In addition to the directors' shareholdings recorded above, the following shareholders have reported holdings in excess of 5%:*
   - *Absa Asset Management Proprietary Limited – 8,9%*
   - *Electus Fund Managers Proprietary Limited – 5,3%*
   - *Investec Assets Management Proprietary Limited – 5,4%*
2. *A copy of the detailed share register as at 28 February 2019 is available on written request to the company secretary.*

STOCK EXCHANGE PERFORMANCE

			2019	2018
Closing price	28 February 2019	(cents)	**2 100**	2 610
Volume of shares traded		('000)	**11 900**	15 924
Value of shares traded		(R'000)	**323 364**	383 281
Volume of shares traded as percentage of total issued shares		(%)	**15,9**	21,3
JSE General Retailers Index			**6 478**	8 647
JSE All-share Index			**56 002**	58 325
Lowest price	12 February 2019	(cents)	**1 950**	1 950
Highest price	15 May 2018	(cents)	**3 500**	2 800
Earnings yield	28 February 2019	(%)	**14,5**	12,8
Dividend yield	28 February 2019	(%)	**8,4**	6,2

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the thirty-second public annual general meeting of shareholders of Combined Motor Holdings Limited will be held in the boardroom at the CMH Head Office located at 1 Wilton Crescent, Umhlanga Ridge, on Thursday, 30 May 2019 commencing at 15:00 for the following purposes:

1. ORDINARY RESOLUTION NUMBER 1

Approval of financial statements

To receive, approve and adopt the financial statements of the Company and the Group for the year ended 28 February 2019, such financial statements having been approved by the Board as required by section 30(3)(c) of the Companies Act 2008 ("the Act"), and the reports of the directors, the audit and risk assessment committee, the social, ethics and transformation committee, and the remuneration committee, which are presented to the shareholders in the integrated annual report.

2. ORDINARY RESOLUTION NUMBER 2

Re-election of directors

To confirm the re-election of JS Dixon and MR Nkadimeng who retire by rotation in terms of the memorandum of incorporation and who have offered themselves for re-election.

A brief curriculum vitae of each of the above directors is recorded on page 72. The Board recommends the re-election of each of the directors.

3. ORDINARY RESOLUTION NUMBER 3

Election of audit and risk assessment committee

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

- ME Jones (chairman)
- JA Mabena
- MR Nkadimeng

4. ORDINARY RESOLUTION NUMBER 4

Appointment of external auditor

To appoint, as required by section 90(1) of the Act, PricewaterhouseCoopers Inc. and designated partner R Klute, as auditor of the Company and the Group for the ensuing year. Despite PricewaterhouseCoopers Inc. having been the auditor of the Company and the Group for 43 years, the audit and risk assessment committee has rigorously reviewed their independence and objectivity, and recommends their reappointment.

5. ORDINARY RESOLUTION NUMBER 5

5.1 REMUNERATION POLICY

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

5.2 IMPLEMENTATION REPORT

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

Both the remuneration policy and the implementation report are contained in the Report of the Remuneration Committee on pages 25 to 29.

6. SPECIAL RESOLUTION NUMBER 1

Approval of fees of non-executive directors

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

	2020 R'000
Chairman of the Board	735
Director	163
Audit and risk assessment committee	
– chairman	221
– member	47
– per meeting	19
Remuneration committee	
– chairman	39
– member	17
– per meeting	11
Social, ethics and transformation committee	
– chairman	39
– member	17
– per meeting	11
Nominations committee	
– per member, per *ad hoc* meeting	9

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

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

A shareholder who is entitled to attend and vote at the meeting is entitled to appoint a proxy to attend, speak and vote in his stead. The person so appointed need not be a shareholder. In terms of the Act, any shareholder or proxy who attends the meeting must provide satisfactory identification. A South African green bar-coded identification document, smart ID card, driver's licence or passport will be acceptable. Shareholders are requested, but are not obliged, to deliver their completed proxy forms to the Company's transfer secretaries before 15:00 on Tuesday, 28 May 2019. The purpose of this request is to provide guidance to the chairman of the meeting regarding the number of participants. Accordingly, shareholders will not be prejudiced in any manner if they do not deliver their completed proxy forms to the Company's transfer secretaries by the aforementioned time and date, and will still be able to deliver their completed proxy forms to the chairman of the meeting at any time prior to the commencement of the meeting.

The record date in terms of section 59(1)(a) of the Act for shareholders to be recorded on the securities register of the Company in order to receive notice of the annual general meeting is Friday, 26 April 2019.

The last day to trade in order to be eligible to vote is Tuesday, 21 May 2019. The record date in terms of section 59(1)(b) of the Act for shareholders to participate in and vote at the annual general meeting is Friday, 24 May 2019.

By order of the board of directors

K Fonseca
Company secretary

16 April 2019

CURRICULUM VITAE

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

JS DIXON

James Dixon, CA(SA) was appointed to the Board in October 2010. He was chairman of the audit and risk assessment committee from 2011 to 2018. James was appointed Chairman of the Board in May 2018 following the retirement of JTM Edwards. At that time, he resigned from the audit and risk assessment committee and took up membership of the remuneration committee and the social, ethics and transformation committee. James retired from PricewaterhouseCoopers Inc. in 2009 after serving as a partner at the firm and its predecessor firm, Coopers & Lybrand, for a period of 28 years. During that time he held the positions of Head of KwaZulu-Natal Assurance, Human Resources partner, member of the National Assurance Executive, and Head of KwaZulu-Natal Marketing. James also serves as a non-executive, independent director of ARB Holdings Limited. James was last re-elected to office in 2016.

MR NKADIMENG

Refiloe 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 Thebe Investment Corporation ("TIC") in 2014 as Group Financial Director. She has extensive knowledge of, and experience with, tax regulation and management, and within TIC is responsible for the finance function, risk management, aspects of corporate governance, and management of the Thebe Corporate office. Refiloe was last elected to office in 2016.

FORM OF PROXY

COMBINED MOTOR HOLDINGS LIMITED ANNUAL GENERAL MEETING 30 MAY 2019

I/We ____ the undersigned,

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

do hereby appoint ____

or ____

or failing him the chairman of the meeting as my/our proxy to transact on my/our behalf at the annual general meeting of the Company to be held at 15:00 on Thursday, 30 May 2019 and at each adjournment thereof.

Signature(s) _______________________ Date _______________________

Please indicate with an "X" in the appropriate space below how you wish your vote to be cast:

	For	Against	Abstention
Ordinary resolution number 1: Approval of financial statements			
Ordinary resolution number 2.1: JS Dixon			
Ordinary resolution number 2.2: MR Nkadimeng			
Ordinary resolution number 3.1: ME Jones			
Ordinary resolution number 3.2: JA Mabena			
Ordinary resolution number 3.3: MR Nkadimeng			
Ordinary resolution number 4: Appointment of external auditor			
Ordinary resolution number 5.1: Remuneration policy			
Ordinary resolution number 5.2: Implementation report			
Special resolution number 1: Approval of non-executive directors' fees for:			
Special resolution number 1.1: Chairman of the Board			
Special resolution number 1.2: Directors			
Special resolution number 1.3: Chairman of the audit and risk assessment committee			
Special resolution number 1.4: Other			

Notes to the form of proxy

1. A shareholder who is entitled to attend and vote at the meeting is entitled to appoint a proxy to attend, speak and vote in his stead. The person so appointed need not be a shareholder.
2. Forms of Proxy should be signed and dated and where possible, forwarded to reach the registered office of the Company, 1 Wilton Crescent, Umhlanga Ridge 4319, by no later than 15:00 on Tuesday, 28 May 2019. Nevertheless, completed Forms of Proxy may be lodged with the chairperson of the meeting at any time prior to the commencement of the meeting.
3. If no direction is given as to how a vote is to be cast, then the proxy holder will be entitled to vote as he/she deems fit.
4. In terms of the Companies Act 2008, any shareholder or proxy who attends the meeting must provide satisfactory identification. A South African green bar-coded identification document, smart ID card, driver's licence or passport will be acceptable.

Registered office
1 Wilton Crescent, Umhlanga Ridge, 4319

Postal address
PO Box 1033, Umhlanga Rocks, 4320

ADMINISTRATION

ULTIMATE HOLDING COMPANY
COMBINED MOTOR HOLDINGS LIMITED
Registration number: 1965/000270/06
Income tax reference number: 9471/712/71/2
Share code: CMH
ISIN: ZAE000088050

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

COMPANY SECRETARY
K Fonseca

AUDITOR
PricewaterhouseCoopers Inc.

TRANSFER SECRETARIES
Computershare Investor Services Proprietary Limited
PO Box 61051
Marshalltown, 2107

BUSINESS ADDRESS AND REGISTERED OFFICE
1 Wilton Crescent
Umhlanga Ridge, 4319

POSTAL ADDRESS
PO Box 1033
Umhlanga Rocks, 4320

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

BANKER
First National Bank of South Africa

CMH
GROUP