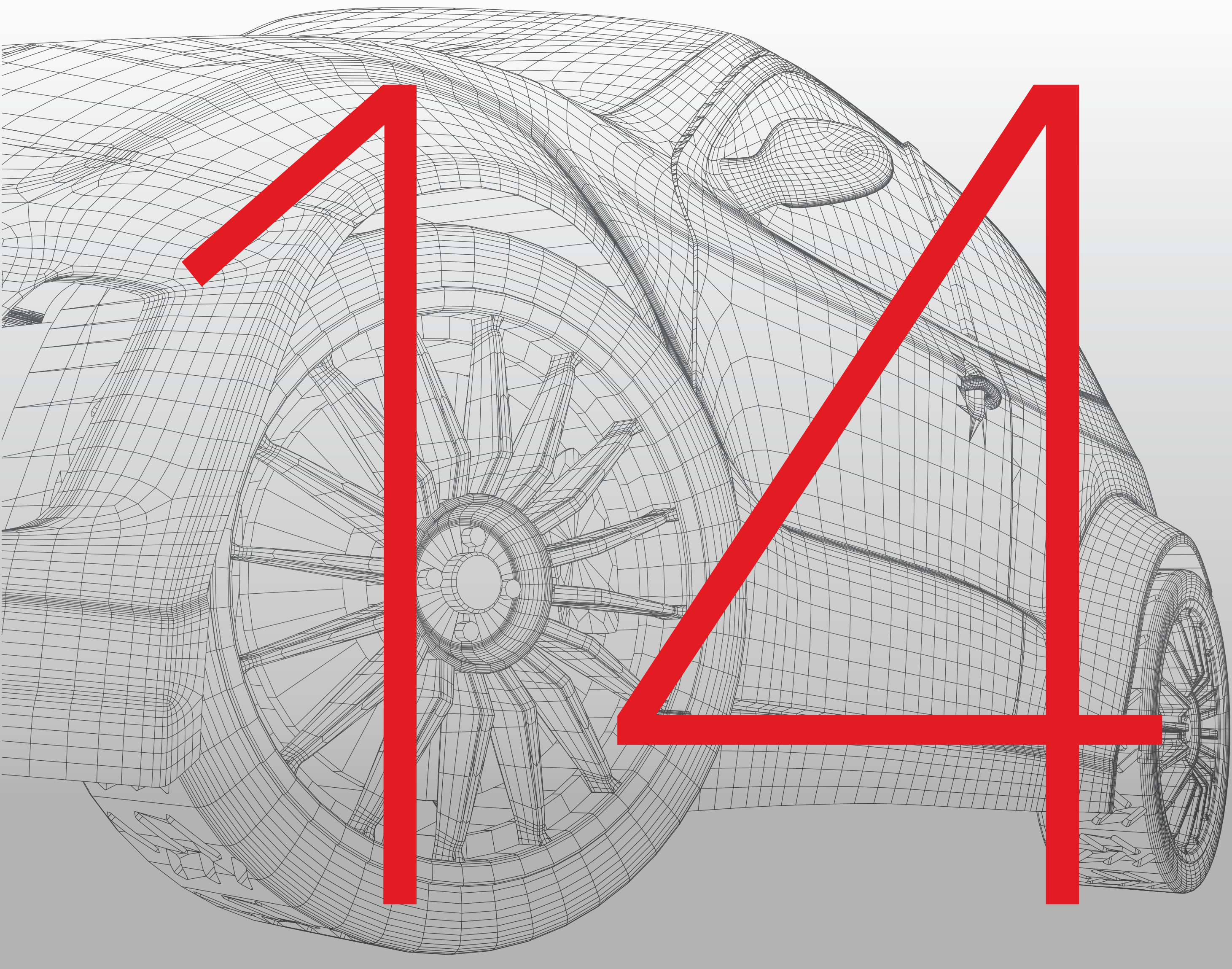
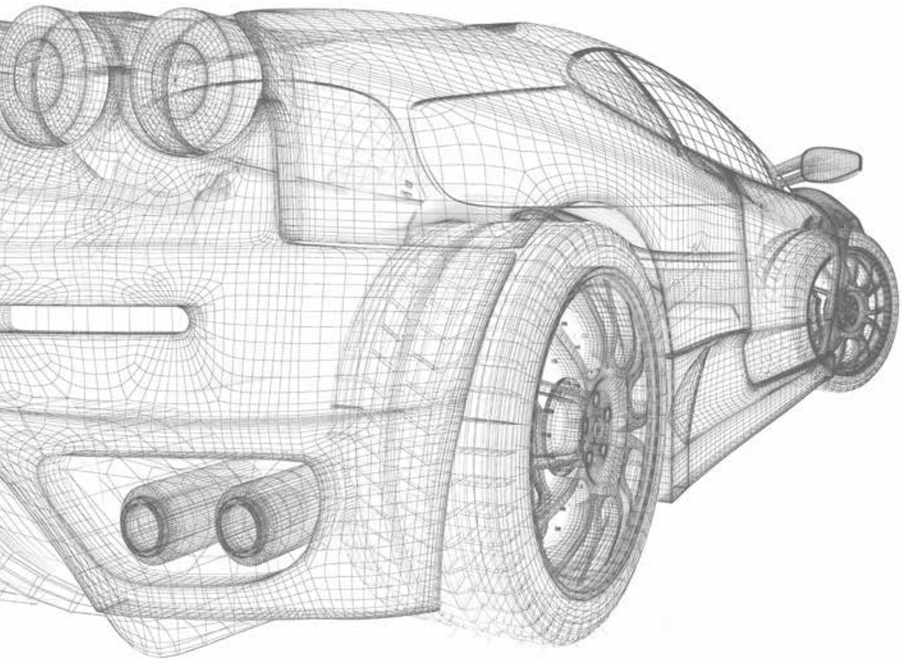
CMH GROUP

Combined Motor Holdings Limited

# Integrated Annual Report 2014



# 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 2014. 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 relationship 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.

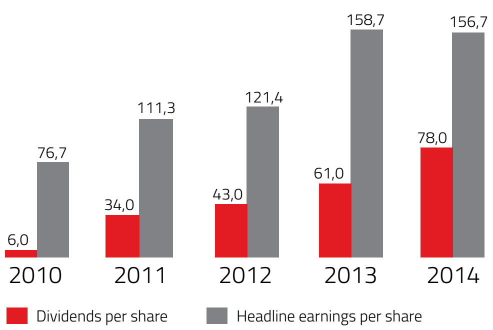
In doing so, to become a valued, respected and committed contributor to the society in which we all coexist.

# CONTENTS

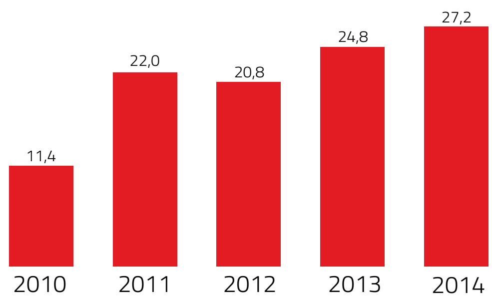
# GROUP FINANCIAL HIGHLIGHTS

| | | 2014 | Restated 2013 | % Change |
|---|---|---|---|---|
| Total assets | (R'000) | **2 574 110** | 2 494 624 | 3,2 |
| Net asset value per share | (cents) | **604** | 625 | (3,4) |
| Revenue | (R'000) | **10 831 384** | 9 808 733 | 10,4 |
| Operating profit | (R'000) | **320 224** | 289 827 | 10,5 |
| Net profit attributable to ordinary shareholders | (R'000) | **169 440** | 156 810 | 8,1 |
| Cash generated from operations | (R'000) | **451 379** | 185 626 | 143,2 |
| Return on shareholders' funds | (%) | **27,2** | 24,8 | 9,7 |
| Earnings per share | (cents) | **156,8** | 144,5 | 8,5 |
| Headline earnings per share | (cents) | **156,7** | 158,7 | (1,3) |
| Dividends paid per share | (cents) | **78,0** | 61,0 | 27,9 |
| Dividend declared – payable June 2014 | (cents) | **50,0** | 50,0 | – |

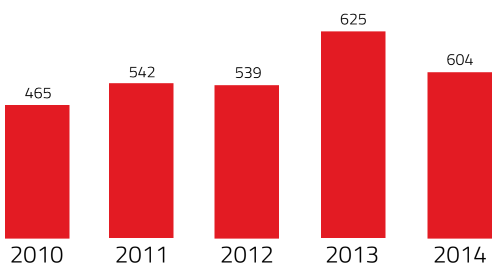
**Headline earnings and dividends per share** (cents)



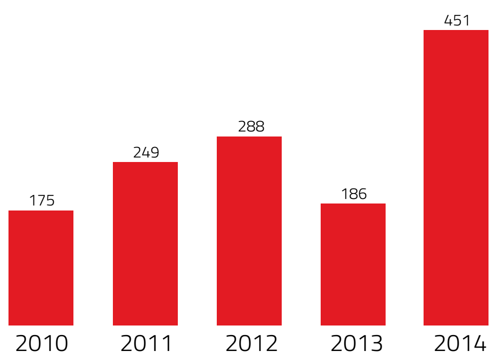

**Return on shareholders' funds** (%)




**Net asset value per share** (cents)




**Cash generated from operations** (R'million)




Note: *Figures prior to 2013 have not been restated in line with the changes in accounting policies reflected in note 34 to the financial statements.*

# GROUP PROFILE AND STRUCTURE

## RETAIL MOTOR

**VOLVO**
**Volvo Bryanston**
**Volvo Cape Town**
**Volvo Hatfield**
**Volvo Pretoria East**
**Volvo Tygervalley**
**Volvo Umhlanga**
**Volvo West Rand**

**FORD/MAZDA**
**Kempster Auto**
Bluff
Durban
Umhlanga Rocks
**Steyns Auto**
Pretoria
**Rand Auto**
Randburg
**Metro Auto**
Pretoria
**Hatfield Auto**
Pretoria

**NISSAN**
**Datcentre Nissan**
Durban
Hillcrest
Pietermaritzburg
Pinetown
**CMH Nissan**
Cape Town
Midrand
Sandton

**SUZUKI**
**Pinetown**
**Umhlanga Rocks**

**KIA**
**Bryanston**

**FIAT/ALFA ROMEO**
**CMH Umhlanga**
**CMH Pietermaritzburg**
**CMH Hatfield**

**GENERAL MOTORS**
**East Rand GM**
Boksburg
**West Rand GM**
Constantia
**Umhlanga GM**
Umhlanga Rocks

**TOYOTA**
**CMH Toyota Alberton**
**CMH Toyota Melrose**
**CMH Toyota Umhlanga**

**JAGUAR**
**Jaguar Cape Town**
**Jaguar Pretoria East**
**Jaguar Umhlanga**

**HONDA**
**Honda Hatfield**
**Honda Menlyn**
**Honda Pinetown**
**Honda The Glen**

**UD TRUCKS**
**CMH Commercial**
Pietermaritzburg
Westmead

**LAND ROVER**
**Land Rover Cape Town**
**Land Rover Pretoria**
**Land Rover Pretoria East**
**Land Rover Umhlanga**

**BMW/MINI**
**Lyndhurst Auto**
Melrose Arch
**Menlyn Auto**
**Umhlanga Auto**

**VOLKSWAGEN**
**Cape City VW**
Cape Town

**LEXUS**
Umhlanga

**MITSUBISHI**
Menlyn

**CITROËN**
Citroën Hatfield

**RENAULT**
Midrand

**INFINITI**
Pinetown

**INVESTMENT CARS**
Bryanston

**BMW APPROVED REPAIR CENTRE**
Umhlanga Rocks
Wynberg

**NAVISTAR**
**CMH Commercial International**
Pinetown

**MAHINDRA/ SSANGYONG**
Menlyn

**MORRIS GARAGES (MG)**
East Rand

## CAR HIRE

**FIRST CAR RENTAL**
OR Tambo (Johannesburg), King Shaka International (Durban), Bloemfontein, Port Elizabeth, Kimberley, Upington, East London, Nelspruit, George, Richards Bay, Pietermaritzburg, Mthatha, Lanseria and Cape Town airports, Cape Town central, Braamfontein, Durban, Pomona, Centurion, Sandton, Randburg, Pretoria, Bellville, Roodepoort, Polokwane, Stellenbosch, Rondebosch, Boksburg, Pinetown, Klerksdorp, Menlyn, Umhlanga Ridge, Witbank, Midrand, Southbroom, Rustenburg

## DISTRIBUTION AND FRANCHISE

**BONERTS**
Johannesburg

**NATIONAL WORKSHOP EQUIPMENT**
Pinetown

**BRITISH MOTORS DISTRIBUTORS**
Durban
Randburg

**CMH GREEN**
Countrywide

## FINANCIAL AND SUPPORT SERVICES

Full Maintenance Leasing
Treasury
Warranty
Credit Life
Vehicle Insurance
CMH Finance
CMH Insurance
CMH Carshop

## MARINE AND LEISURE

**CMH RECREATIONAL PRODUCTS**
Randburg

# BOARD OF DIRECTORS

## JOHN EDWARDS

**CA (SA)**
Independent non-executive chairman

Age: 78

Board appointment: 2002

Member of remuneration committee

## JEBB McINTOSH

**CA (SA)**
Chief executive officer

Age: 68

Board appointment: 1976

Member of social, ethics and transformation committee

## ZEE CELE

**BCom, Postgrad Dip Tax, MAcc (Tax)**
Independent non-executive

Age: 61

Board appointment: 2007

Member of audit committee
Member of social, ethics and transformation committee

## MARK CONWAY

**CA (SA)**
Executive

Age: 58

Board appointment: 2000

Member of social, ethics and transformation committee
Franchise director for various motor retail divisions, Marine and Leisure and British Motor Distributors

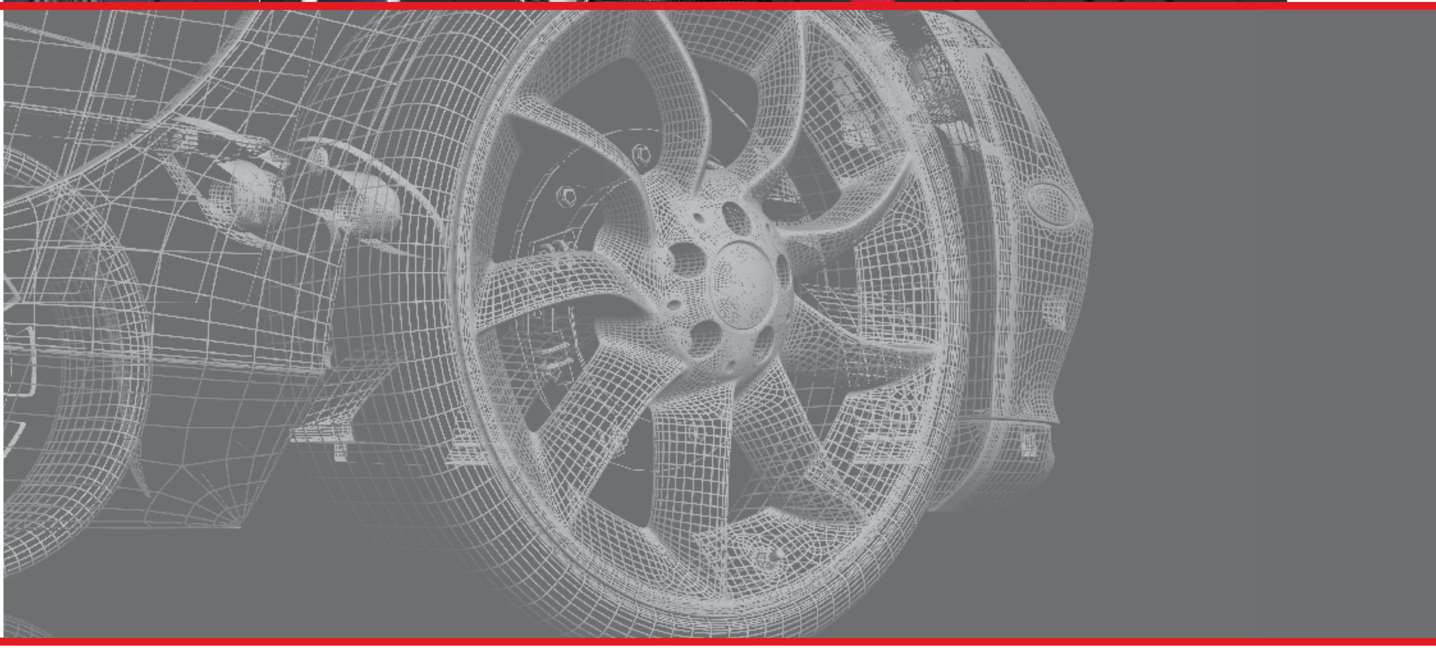
## JAMES DIXON

**CA (SA)**
Independent non-executive

Age: 62

Board appointment: 2010

Chairman of audit committee



## STUART JACKSON

**BCom (Hons) (Tax Law), CA (SA)**
Financial director

Age: 61

Board appointment: 1986

## DINEO MOLEFE

**Masters in International Accounting, CA (SA)**
Independent non-executive

Age: 36

Board appointment: 2011

Member of audit committee

## NONZUKISO SIYOTULA

**CA (SA),CIMA (UK), MBA**
Independent non-executive

Age: 29

Board appointment: 2014

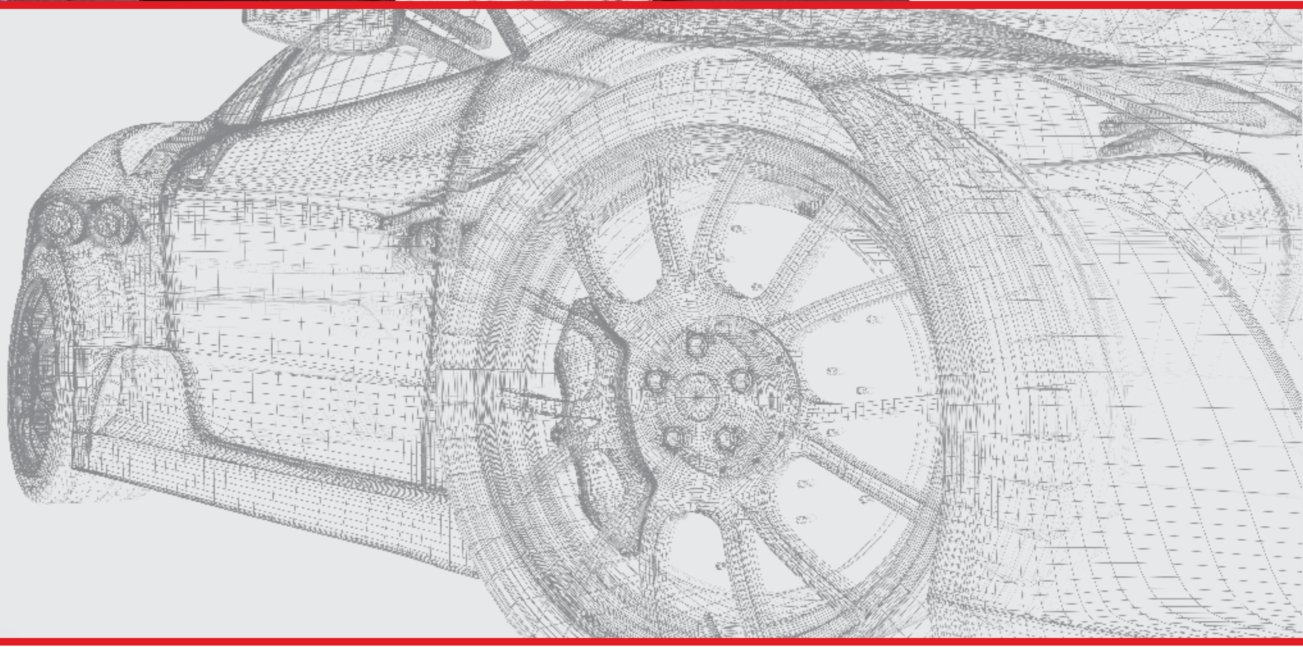
## MALDWYN ZIMMERMAN

Non-executive

Age: 79

Board appointment: 1976

Chairman of remuneration committee



# GROUP FIVE-YEAR STATISTICAL REVIEW

| STATEMENT OF FINANCIAL POSITION | | 2014 | Restated 2013 | Restated 2012 | 2011 | 2010 |
|---|---|---|---|---|---|---|
| Borrowings to total assets | (%) | **24,2** | 22,6 | 23,2 | 0,0 | 0,2 |
| Borrowings to total equity | (%) | **110,1** | 82,7 | 90,2 | 0,2 | 0,6 |
| Current ratio | (ratio) | **1,2** | 1,3 | 1,3 | 1,4 | 1,4 |
| Acid-test ratio | (ratio) | **0,6** | 0,7 | 0,7 | 0,7 | 0,8 |
| Net asset value per share | (cents) | **604** | 625 | 539 | 542 | 465 |
| Total assets per employee | (R'000) | **877** | 878 | 832 | 846 | 826 |

*Notes: Figures presented for years prior to 2012 have not been restated in line with the changes in accounting policies reflected in note 34 to the financial statements.*

| STATEMENT OF COMPREHENSIVE INCOME | | 2014 | Restated 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|---|
| Weighted average number of shares in issue | ('000) | **108 057** | 108 531 | 108 179 | 107 943 | 107 562 |
| Headline earnings per share | (cents) | **156,7** | 158,7 | 121,4 | 111,3 | 76,7 |
| Basic earnings per share | (cents) | **156,8** | 144,5 | 121,4 | 111,2 | 50,6 |
| Dividends per share | (cents) | **78,0** | 61,0 | 43,0 | 34,0 | 6,0 |
| Dividend cover | (times) | **2,0** | 2,6 | 2,8 | 3,3 | 12,8 |
| Net interest cover | (times) | **4,2** | 4,3 | 11,4 | 10,2 | 6,1 |
| Number of employees | | **2 935** | 2 840 | 2 728 | 2 572 | 2 427 |
| Revenue per employee | (R'000) | **3 690** | 3 454 | 3 040 | 2 862 | 2 681 |
| Operating profit on average total equity | (%) | **51,4** | 45,9 | 34,7 | 36,8 | 22,7 |
| Return on shareholders' funds | (%) | **27,2** | 24,8 | 20,8 | 22,0 | 11,4 |

*Notes: Figures presented for years prior to 2013 have not been restated in line with the changes in accounting policies reflected in note 34 to the financial statements.*

# DEFINITIONS

**Acid-test ratio**
Current assets less inventory divided by total current liabilities including short-term loans.

**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 including short-term loans.

**Dividend cover**
Headline earnings per share divided by dividends paid per share.

**Dividend yield**
Dividends paid divided by the year-end share price on the JSE Limited.

**Earnings yield**
Headline earnings per share divided by the year-end share price on the JSE Limited.

**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 interest cover**
Operating profit before net finance costs divided by net finance costs.

**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.

**Revenue per employee**
Revenue divided by the number of employees in service at year-end.

**Weighted average number of shares in issue**
The number of shares in issue at the beginning of the year adjusted for shares issued/repurchased during the year weighted on a time basis for the period during which the shares are in issue.

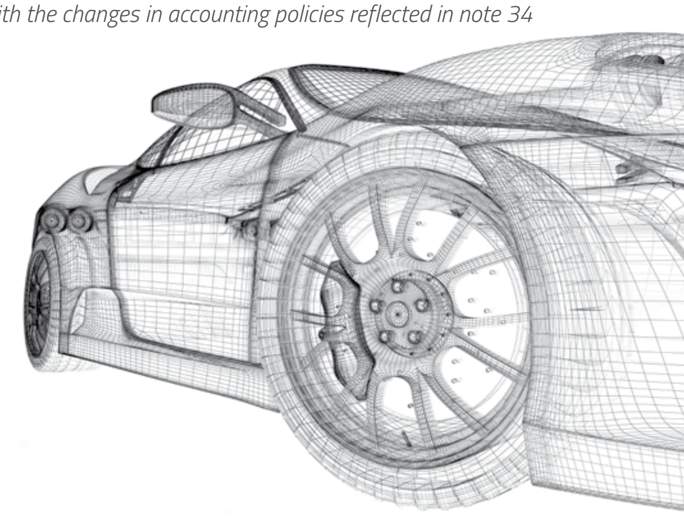
# GROUP FIVE-YEAR FINANCIAL REVIEW

| STATEMENT OF FINANCIAL POSITION | 2014 R'000 | Restated 2013 R'000 | Restated 2012 R'000 | 2011 R'000 | 2010 R'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Plant and equipment | **74 803** | 68 803 | 58 537 | 58 565 | 64 493 |
| Investments | **–** | – | – | 187 271 | 166 037 |
| Insurance receivable | **18 039** | 1 074 | 2 445 | – | – |
| Deferred taxation | **46 643** | 45 707 | 49 964 | 55 287 | 49 896 |
| Goodwill | **74 972** | 74 972 | 89 972 | 89 972 | 89 972 |
| Current assets | **2 359 653** | 2 304 068 | 2 067 552 | 1 785 666 | 1 634 769 |
| **Total assets** | **2 574 110** | 2 494 624 | 2 268 470 | 2 176 761 | 2 005 167 |
| **EQUITY AND LIABILITIES** | | | | | |
| Ordinary shareholders' equity | **565 614** | 680 551 | 582 863 | 588 572 | 500 764 |
| Non-controlling interest | **112** | 120 | 266 | (2 563) | (818) |
| Borrowings | **622 962** | 563 116 | 525 768 | 986 | 3 169 |
| Advance from non-controlling shareholders of subsidiaries | **4 193** | 11 193 | 15 952 | 176 162 | 208 944 |
| Assurance funds | **–** | – | – | 13 137 | 14 766 |
| Insurance payable | **2 156** | 2 608 | 2 746 | – | – |
| Lease liabilities | **99 003** | 106 573 | 111 167 | 110 176 | 98 079 |
| Other current liabilities | **1 280 070** | 1 130 463 | 1 029 708 | 1 290 291 | 1 180 263 |
| **Total equity and liabilities** | **2 574 110** | 2 494 624 | 2 268 470 | 2 176 761 | 2 005 167 |

*Note: Figures presented for years prior to 2012 have not been restated in line with the changes in accounting policies reflected in note 34 to the financial statements.*

| STATEMENT OF COMPREHENSIVE INCOME | 2014 R'000 | Restated 2013 R'000 | 2012 R'000 | 2011 R'000 | 2010 R'000 |
|---|---|---|---|---|---|
| Revenue | **10 831 384** | 9 808 733 | 8 293 728 | 7 362 224 | 6 507 518 |
| Operating profit to revenue (%) | **3,0** | 3,0 | 2,6 | 2,7 | 1,7 |
| Operating profit | **320 224** | 289 827 | 217 124 | 199 992 | 108 103 |
| Net finance costs | **(75 547)** | (67 333) | (19 110) | (19 517) | (17 734) |
| Profit before taxation | **244 677** | 222 494 | 198 014 | 180 475 | 90 369 |
| Tax expense | **(75 245)** | (65 680) | (53 868) | (50 139) | (35 586) |
| Total profit | **169 432** | 156 814 | 144 146 | 130 336 | 54 783 |
| Non-controlling interest | **8** | (4) | (12 849) | (10 305) | (344) |
| Attributable profit | **169 440** | 156 810 | 131 297 | 120 031 | 54 439 |
| Dividends | **(85 026)** | (66 202) | (46 513) | (36 703) | (6 457) |
| Retained earnings | **84 414** | 90 608 | 84 784 | 83 328 | 47 982 |

*Note: Figures presented for years prior to 2013 have not been restated in line with the changes in accounting policies reflected in note 34 to the financial statements.*

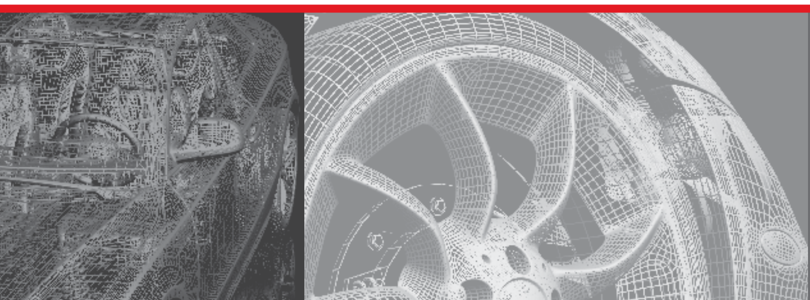


# GROUP OPERATIONS

## RETAIL MOTOR DEALERSHIPS

| | | | | |
|---|---|---|---|---|
| FRANCHISE | Volvo | Land Rover | Jaguar | Mitsubishi |
| OPERATING LOCATIONS | Bryanston, Cape Town, Hatfield, Pretoria East, Tygervalley, Umhlanga Rocks, West Rand | Cape Town, Pretoria, Pretoria East, Umhlanga Rocks | Cape Town, Pretoria East, Umhlanga Rocks | Menlyn |
| EMPLOYEES | 255 | 92 | 28 | 18 |
| SENIOR MANAGEMENT | S Atkinson (franchise manager), A Bell, W Edgar, O Fourie, D Gray, N Kelly, M Macpherson, C Pienaar | S Atkinson (franchise manager), W Ellis, D Gray, P van Niekerk, E Vorster | S Atkinson (franchise manager), W Ellis, D Gray, P van Niekerk | S Atkinson (franchise manager), P Voges |

| | | | | |
|---|---|---|---|---|
| FRANCHISE | Honda | Ford, Mazda | General Motors | Mahindra, SsangYong |
| OPERATING LOCATIONS | Hatfield, The Glen Menlyn, Pinetown | Durban, Bluff, Umhlanga Rocks, Pretoria, Gezina, Hatfield, Randburg | Boksburg, Constantia: West Rand, Umhlanga Rocks | Menlyn |
| EMPLOYEES | 136 | 354 | 163 | 18 |
| SENIOR MANAGEMENT | J Grant, D Grobler, D Pepperell C Thirion, J van der Linde, C Webber (franchise manager) | M Britz, M Buck, P Gething, K Kruger, T Morey (franchise manager), P Ras, R Spence, Z van Greuning, C Wainwright | M Conway (director), G Aspden, A Hughes, S Singleton, J van der Linde, G Williams | S Atkinson (franchise manager), P Voges |



| | | | | |
|---|---|---|---|---|
| FRANCHISE | Citroën | Nissan | Navistar | UD Trucks |
| OPERATING LOCATIONS | Hatfield | Cape Town, Sandton, Durban, Pinetown, Pietermaritzburg, Hillcrest, Midrand | Pinetown | Westmead, Pietermaritzburg |
| EMPLOYEES | 13 | 304 | 11 | 65 |
| SENIOR MANAGEMENT | S Atkinson (franchise manager), C Pienaar | R Downs, G Gray (franchise manager), A Hughes, J Kimber, R Kirsten, R Murugan, S Singleton, C Smith, J van der Linde, C Walters | G Gray (franchise manager) L le Roux | R Byng, G Gray (franchise manager), L le Roux |

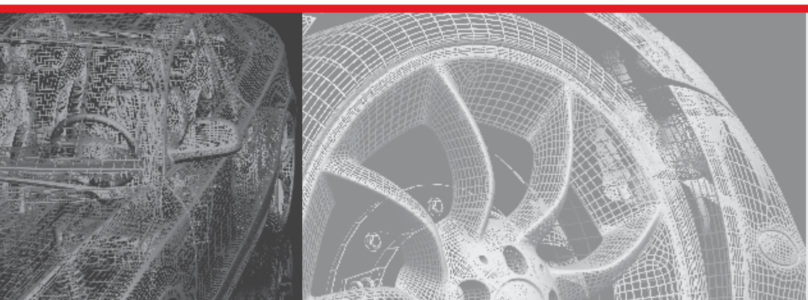
| | | | | |
|---|---|---|---|---|
| FRANCHISE | BMW, Mini | BMW Approved Repair Centre | Toyota | Lexus |
| OPERATING LOCATIONS | Melrose Arch, Menlyn, Umhlanga Rocks | Wynberg, Umhlanga Rocks | Alberton, Melrose Arch, Umhlanga Rocks | Umhlanga Rocks |
| EMPLOYEES | 351 | 107 | 183 | 16 |
| SENIOR MANAGEMENT | B Cole, M Conway (director), P Henning, W van Zyl | B Cole, M Conway (director), P Henning, M Holmes, D van Zyl | P de Villiers, A Hughes, J Nel, M van Heerden, C Webber (franchise manager) | D McCulloch, C Webber (franchise manager) |

# GROUP OPERATIONS continued

## RETAIL MOTOR DEALERSHIPS

| | | | | |
|---|---|---|---|---|
| FRANCHISE | **Volkswagen** | **Fiat, Alfa Romeo** | **Suzuki** | **Infiniti** |
| OPERATING LOCATIONS | Cape Town | Umhlanga Rocks, Pietermaritzburg, Hatfield | Pinetown, Umhlanga Rocks | Pinetown |
| EMPLOYEES | 59 | 77 | 30 | 12 |
| SENIOR MANAGEMENT | S Atkinson (franchise manager), W Edgar, M Haf | T Morey (franchise manager), N Grobler, G Mudrovcic, C Walters | B Faulds, G Mudrovcic, C Webber (franchise manager) | G Gray (franchise manager), S Nyandeni |

| | | | | |
|---|---|---|---|---|
| FRANCHISE | **Kia** | **Investment Cars** | **Renault** | **Morris Garages** |
| OPERATING LOCATIONS | Bryanston | Bryanston | Midrand | East Rand |
| EMPLOYEES | 35 | 10 | 9 | 9 |
| SENIOR MANAGEMENT | T Morey (franchise manager), C Germishuizen | M Bruce, G Gray (franchise manager) | C Smith, G Gray (franchise manager) | C Lanham-Love |



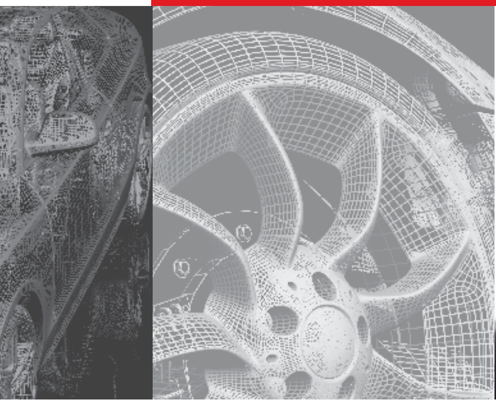
## FINANCIAL AND SUPPORT SERVICES

CMH FINANCE | CMH INSURANCE | CMH GROUP IT | CMH Carshop.co.za

| | |
|---|---|
| FRANCHISE | CMH Finance, CMH Insurance, CMH IT, CMH Carshop |
| OPERATING LOCATIONS | All Group operations |
| EMPLOYEES | 94 |
| SENIOR MANAGEMENT | JP de Bruyn, C Downs, S Eloff, K Fonseca, A Julius, G Liebenberg, M Mansoor, R Margach, C Massey-Hicks, R Minnaar, V Naidoo, E Utermark |

| | CAR HIRE | DISTRIBUTION AND FRANCHISING | MARINE AND LEISURE |
|---|---|---|---|
| FRANCHISE | First Car Rental | Bonerts, National Workshop Equipment, CMH Green, British Motor Distributors | CMH Marine and Leisure |
| OPERATING LOCATIONS | Airports<br>OR Tambo (Johannesburg), King Shaka International (Durban), Port Elizabeth, East London, George, Cape Town, Bloemfontein, Nelspruit, Kimberley, Upington, Richards Bay, Lanseria, Pietermaritzburg, Mthatha<br><br>Other<br>Durban, Cape Town central, Pomona, Randburg, Braamfontein, Sandton, Centurion, Midrand, Polokwane, Pretoria, Stellenbosch, Rustenburg, Boksburg, Pinetown, Bellville, Roodepoort, Menlyn, Umhlanga Ridge, Witbank, Rondebosch, Southbroom, Klerksdorp | Bonerts: Johannesburg<br>National Workshop Equipment: Pinetown<br>CMH Green: Countrywide<br>British Motor Distributors: Durban, Randburg | Randburg |
| EMPLOYEES | 368 | 85 | 28 |
| SENIOR MANAGEMENT | Executive committee<br>B Barritt (managing director), U Crouse, R McKay, A Nel, M Storey, B Troeberg<br><br>Other senior management<br>C Ault, S Duriex, V Govender, L Hall, R Imray, S Marshall, C McWilliams, C Reid, C Saayman, M Voges, K Werth | Senior management<br>C Lanham-Love, R Margach, S McCulloch, A Sumares, G Thomas | Senior management<br>A Hughes, C Lanham-Love |

# REPORT OF THE CHIEF EXECUTIVE OFFICER



Given the economic background, I am pleased with the results achieved by the Group. Off revenue which exceeded the R10 billion level for the first time, the Group reported a 10,5% increase in operating profit, and a 3% margin on revenue.

**It gives me pleasure to present my report on the activities of the Group during the year ended 28 February 2014.**

**The year began in a positive mood, with consumer confidence at the relatively high levels recorded in the latter months of 2012. However, testing times began with the prolonged strike in both the motor manufacturing and the motor component sectors. These impacted negatively on production for a three-month period. The continual fuel price increases, the currency collapse in November/December, and the interest rate hike in January 2014 have precipitated a fall in consumer confidence to levels last seen in October 2010. Higher levels of household debt, and consequent falling vehicle affordability, have increased the pressure in an already competitive and testing economy.**

**Given this background, I am pleased with the results achieved by the Group. Off revenue which exceeded the R10 billion level for the first time, the Group reported a 10,5% increase in operating profit, and a 3% margin on revenue.**

## FINANCIAL OVERVIEW

Group revenue increased by 10% to R10,8 billion, with the retail motor, car hire and financial services segments reporting real growth. Despite the revenue growth and the knock-on effect on variable expenses, total selling and administration expenses rose a modest 7,3%. Expansion of the car hire fleet, coupled with the January 2014 prime rate hike, caused net finance costs to increase by 12,2%.

Within the segments, the 10,7% decline in retail motor profit before taxation was more than offset by the improvements in car hire, marine and leisure, and financial services.

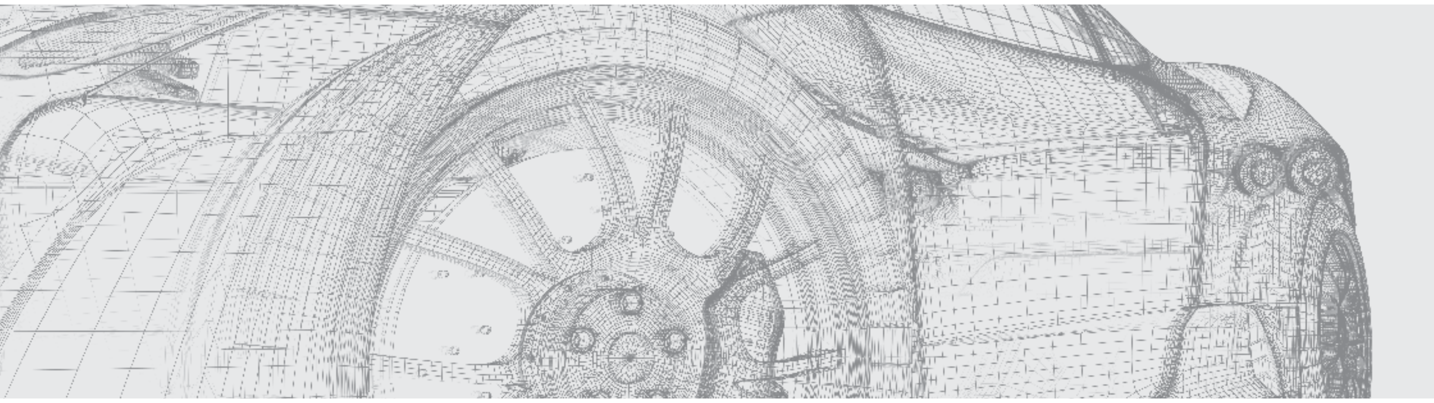
After eliminating the cost of goodwill impaired last year, headline earnings reflected a decline of 1,3%, to R169,3 million. Although disappointing, this still represents a creditable 27,2% return on shareholders' funds.

In October 2013 the Board announced that it intended to utilise some of its surplus cash to effect an offer to shareholders to voluntarily submit for repurchase all or a portion of their shares. The exercise was completed in February 2014, and resulted in the Company repurchasing 15,4 million shares at R13 each, a total outlay of R200,2 million excluding costs. Despite this negative cash flow, and the payment of dividends totalling R85,0 million, the Group ended the year with cash resources of R308,4 million. The 14,0% reduction in shares in issue will have the effect of enhancing earnings and dividends per share in future periods.

The assets and liabilities levels, as recorded in the statement of financial position, remain substantially unchanged from last year. The Group is soundly positioned, with the only interest-bearing borrowings being of a short-term nature, aligned with the value of the car hire fleet.

During the year a number of changes in accounting policies were effected. These were triggered principally by accounting statement changes and, to a lesser extent, by decision of the Board. Full details of the changes, and the impact on the financial statements, are contained in the notes to the financial statements.

Total dividends declared during the year were 78 cents per share, up 27,9% on the previous year. The relatively unchanged level of headline earnings and continued liquidity



have enabled the Board to declare a dividend of 50 cents per share, payable in June 2014.

## OPERATIONAL OVERVIEW

The Group's management style remains one of decentralised operating and marketing complemented by centralised cash flow monitoring, accounting controls and internal audit. Remuneration of management and staff is linked to performance benchmarks, all of which are closely monitored using internally-generated measurements, and peer group review. The Group operates in sectors which produce very low margins, so tight control over expenses and cash flow is vital to success.

An important challenge is ensuring that Group staff has the commitment, training and integrity to provide the level of skill and expertise expected by both the manufacturers that we represent, and our customers. Staff training is a priority. During the year over 1 000 managers and staff completed 25 750 training modules in the areas of sales, deal-closing, and customer support and follow-up. In the technical areas, 101 apprentices were enrolled in various levels of training. Of these, 11 qualified as artisans and have been enrolled on further product-specific training programmes conducted by various motor manufacturers. Non-technical training was provided to 74 staff members, all from previously-disadvantaged backgrounds, in the areas of workshop reception and finance and insurance. A second challenge is to retain, develop and promote the staff who have completed their training. Once they are qualified and have a few years of work experience, these staff members, and especially those from previously-disadvantaged backgrounds, are valuable workplace assets and are continually approached with lucrative job offers. Unfortunately, technical training support from Merseta was reduced during 2013, and has now been stopped. This decision will adversely affect the Group's ability to achieve its projected training targets.

The Group as a whole has retained its B-BBEE status as a level 4 contributor, and the car hire division, measured separately, as a level 3 contributor. The implementation of a revised and considerably more challenging scorecard has been delayed until 2015. This means that both the Group and the car hire division should retain their status during the year ahead, but thereafter will be severely down-rated as the proposed targets will be near impossible to attain in the short/medium term.

### Motor retail

In line with the national market in respect of the franchises which the Group represents, only marginal growth in new passenger and light commercial unit sales was achieved during the year. In the used vehicle market, the Group recorded growth of 4% against an estimated national market decline of 5%.

Whilst the majority of branches returned excellent results, the overall picture was spoilt by disappointing, albeit predictable, losses in others.

One of the strengths of the Group is that it represents a wide range of motor manufacturers. This provides a measure of protection against the fluctuating fortunes of these manufacturers. Nevertheless, the decline of a particular manufacturer does negatively impact on Group results. During the year the Group suffered losses in its once-profitable Peugeot dealerships, and was forced to close four outlets. The staff, lease and other unavoidable costs have been fully accounted for, and will eliminate losses in the year ahead.

There are two principal growth paths in the retail motor industry – by acquisition, or by developing "green-field" dealerships. The former is difficult to achieve because the majority of desirable targets are held by big motor groups like ourselves and are rarely offered for sale. If and when they are available, they command high premiums over their net asset value. Consequently, the Group has, over the past two years, invested in establishing new dealerships, usually in competition with developed dealers in the vicinity and often representing less popular vehicle brands. These investments are not without attendant risks. A dealership infrastructure is high, particularly in terms of staff and lease commitments, and the break-even volumes can take a considerable time to achieve. In the interim, trading losses must be absorbed. Management's task is to continuously assess performance against budget and to terminate those operations that show no realistic chance of future profitability. During the year

## REPORT OF THE CHIEF EXECUTIVE OFFICER continued

under review a number of new investments were made and they, predictably, incurred start-up losses.

The environment remained extremely competitive, especially in the lower value segments, as manufacturers struggled to maintain their share of a declining market. The intense competition forced them to once again contain increases to rates which were below inflation. At dealer level the competition manifested in pressure to maintain higher than optimum inventory levels and to conclude sales at reduced margins.

The MG/Maxus range produced disappointing results, both at importer/distributor and retail level. Significant delays in the production of the new range of smaller and higher-volume MG models has meant that the businesses have not been able to cover overheads with the low volume of sales of the current product. Management is assessing its options regarding the future of this venture, particularly in light of the recent currency deterioration.

The Group's workshops and parts departments produced outstanding results, increasing profitability by 41% and 8% respectively. These departments produce the stable and dependable base on which all successful dealerships are founded, and their continued growth is comforting.

Customer service levels at each dealership are measured monthly, both internally and by independent manufacturer representatives. It is a constant challenge to maintain best-in-class standards in the face of ever-increasing demands of customers.

The Group's web-based Carshop brand has been identified as a stand-alone business, and will market both Group and externally-sourced vehicles.

The ill-conceived billing system designed for the Gauteng toll roads is proving to be unworkable in a dealership environment. Accounts are received for vehicles long since sold and for usage prior to the dealerships trading in used vehicles. This occurs, in part, because the toll system is linked to an already-flawed eNaTis system containing inaccurate vehicle ownership information. Attempts to have invoices redirected to correct owners are met with no response from an obviously overloaded Sanral billings department. I hope that the inefficiencies highlighted since the opening of these toll roads will prompt a rethink by the appropriate authorities.

### Car hire

Over the last six years, since its rebranding in 2008, this division has recorded a remarkable 25% compound growth in profit. This is testament to the sound management team under the leadership of Bruce Barritt, and adherence to the core principle that consistently good customer service will build a loyal customer base. The First Car Rental brand is the country's largest car rental brand that is not linked to an international brand. Operating from 40 locations including all major airports, the division has a state-of-the-art web-based marketing and reservations system providing a user-friendly customer interface. To reduce vehicle damage repair costs and turnaround times, the division has opened its own panel shop in Cape Town, and a second is planned for the Kempton Park depot. I expect continued growth in the years ahead.

### Marine and leisure

Management's decision to close the retail outlet in Randburg has proved correct. The business has been restructured to concentrate on import and distribution, and the product range has been trimmed to those lines which have historically delivered profitable volumes. During the six months to 31 August 2013, the division recorded a trading loss of R1,8 million, whilst the second half produced a profit of R1,1 million. I am confident that the restructured business will continue the second-half trend.

### Financial services

This division comprises five insurance cells providing life, disability, retrenchment, and vehicle warranty cover, and two joint venture vehicle financing operations. Insurance premium income increased almost 200% during the year which bodes well for the continued success of these cells. I recorded last year that prior year losses in the finance joint ventures had been eliminated, and the result was a profit of R19,5 million, up from R5,0 million. This annuity-type income has the potential to record continued growth in the years ahead.

### Environmental issues

The two principal environmental issues on which the Group has focused are the waterless car wash system and energy-saving measures. The car wash system is used at all Group outlets and numerous independent locations. At year-end, 400 of these water-saving systems were in operation, up from 205 in 2012, and 107 in 2011.

Car dealership showrooms are notoriously high energy consumers. However, with the introduction of relatively simple energy-efficient technology and automation devices, consumption has been reduced by up to 46%. The Group efforts were recognised at the recent Eskom eta Awards function where a special award was received for the success of the Lyndhurst BMW dealership project.

### PROSPECTS

Recent economic data releases indicate the economy is heading for a period of consolidation and slower economic growth. Real disposable income of the majority of households has not kept pace with inflation, and the anticipated interest rate hikes will only worsen the position. Continued strike action is worrying. Only when the country can develop a stable work force, operating at peak efficiency and with reasonable salary expectations, will companies be able to generate the profits required to foster expansion and further job creation. Resolution of the recent electricity supply disruptions is a priority.

In the retail motor segment, I expect negative dealer vehicle sales growth in the year ahead. After a number of years of pleasing growth, I expect a period of consolidation. Following the devaluation of the rand it is inevitable that price increases will be effected. A number of relatively significant increases have already been announced and these are expected to continue.

The strategy within the Group is to maintain the profit levels of the historically successful operations, and to secure growth by elimination of the loss-makers. The rigorous evaluation of sub-performing branches started during the second half of 2013 and progress has been encouraging. The expected new vehicle price increases will widen the gap between new and used vehicles and create opportunities for growth in that market.

As mentioned earlier, the marine and leisure division is well on the way to recovery, and continued growth is expected from car hire, financial services and parts/workshop departments.

The Group has a strong and experienced management team which embraces the challenge of growing earnings in what threatens to be a difficult trading environment.

## CHANGES IN DIRECTORATE

During October 2013, Maldwyn Zimmerman announced his retirement as chairman of the Group. He has headed the Group since its inception in 1976 and during its listing in 1987. I take this opportunity to thank Maldwyn for his invaluable contribution and wise council over an extended period.

John Edwards was elected as Maldwyn's successor. He has a long association with the Group, having been appointed to the Board in 2002. John has, over the years, served as chairman of the audit and risk assessment committee and remuneration committee, and in recent years acted as lead independent director. He brings with him a wealth of professional and business leadership experience, and I look forward to working with him during his tenure.

Vusi Khanyile, chairman of Thebe Investment Corporation, resigned in January 2014 and his position was filled by Zukie Siyotula.

## ACKNOWLEDGEMENTS

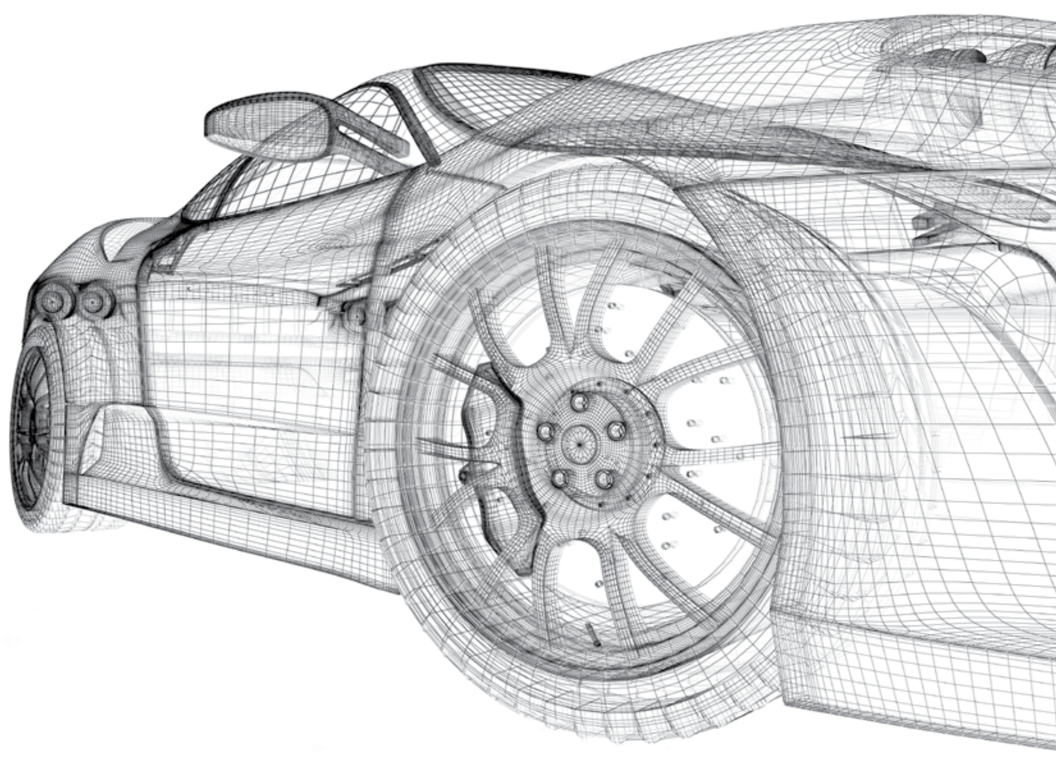
I express my appreciation to the Group's trading partners, particularly the motor manufacturers and finance houses. Their continued support and participation in partnership with the Group is an important ingredient in its success.

My thanks are extended to all the staff, and especially the executive committee, for their ongoing commitment and support. I believe that the expertise and experience which they collectively bring to our deliberations is unrivalled in the industry.

Finally, the non-executive directors provide guidance and a sounding-board on many issues from strategy planning to corporate governance. I acknowledge their valuable input.

**JD McIntosh**
*Chief executive officer*

16 April 2014



# CORPORATE GOVERNANCE

| KING III: AN OVERVIEW | | |
|---|---|---|
| KEY | ✔ Compliant | # Partially compliant ? Under review |
| 1 | ETHICAL LEADERSHIP AND CORPORATE CITIZENSHIP | |
| 1.1 | ✔ | Effective leadership based on an ethical foundation |
| 1.2 | ✔ | Responsible corporate citizen |
| 1.3 | ✔ | Effective management of Group's ethics |
| 2. | BOARDS AND DIRECTORS | |
| 2.1 | ✔ | The Board is the focal point for and custodian of corporate governance |
| 2.2 | ✔ | Strategy, risk, performance and sustainability are inseparable |
| 2.3 | ✔ | Effective leadership based on an ethical foundation |
| 2.4 | ✔ | Responsible corporate citizen |
| 2.5 | ✔ | Effective management of Group's ethics |
| 2.6 | ✔ | Effective and independent audit committee |
| 2.7 | ✔ | The Board is responsible for the governance of risk and setting levels of risk tolerance |
| 2.8 | ✔ | The Board is responsible for information technology (IT) governance |
| 2.9 | ✔ | The Board ensures that the Group complies with relevant laws |
| 2.10 | ✔ | Effective risk-based internal audit |
| 2.11 | ✔ | Appreciation that stakeholders' perceptions affect the Group's reputation |
| 2.12 | ✔ | Ensures the integrity of the Group's integrated report |
| 2.13 | ✔ | Assessment of the effectiveness of the Group's system of internal controls |
| 2.14 | ✔ | Directors act in the best interests of the Group |
| 2.15 | ✔ | Consideration of business rescue proceedings and other turnaround mechanisms |
| 2.16 | ✔ | The chairman of the Board is an independent non-executive director |
| 2.17 | ✔ | Appoints chief executive officer and establishes framework for the delegation of authority |
| 2.18 | ✔ | The Board comprises a balance of power, with a majority of non-executive directors who are independent |
| 2.19 | ✔ | Directors are appointed through a formal process |
| 2.20 | ? | Formal induction and ongoing training of directors is conducted (note 1) |
| 2.21 | ✔ | The Board is assisted by a competent, suitably qualified and experienced company secretary |
| 2.22 | ✔ | Annual performance evaluations of the Board, its committees and the individual directors |
| 2.23 | ✔ | Appointment and delegation of certain functions to well-structured committees |
| 2.24 | ✔ | An agreed governance framework between the Group and its subsidiary Boards is in place |
| 2.25 | ✔ | Directors and executives are fairly and responsibly remunerated |
| 2.26 | # | Remuneration of directors and senior executives is disclosed (note 2) |
| 2.27 | ✔ | The Group's remuneration policy is approved by its shareholders |
| 3. | AUDIT COMMITTEE | |
| 3.1 | ✔ | Effective and independent |
| 3.2 | ✔ | Suitably skilled and experienced independent non-executive directors |
| 3.3 | ✔ | Chaired by an independent non-executive director |
| 3.4 | ✔ | Oversees integrated reporting |
| 3.5 | ✔ | A combined assurance model is applied to provide a co-ordinated approach |
| 3.6 | ✔ | Satisfies itself of the expertise, resources and experience of the Group's finance function |
| 3.7 | ✔ | Oversees internal audit |
| 3.8 | ✔ | Integral to the risk management process |
| 3.9 | ✔ | Recommends the appointment of the external auditor and oversees the external audit process |
| 3.10 | ✔ | Reports to the Board and shareholders on how it has discharged its duties |

| KING III: AN OVERVIEW | | |
|---|---|---|
| 4. | GOVERNANCE OF RISK | |
| 4.1 | ✔ | The Board is responsible for the governance of risk |
| 4.2 | ✔ | The Board is responsible for determining the levels of risk tolerance |
| 4.3 | ✔ | The risk committee assists the Board in carrying out its risk responsibilities |
| 4.4 | ✔ | The Board delegates the risk management plan to management |
| 4.5 | ✔ | The Board ensures that risk assessments are performed on a continual basis |
| 4.6 | ✔ | Frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks |
| 4.7 | ✔ | Management considers and implements appropriate risk responses |
| 4.8 | ✔ | The Board ensures continual risk monitoring by management |
| 4.9 | ✔ | The Board receives assurance of the effectiveness of the risk management process |
| 4.10 | ✔ | Complete, timely, relevant, accurate and accessible risk disclosure to stakeholders |
| 5. | THE GOVERNANCE OF INFORMATION TECHNOLOGY | |
| 5.1 | ✔ | The Board is responsible for information technology (IT) governance |
| 5.2 | ✔ | IT is aligned with the performance and sustainability objectives of the Group |
| 5.3 | ✔ | Management is responsible for the implementation of an IT governance framework |
| 5.4 | ✔ | The Board monitors and evaluates significant IT investments and expenditure |
| 5.5 | ✔ | IT is an integral part of the Group's risk management |
| 5.6 | ✔ | IT assets are managed effectively |
| 5.7 | ✔ | The audit and risk committee assists the Board in carrying out its IT responsibilities |
| 6. | COMPLIANCE WITH LAWS, RULES, CODES AND STANDARDS | |
| 6.1 | ✔ | The Board ensures that the Group complies with relevant laws |
| 6.2 | ✔ | The Board and each individual director has a working understanding of the effect of applicable laws, rules, codes and standards on the Group |
| 6.3 | ✔ | Compliance risk forms an integral part of the Group's risk management process |
| 6.4 | ✔ | The Board has delegated to management the implementation of an effective framework and processes |
| 7. | INTERNAL AUDIT | |
| 7.1 | ✔ | Effective risk-based internal audit |
| 7.2 | ✔ | Internal audit follows a risk-based approach to its plan |
| 7.3 | ✔ | Written assessment of the effectiveness of the Group's system of internal controls and risk management |
| 7.4 | # | Audit committee is responsible for overseeing internal audit (note 3) |
| 7.5 | ✔ | Internal audit is strategically positioned to achieve its objectives |
| 8. | GOVERNING STAKEHOLDER RELATIONSHIPS | |
| 8.1 | ✔ | Appreciation that stakeholders' perceptions affect the Group's reputation |
| 8.2 | ✔ | Management proactively deals with stakeholder relationships |
| 8.3 | ✔ | There is an appropriate balance amongst the Group's various stakeholder groupings |
| 8.4 | ✔ | Equitable treatment of stakeholders |
| 8.5 | ✔ | Transparent and effective communication to stakeholders to build their trust and confidence |
| 8.6 | ✔ | Disputes are resolved as effectively, efficiently and expeditiously as possible |
| 9. | INTEGRATED REPORTING AND DISCLOSURE | |
| 9.1 | ✔ | The Board ensures the integrity of the Group's integrated report |
| 9.2 | ✔ | Sustainability reporting and disclosure is integrated with the Group's financial reporting |
| 9.3 | # | Sustainability reporting and disclosure is independently assured (note 4) |

**NOTES**

1. *Induction of directors is not conducted through formal processes. This has not been necessary to date as new appointees have been familiar with the Group's operations, business environment and sustainability issues. Consideration will be given to an induction programme for future appointees.*
2. *The remuneration of the three most highly-paid employees who are not directors has not been disclosed. The Board believes that such information is private to the individuals concerned, sensitive to peer review, and adds no value to stakeholders. The Board confirms that no such employee earns in excess of the executive directors.*
3. *The internal audit function is not subjected to an independent quality review as the Board does not believe this will add value.*
4. *Systems for the measurement and monitoring of various sustainability issues have been implemented. Sustainability reporting is not independently assured as the Board does not believe this will add value.*

# CORPORATE GOVERNANCE continued

## BACKGROUND

The King Code of Governance for South Africa 2009 ("King III") became effective on 1 March 2010. In terms of the JSE Limited Listings Requirements, the Group is required to report in line with the principles of King III.

The Board of directors ("the Board") of Combined Motor Holdings Limited ("CMH") 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.

King III has adopted the "apply or explain" approach, which encourages consideration of how and whether the principles and recommendations can be applied. It is the duty of the Board to act in the best interests of CMH and its subsidiaries ("the Group") and, in following the "apply or explain" approach, the Board may decide that to follow a particular principle would not be in such best interests. The Group may apply an alternative practice, or decide that the principle adds no value due to the nature, size and scope of its operations, and still achieve the objective of the overreaching corporate governance principles. Where the cost of compliance is burdensome in terms of both time and direct cost, and there is a concern that the Board and management become focused on compliance issues at the expense of entrepreneurship, the Board has strived to achieve a balance which is appropriate to the Group. It is the duty of the Board to undertake risk for reward in order to increase the economic value of the Group. If the Board has an undue focus on compliance, the attention towards financial performance may be diluted.

The Board recognises that the ultimate compliance officers are the various stakeholders of the Group. They will, by their continued support or lack thereof, let the Board know whether they accept the Group's departure from a recommended practice. The Group aims to provide accurate, complete and reliable information in respect of financial and non-financial reporting through the strengthening of its overall control environment.

## ETHICAL LEADERSHIP AND CORPORATE CITIZENSHIP

The Board recognises that good corporate governance emanates from effective, responsible leadership, which is characterised by the ethical values of responsibility, accountability, fairness and transparency.

To this end the Board has:

- accepted responsibility for ensuring that management activity cultivates a culture of ethical conduct and that the highest level of integrity permeates all aspects of the Group's business; and
- developed a Code of Ethics to provide guidance to all employees to ensure they act with uncompromising honesty and integrity. The Code is communicated to each employee at time of engagement, is reinforced at meetings of the executive committee ("Exco"), dealer principals and staff, and is posted on the Group's internal website. The Code aims to guide every level of the business in terms of expected behaviour and practices with reference to interaction with all material stakeholders. The Group's performance in this area is monitored by reference to the number of instances of unethical behaviour detected by management and the internal audit department, or reported via the outsourced, anonymous, toll-free hotline.

## BOARDS AND DIRECTORS

### Role

The role and responsibilities of the Board are set out in a charter which has been adopted and signed by each director. The Board recognises that its paramount responsibility is the positive performance of the Group in creating value. This value creation is designed to satisfy the legitimate interests and expectations of all stakeholders.

### Function

King III imposes various specific responsibilities on the Board. The directors embrace these and acknowledge that the Board has primary responsibility for ensuring that:

- **Group strategy, risk, performance and sustainability are inseparable;**

  The Board plays a prominent role in the strategy development process and ensures that it is aligned with the purpose of the Group and its value drivers. Key performance indicators are identified in areas of finance and sustainability. Such indicators are clear and measurable and, if attained, result in profitable and sustainable results.

- **it provides effective leadership based on an ethical foundation of responsibility, accountability, fairness and transparency;**

  The Board takes active measures to ensure that the Group's code of conduct is adhered to in all aspects of business.

- **the Group is and is seen to be a responsible corporate citizen;**

  The Board is not merely responsible for the Group's financial bottom line, but for its performance within the triple context in which it operates: economic, social and environmental.

- **the Group has an effective and independent audit and risk assessment committee;**

  Full details of the audit and risk assessment committee are provided on pages 23 and 24.

- **the Board has an effective system for the governance of risk;**

  Whilst management has responsibility for the implementation of the risk management plan and for providing assurance to the Board in this regard, the Board ensures, through the audit and risk assessment committee, that risk monitoring is a continual process and that risk assessments are performed on an ongoing basis with appropriate risk responses.

  In addition, the Board ensures that the frameworks are such that they increase the probability of anticipating unpredictable risks, and that appropriate risk disclosure is made to stakeholders.

- **the Board understands and manages the risks, benefits and constraints of the information technology ("IT") department. These include the relevant structures, processes and mechanisms to enable IT to facilitate the achievement of the Group's strategic objectives;**

  Full details on IT governance are provided on page 27.

- **the Group complies with applicable laws and considers adherence to non-binding rules, codes and standards;**
- **there is an effective risk-based internal audit function and an adequate system of internal controls;**

  Full details are provided on pages 27 and 28.

- **there is an appreciation that stakeholders' perceptions affect the Group's reputation;**

  Whilst Exco is tasked with managing stakeholder relationships, the Board gives due consideration to the effect of stakeholder perceptions on the Group's reputation and strives to optimise the impact on various stakeholder groupings in its decision-making processes.

- **the Board underpins the integrity of the Group's integrated report; and**
- **the Board and its members act in the best interests of the Group.**

## Leadership

The position of chairman is held by an independent non-executive director, JTM Edwards, whose role is clearly defined and separate from that of the chief executive officer ("CEO"), JD McIntosh.

Both the chairman and CEO provide leadership and guidance to the Board, encouraging deliberation on all matters requiring the Board's attention, and obtaining optimum input from the other directors.

## Composition

In line with the requirements of King III, the Board comprises a majority of non-executive directors, the majority of whom are independent. The current Board structure consists of nine directors, five of whom are independent non-executive, one non-executive, and three executive. The executive directors are all full-time salaried employees of the Group.

Three sub-committees, viz. audit and risk assessment, remuneration, and social, ethics and transformation, have been appointed to assist the Board in the discharge of its duties. The Board and its committees are currently constituted as follows:

## MAIN BOARD

**Independent non-executive directors**

JTM Edwards (chairman)
LCZ Cele
JS Dixon
D Molefe
N Siyotula (appointed February 2014)

**Non-executive director**

M Zimmerman

**Executive directors**

JD McIntosh (chief executive officer)
SK Jackson (financial)
MPD Conway

**Alternate director**

JW Alderslade (alternate to N Siyotula and D Molefe)

### Audit and risk assessment committee

JS Dixon (chairman)
LCZ Cele
D Molefe (appointed October 2013)

### Remuneration committee

M Zimmerman (chairman)
JTM Edwards

### Social, ethics and transformation committee

BWJ Barritt
LCZ Cele
MPD Conway
K Fonseca
R Margach
JD McIntosh

Other directors attend various committee meetings on an *ad hoc* basis, by invitation of the committee chairman.

# CORPORATE GOVERNANCE continued

## Directors

The non-executive directors come from diverse backgrounds in commerce and industry. They bring with them a wide range of experience, insight and independent judgement on issues of strategy, performance, resources, marketing and standards of conduct. Collectively they are ultimately responsible for the performance of the Group, its long-term sustainable growth and enhancement of shareholder value.

The Board is responsible for the appointment of the CEO and for providing input on the appointment of the financial director and other senior executives. The collective responsibilities of management vest in the CEO who bears ultimate responsibility for all management functions and duties.

All directors have unrestricted access to the chairman, CEO, financial director and company secretary. Directors are encouraged, at the reasonable cost of the Group, to seek independent, professional advice on all matters which they consider necessary. Meetings of the Board and its sub-committees are held at varying intervals during the year. The chairman and CEO encourage full and proper deliberation on all matters requiring the Board's attention and obtain optimum participation and input from all directors.

Attendance at meetings during the year under review, is tabled below.

## Director appointment and tenure

Newly-appointed directors hold office until the next annual general meeting, at which time they retire and become eligible for re-election. After three years each of the directors is subject to retirement by rotation. The Board recommends re-election by the shareholders after due consideration is given to the individual director's past attendance and performance.

Where the Board believes that it will benefit from the appointment of a new director with skills and expertise that will complement those of existing members, an ad hoc nominations committee will be formed. The committee will consider proposals and input from all directors before making a recommendation for approval by the Board.

Non-executive directors have no fixed term of employment. There is no formal process in terms of which new directors are inducted with the objective of maximising their understanding of the Group and enabling immediate input and decision-making. This has not been necessary as appointees to date have been familiar with Group operations. Consideration will be given to introducing an induction programme for future appointees.

There are no long-term contracts of service between the Group and any of the executive directors, and all are terminable after one month's written notice.

## Independence assessment

Independent directors are those who are independent in fact and in the perception of a reasonably informed outsider. Independence reduces the possibility of conflict of interest and promotes objectivity. An evaluation of the independence of directors is conducted each year.

Five of the non-executive directors meet the independence criteria. By virtue of his personal indirect interest in CMH, M Zimmerman is not considered independent. Despite

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 |
|---|---|---|---|---|---|
| LCZ Cele | 2/3 | 2/2 | | 1/2 | |
| MPD Conway | 3/3 | | | 2/2 | 5/5 |
| JS Dixon | 3/3 | 2/2 | | | |
| JTM Edwards | 3/3 | 2/2 | 2/2 | | |
| SK Jackson | 3/3 | | 2/2* | | 5/5 |
| VP Khanyile | 2/3 | | 1/1 | 2/2 | |
| JD McIntosh | 3/3 | 2/2* | 2/2* | 2/2 | 5/5 |
| D Molefe | 3/3 | 1/1* | | | |
| M Zimmerman | 2/3 | | 1/2 | | |
| JW Alderslade** | | 1/1* | | | |

* *By invitation.*

** *Alternate to N Siyotula and D Molefe.*

being nominees of Thebe Investment Corporation ("TIC"), the Group's empowerment partner, N Siyotula and D Molefe do meet the independence criteria in terms of King III. TIC does not have the ability to control or significantly influence the Board, the directors' personal interest in the Group is less than 5% of issued shares, and is not material to their respective personal wealth.

Of the independent non-executive directors, JTM Edwards is approaching his twelth year in office, having been appointed in 2002. The Board has rigorously examined his position and, after due consideration and discussion with him, concluded that his long association with the Group has not impaired his independence.

### Board charter

The Board is governed by a formal charter supported by relevant authority limits. The charter has been reviewed and amended where necessary to align with the King III requirements, and is updated periodically to incorporate developing best practice.

### 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 update to assist directors in remaining abreast of relevant legislation.

### Performance assessment

In line with the requirements of King III the Group conducts a formal annual appraisal of the Board and its committees. Where deficiencies are identified, plans are immediately developed and implemented for the director concerned to acquire the necessary skills and/or to develop appropriate behavioural patterns.

### 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 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 the Company's shares. All transactions are conducted at the ruling market price on the JSE Limited.

### Directors' interests in contracts

In addition to a formal annual disclosure process, directors are required to make ongoing disclosures of any interests in contracts. The interests of directors in contracts is disclosed in note 29 to the attached financial statements.

Executive directors are not permitted to hold non-executive directorships in any outside companies, except personal interest companies and non-profit companies.

Directors' shareholdings are recorded on page 80.

### Succession

The Board holds the responsibility to ensure adequate succession planning for all main Board directors, committees and members of Exco. It is appreciated that advanced planning is the key to succession, and due consideration is given to this on an ongoing basis.

## COMPANY SECRETARY

The company secretary is appointed by the Board in compliance with the Companies Act and the JSE Limited Listings Requirements. The appointee is not a director of the Company, but provides the Board with guidance on discharging its responsibilities, and advice on matters of ethics and corporate governance. All dealings between the Board and the company secretary are on an arm's-length basis.

# CORPORATE GOVERNANCE continued

K Fonseca CA (SA) was appointed company secretary on 27 May 2010. She is a qualified chartered accountant with 14 years' post-graduate experience, of which eight years have been with the Group. The Board considers her to be suitably qualified and experienced.

In considering her level of competence the Board has reviewed the:

- timing and frequency of meetings of the Board and its various sub-committees;
- timing and content of agendas and supplementary information provided for each meeting;
- timeous distribution and accurate content of minutes of meetings;
- dissemination of financial, share trading and other information to the JSE Limited for release on SENS;
- update of statutory information in the Company's records and submission to the Companies and Intellectual Property Commission; and
- quality and frequency of interaction with Board and executive committee members.

The Board has concluded that she has executed her responsibilities with the required level of competency. The Certification by the Company Secretary is recorded on page 34.

## MAIN BOARD COMMITTEES

The main Board has delegated specific responsibilities to Board committees, each with its own charter that defines its powers and duties. The committees review their charters on an annual basis. The audit and risk committee is chaired by an independent non-executive director, and the remuneration committee by a non-executive director.

The Board committees meet independently and provide feedback to the main Board through their chairpersons. In addition, the minutes of all committee meetings are included in the main board packs and all directors are given the opportunity to raise any questions or concerns arising from these minutes.

The composition of these committees as well as changes thereto during the current year are reflected earlier in this report.

### Remuneration committee

Members:

- M Zimmerman (non-executive) – chairman
- JTM Edwards (independent non-executive)
- VP Khanyile (independent non-executive) (appointed May 2013, resigned January 2014)

Following the resignation of VP Khanyile in January 2014, the remuneration committee comprises two non-executive directors, one of whom is an independent director. This is not in compliance with King III, which recommends a majority of independent directors. The Board is satisfied that the committee, as presently constituted, is adequate to perform its functions. This decision will be reviewed on a regular basis.

Attendance at meetings is recorded on page 20. The committee is charged with the responsibility of ensuring that the Group has a transparent procedure for developing policies on executive remuneration and determining remuneration packages of individual directors and senior executives within agreed terms of reference and within the framework of good corporate governance. Such packages are designed to ensure that executives are fairly and appropriately remunerated for their contribution to the operating and financial performance of the Group, and the value created over the long term. The committee aims to promote a culture that supports enterprise and innovation with an appropriate mix of short-term and long-term performance-related rewards that are fair and challenging.

### Remuneration report

The Group's remuneration report, as recorded below, will be tabled at the annual general meeting for a non-binding advisory vote. This vote will enable shareholders to express their views on the Group's remuneration policies adopted, and on their implementation.

### Elements of executive remuneration

The remuneration of executive directors and Exco members comprises the following four principal elements:

- base salary;
- annual performance-related awards;
- share incentive awards; and
- other benefits.

The committee seeks to ensure an appropriate balance between the fixed and performance-related elements of remuneration, and between those aspects of the package aligned to short-term financial performance and those linked to longer-term shareholder value creation. The policy relating to each component of remuneration is summarised below:

### Base salary

The base salary of each executive is subject to annual review and is set to be responsible and competitive with reference to external market practice in similar companies which are comparable in terms of size, market sector and business complexity. Group performance, individual performance and changes in responsibilities are also taken into account when determining annual base salaries.

### Annual performance-related awards

All executives are eligible to receive a performance-related annual award. The award is partly contractual and partly non-contractual, and is not pensionable. The committee reviews awards annually and determines the level of the award based on performance criteria set at the start of the performance period. In respect of executive directors, the criteria are based on overall Group performance in terms of earnings growth, return on shareholders' funds, attainment of Black Economic Empowerment targets and cash flow generation. At Exco level the criteria are closely aligned to those areas which each member has the ability to affect and control. These include divisional operating profit, working capital management and performance against manufacturer targets, and take into account the overall level of accountability assigned to each Exco member.

### Share incentive schemes

Three long-term incentive plans have been approved by shareholders. Participation in the schemes by executives is based on criteria set by the committee. The schemes embody the following elements:

### Share Appreciation Rights ("SAR") Scheme

Selected participants receive periodic grants of SARs, which are conditional rights to receive CMH shares equal in value to the difference between the exercise price and the grant price. Vesting of rights is subject to performance conditions. The performance conditions and performance period are determined by the committee in respect of each new grant of rights.

The targets and measuring terms relating to each issue are detailed in the letter of grant. After vesting, the rights will become exercisable. Upon exercise by a participant, the relevant employer subsidiary will settle the value representing the difference between the exercise price and the grant price by delivering CMH shares that will constitute a fresh issue or be purchased on the open market or, as a fall-back provision only, by settling the value in cash.

Details of SARs granted to employees to date are reflected in note 13 to the financial statements. On 1 June 2013, 1 170 000 SARs were awarded, bringing the total number awarded to date to 5 670 000. These may be exercised in equal instalments over three, four and five years of service. The first tranche of 1 043 000 rights vested during the year and were exercised by employees.

### Forfeitable Share Plan ("FSP")

A FSP entails the free award of CMH shares subject to forfeiture and disposal restrictions until the expiry of the vesting period, intended to be over three to five years. Participants will have all shareholder rights (including voting and dividend rights) from the award date.

No FSP awards have been made.

### Share Option Scheme

During October 2004 the Group granted twelve employees the option to acquire a total of 4 350 000 shares at R5,12 per share. All the options were exercised immediately and have now vested, but 2 262 000 (2013: 2 510 000) shares have not yet been taken up. No further grants will be made in terms of the scheme.

### Retirement and medical aid

Executives participate in contributory retirement schemes, which provide retirement, death and disability benefits, and medical aid schemes.

### Other benefits

Executives are entitled to a car allowance or the use of a fully-expensed vehicle, and reimbursement of reasonable business expenses.

### Non-executive directors' fees

Directors' fees take into account the estimated time which a director is expected to dedicate to Group affairs, and the personal responsibility which the position entails. Fees are proposed by the remuneration committee in conjunction with the executive directors, and recommended by the Board for approval by shareholders.

### Directors' emoluments

Directors' emoluments and participation in long-term incentive plans are recorded on pages 79 and 80.

Contrary to the requirements of King III, the emoluments of the three most highly-paid employees who are not directors of CMH have not been disclosed. The Board believes that this information is confidential to the employees concerned and adds no value to stakeholders. However, it confirms that no employee earned in excess of the executive directors.

### Audit and risk assessment committee

Members:

- JS Dixon (independent non-executive) – chairman
- LCZ Cele (independent non-executive)
- D Molefe (independent non-executive) (appointed October 2013)
- JTM Edwards (independent non-executive) (resigned October 2013)

The committee is vital to ensure, inter alia, the integrity of integrated reporting and internal controls, and identify and manage business risks. The members of the committee are elected annually at the annual general meeting from a list of suitable candidates presented by the Board. The committee performs its functions in terms of a written charter, which is reviewed annually and approved by the Board.

# CORPORATE GOVERNANCE continued

The committee meets formally twice a year. Attendance details are recorded on page 20. In addition, the members meet at least twice annually with the external and internal auditors, without management's presence. In its deliberations the committee acts on behalf of CMH and each of its subsidiaries.

The qualifications of the committee members are disclosed on the inside back cover. The Board is satisfied that collectively the committee members have a sound knowledge and understanding of integrated reporting, internal financial controls, the external and internal audit process, corporate law, risk management and IT governance, and sustainability issues. Subject to approval by shareholders, the Board nominates the committee and its chairman, who is a person able to lead constructive dialogue with Group executives, the internal and external auditors, and Board members. The chairman is present at the annual general meeting to answer questions on the committee's activities and matters within the scope of its responsibilities.

The role and functions of the committee, and the manner in which it has discharged its responsibilities, 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 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;
- considering and, when appropriate, making recommendations on internal financial control;
- dealing with concerns or complaints relating to accounting policies, internal audit and internal financial controls; 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.

### 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 enable it to discharge its functions. 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.

### Accept responsibility for the Group's risk management function

Full details of the committee's role and function in this area are provided on pages 25 and 26.

### Oversee the appointment of the external auditor and the external audit process

- recommend to shareholders the appointment, reappointment and removal of the external auditor;
- approve the external auditor's terms of engagement and remuneration;
- review, monitor and report on the external auditor's independence and objectivity;
- define, for Board approval, a policy addressing the nature, extent and terms under which the external auditor may perform non-audit services; 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 and the external auditor's terms of engagement and remuneration. It is satisfied, after due consideration, that the external auditor is independent of the Group, and able to express an objective opinion. The re-appointment of PricewaterhouseCoopers, and the lead partner, SF Randelhoff, were reviewed and recommended for approval by shareholders at the forthcoming annual general meeting.

A formal report to shareholders by the chairman of the committee is set out on page 33.

### Social, ethics and transformation committee

Members:

- VP Khanyile (independent non-executive) – chairman (resigned January 2014)
- BWJ Barritt (executive committee member)
- LCZ Cele (independent non-executive)
- MPD Conway (executive)
- K Fonseca (executive committee member)
- R Margach (manager: group aftersales)
- JD McIntosh (chief executive officer)

A charter was adopted with terms of reference that ensure that the Group performs its duties in terms of the Companies Act, 2008, and King III.

In compliance with these regulations, the committee has endeavoured to monitor the Group's activities and level of compliance with relevant legislation and codes of best practice with regards to those issues recorded in Regulation 43(5) of the Companies Act Regulations, 2011. Attendance at meetings is reflected on page 20.

The committee is satisfied with the Group's progress during the year, and its plans for the year ahead. There were no matters of a material nature which the committee deemed necessary to bring to the attention of the Board.

A formal report to shareholders by a member of the committee is set out on page 34.

### Executive committee

Assisting the CEO in the discharge of his overall responsibility for the day-to-day management of the Group is the Exco. Exco is comprised of the executive directors, JD McIntosh (CEO), SK Jackson (finance director) and MPD Conway, and the members listed on page 26.

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 Company or 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. 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.

The Board has assigned oversight of the Group's risk management function to the audit and risk assessment committee. The committee gives due consideration to the effectiveness of the risk management activities, the key risks facing the Group, and the responses identified to address them.

Group management is responsible for designing, implementing and monitoring the risk management plan, and integrating it into the day-to-day activities. Whilst formal accountability to the Board lies with the CEO, it is appreciated that risk management requires an all-inclusive approach for effective operation. A systematic, documented, formal risk assessment is conducted annually. Potential risks are categorised firstly by "likelihood of occurrence" in the short and medium-term future, and then by "level of impact". Where possible, risks are quantified and tolerance levels set.

### Risk review

The primary risks identified by the Group, and management's strategies to reduce the impact thereof, are as follows:

### Financial risks

- full details of the Group's exposure to a variety of financial risks is disclosed on page 52.

### Low economic growth

- rapid reduction of working capital assets
- close monitoring of accounts receivable levels and quality
- review of operation overheads and efficiencies
- maximise efforts to retain existing customers and attract new customers by the provision of good service and follow up

# CORPORATE GOVERNANCE continued

### Information technology

- appropriate disaster recovery and business continuity plans
- decentralisation of systems
- implementation of access controls and segregation of duties
- emphasis on IT security

### Management succession

- identification of individuals within the Group for training and leadership focus
- mentoring members of Exco to be the Group's leaders of tomorrow
- extensive training programmes for lower management levels and technical staff

### Key suppliers

- diversification of product range to reduce dependency on a single supplier
- development of good working relationships with principal suppliers

### Business continuity

- diversification of business across many geographically-dispersed operating units
- wide range of key suppliers
- wide range of product offerings

### Crime

- continual review of branch security
- strong internal financial controls
- established anti-hijacking measures
- anonymous, toll-free whistle-blowing facility for reporting of irregular activities
- gap analysis, being regular monitoring of actual profitability and working capital levels against budget

### Legal compliance

- ongoing review of applicable legislation
- centralisation of selected specialist areas, eg. taxation and contracts, where compliance risk is high
- management awareness seminars on legislation amendments
- liaison with industry bodies on compliance issues

### Insurance

The Group has in effect a comprehensive insurance policy administered by a reputable broker and underwritten by financially sound insurers. The principal areas of cover include:

- tangible assets – fire and allied perils;
- business interruption;
- public and employers' liability;
- directors' and officers' liability;
- fidelity;
- business travel;
- motor fleet (subject to limits recorded below); and
- riot, strike and civil commotion.

In all instances, cover is subject to an excess which must be borne by the Group, and which is within the Group's tolerance limits.

Because of the perceived high cost: benefit assessment, the Group has no insurance cover in respect of "on-road" motor vehicle losses such as accident damage and theft. The low aggregation risk and the predictability of these losses mitigates against insurance, but full provision for potential losses is provided internally.

To-date, no material unexpected losses have occurred in respect of these uninsured risks.

| Exco member | Function | Age | Years of service |
|---|---|---|---|
| SL Atkinson | Motor retail | 53 | 19 |
| BWJ Barritt | Car hire | 55 | 14 |
| JP de Bruyn | Customer finance and insurance | 59 | 33 |
| K Fonseca | Company secretary, chief audit executive | 39 | 8 |
| GP Gray | Motor retail | 55 | 22 |
| RJ Minnaar | Information technology | 50 | 24 |
| TH Morey | Motor retail | 46 | 18 |
| CG Webber | Motor retail | 45 | 14 |

## THE GOVERNANCE OF INFORMATION TECHNOLOGY

Information technology ("IT") is essential to manage the transactions, information and knowledge necessary to initiate and sustain the Group. It is an integral part of the business and fundamental to its support, sustainability and growth. The Board is responsible for IT governance, being the framework that supports effective and efficient management of IT resources to facilitate the achievement of the Group's strategic objectives. The IT strategy is integrated with the Group's strategic and business processes.

Management is responsible for the implementation of the structures, processes and mechanisms to execute the governance framework. This is performed with a view to minimise IT risk, deliver value, ensure business continuity and efficiently and cost-effectively manage IT resources.

The individual responsible for the IT department is appointed by the CEO. He is suitably qualified and experienced and, being a member of Exco, interacts regularly on IT matters with both the Board and executive management.

The Group has a relatively low level of investment in IT hardware, the majority of it related to desktop equipment and communications devices. All software programmes and the hosting thereof are outsourced and used in terms of software licence and operating agreements. The principal programmes utilised by the Group are in respect of:

- retail motor dealer management;
- car hire management;
- payroll;
- emails, SMSs and web-hosting; and
- various marketing initiatives.

Programme updates, amendments and protection are controlled by the outsourced providers. Adequate measures are in place to govern information security management and privacy. A comprehensive disaster recovery programme has been documented.

The audit and risk assessment committee ensures that IT risks are adequately addressed through its risk management, monitoring and assurance processes.

Terms and conditions of use have been formulated and communicated to all users in respect of the Group's website, electronic communications and email messaging.

## COMPLIANCE WITH LAWS, RULES, CODES AND STANDARDS

The Board is responsible for the Group's compliance with applicable laws and with any non-binding rules, codes and standards with which the Group has elected to comply. The responsibilities include:

- identifying and advising the Group on existing and new legislation that is applicable to the Group's business;
- facilitating compliance with relevant legislation and assigning responsibility for areas of compliance;
- facilitating compliance with internal policies, rules, guidelines and procedures; and
- monitoring of compliance.

The internal audit department works closely with the Board in monitoring compliance. Where significant deviations are detected, immediate remedial action is taken. The Board is not aware of any material areas of non-compliance during the year under review.

## INTERNAL AUDIT

It is the responsibility of the Board to establish and maintain an effective risk-based internal audit function. The key responsibility of internal audit is to perform the following functions:

- evaluate the Group's governance processes, including ethics;
- ensure that the Group's financial processes are designed to minimise the possibility of material misstatement of reported results;
- perform an objective assessment of the effectiveness of risk management and the overall internal control framework;
- analyse business processes and associated controls; and
- provide information regarding instances of fraud, corruption, unethical behaviour and irregularities.

As such the audit process needs to be dynamic and flexible to adapt to ever-changing business operational and assurance needs.

An internal audit charter, considered and recommended by the audit and risk assessment committee, has been defined and approved by the Board.

The Group's internal audit team pursues a risk-based approach rather than a compliance approach. The risk-based approach assesses whether the process intended to serve as a control is an appropriate risk measure, rather than merely evaluating whether procedures have been adhered to.

The internal audit function is independent of management, and the chief audit executive ("CAE") is appointed by and reports directly to the chairman of the audit and risk assessment committee.

Through this committee, internal audit provides assurance to the Board regarding the effectiveness of the Group's systems of internal control and risk management. This assurance

# CORPORATE GOVERNANCE continued

covers financial, operational and compliance issues. The CAE attends all audit and risk assessment committee meetings and provides the committee with a written assessment of the effectiveness of the Group's systems of internal control and risk management. The committee evaluates the performance of the internal audit function. However, this function is not subjected to an independent quality review. The Board considers that such review will not add value.

The CAE is a member of Exco and has a standing invitation to attend, as an invitee, any other committee meetings. The audit and risk assessment committee is of the opinion that the CAE and the internal audit team have the appropriate competencies and resources to fulfil their obligations.

## 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. Whilst management is responsible for the implementation of the policies and processes relating to stakeholder engagement, the Board performs an oversight role in ensuring that there are no significant gaps between stakeholder perceptions and the performance of the Group.

The Board acknowledges the importance of proactive engagement with all of its stakeholders and, in this connection, strives to foster sound relationships between the Group and each stakeholder grouping. The identified stakeholder groups include:

- employees;
- shareholders and investors;
- banks and other vehicle finance houses;
- customers;
- suppliers; and
- industry bodies

The Board acknowledges that the main audience of this integrated report is shareholders and investors. Communication with these stakeholder groupings is primarily through formal means via the Group's website, the JSE stock exchange news service, the financial press (where this is required) and through the distribution of annual and interim reports.

Executive directors are accessible to investors, and regular meetings are held with shareholders, both current and prospective. In addition, invitations are extended to members of the Investment Analysts Society to attend results presentations to provide them with timeous and relevant information regarding financial performance and prospects. A summary of the Group's engagement with its various stakeholders is as follows:

### Employees

- regular dialogue and communication sessions
- team-building exercises
- notice boards
- newsletters
- training and development sessions
- internet and email
- branch visits

### Shareholders and investors

- presentation of results
- investor relations meetings
- annual and interim reports, SENS and profit announcements
- annual general meeting
- Group website

### Banks and other vehicle finance houses

- regular meetings with senior management

### Customers

- interaction on dealership floors
- sales follow-up
- email and SMS

### Suppliers

- daily communication with dealership staff
- periodic meetings with executive management

### Industry bodies

- regular update sessions

Executive management strives to ensure that disputes are resolved expeditiously and effectively in a cost-efficient manner.

## 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

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 below.

- 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 departmental and branch managers, and technical staff. Further details are provided in the report on transformation below.

- promoting sound environmental practices in all Group operations.

  Operating as it does in the retail industry, the Group has a relatively low environmental impact. However, measures are being 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 31.

## TRANSFORMATION AND EMPLOYMENT EQUITY

The Board 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 that the Group complies with the principles embodied in the Skills Development Act and Employment Equity 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

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. An extract of the most recent report submitted, as at 31 August 2013, is tabled on page 30.

The Group continues to move towards an organisational structure which reflects the diverse mix of the population, and supports the principles embodied in the National Skills Development strategy.

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 perceived level of competency and training.

Continued growth in the retail motor industry has led to a shortage of manpower skills. The Board has realised that there is no "training school" for previously disadvantaged dealership managers other than on-the-job experience and mentoring. Consequently, the Group's thrust has been to

| Key sustainability issues at a glance | | 2014 | Restated 2013 |
|---|---|---|---|
| **FINANCIAL** | | | |
| Revenue | (R'000) | **10 831 384** | 9 808 733 |
| Operating profit | (R'000) | **320 224** | 289 827 |
| Headline earnings per share | (cents) | **156,7** | 158,7 |
| Dividends paid per share | (cents) | **78,0** | 61,0 |
| Net cash movement from operating activities | (R'000) | **395 324** | 119 002 |
| Cash resources | (R'000) | **308 480** | 334 931 |
| Return on shareholders' funds | (%) | **27,2** | 24,8 |
| **EMPLOYMENT** | | | |
| Number of employees | | **2 935** | 2 840 |
| Revenue per employee | (R'000) | **3 690** | 3 454 |
| Employment costs | (R'000) | **705 183** | 662 099 |

## CORPORATE GOVERNANCE continued

develop candidates from lower levels in the expectation that, given time, the "cream" will rise to higher positions.

As the service departments continue to provide a fertile source of dealership managers, significant focus is placed on workshop staff development and skills training. In January 2008, Merseta launched an initiative labelled the Accelerated Artisan Training Programme ("AATP") which encouraged the accelerated training and qualification of apprentices over a two-year period. The Group has supported this programme since inception and has, to date, successfully cycled 144 apprentices through the system, the majority of which come from previously disadvantaged backgrounds. During the year under review, 11 apprentices qualified, with 60% being retained as artisan technicians within the Group. These newly-qualified artisans have all subsequently been enrolled on product-specific technical training programmes with their respective manufacturers and, once successfully completed, will gain the status of master technician.

Funding from Merseta in support of apprenticeships declined significantly during 2013/2014 and in December 2013, Merseta abolished the AATP. The Group is investigating alternative projects to mitigate the effect of this decision, but it is likely that the decision will adversely affect the Group's ability to achieve its 2015 training objectives.

Non-technical skills training, in the form of short-term learnerships, was introduced into the Group last year and specifically aligned towards the development of workshop front-line and finance and insurance personnel. To date, 74 learners, all from previously disadvantaged backgrounds, have completed their programmes, qualifying and attaining NQF 4 status. The majority of these candidates are now permanently employed in the Group and are making a positive contribution.

The Group has been allocated funding by Merseta for 40 short-term learnerships for the 2015 year.

In an effort to ensure a high success rate and consistent level of competency among learners, the Group will retain the services of training providers KwaZulu Automotive Training Services and Invuya Training College. This will provide learners with continued access to training of an international standard.

The Group has also focused on identifying "champions" within its employees, with a view to promotion into second tier supervisory, administrative or customer liaison positions. Appropriate training in this regard is provided by the Group by way of a combination of on-the-job training and on-line interactive modular training. The initiative should see an increase in previously disadvantaged staff being promoted to junior and middle management from within the Group.

The car hire division has recruited 18 students from previously disadvantaged backgrounds for on-the-job training in the last 12 months. Whilst being paid during their 12-month session, these students are rotated through all the departments to enable them to gain general work experience and select areas in which they would like to specialise. Should the employees not be retained within the Group at the end of their contract, they will be in a position to find further employment having had work experience and operational training.

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

| | Male | | | | Female | | | | Foreign nationals | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Occupational levels | A | C | I | W | A | C | I | W | M | F | Total |
| Top management | 1 | – | 4 | 64 | 2 | 3 | 1 | 18 | 1 | – | 94 |
| Senior management | 8 | 18 | 52 | 147 | 6 | 9 | 25 | 103 | 1 | – | 369 |
| Professionally qualified and experienced specialists | 174 | 53 | 143 | 347 | 43 | 18 | 31 | 116 | 3 | 2 | 930 |
| Skilled technical and academically qualified | 41 | 34 | 30 | 25 | 33 | 25 | 41 | 87 | – | – | 316 |
| Semi-skilled | 365 | 65 | 156 | 57 | 49 | 30 | 54 | 90 | 3 | 1 | 870 |
| Unskilled | 164 | 25 | 41 | 17 | 87 | 8 | 12 | 12 | 5 | 1 | 372 |
| **Total permanent** | **753** | **195** | **426** | **657** | **220** | **93** | **164** | **426** | **13** | **4** | **2 951** |
| Temporary employees | 13 | 2 | 5 | 9 | – | – | – | 6 | – | – | 35 |
| **Total August 2013** | **766** | **197** | **431** | **666** | **220** | **93** | **164** | **432** | **13** | **4** | **2 986** |
| Total August 2012 | 701 | 137 | 388 | 673 | 191 | 73 | 160 | 410 | 16 | 3 | 2 752 |

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

### Broad-based black economic empowerment ("B-BBEE")

The aim of the Board is to achieve sustainable empowerment through alignment with the seven elements of the B-BBEE codes, being: ownership, management control, employment equity, skills development, preferential procurement, enterprise development and socio-economic development. Clear guidelines have been defined for each element and ongoing progress is measured and monitored to ensure continuous improvement towards targets. The Group's scorecard ratings are recorded in the table below. Despite the application of the more onerous B-BBEE targets in 2014, both the Group and CMH Car Hire maintained their previous ratings.

### 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. Nevertheless, the directors are aware of the negative impact which recent and projected steep rises in the cost of these utilities will have on Group profitability.

During the past year the Group continued a process of measuring electricity consumption at its dealerships. Measures implemented to reduce consumption have had a positive impact on both the Group and the environment.

To date the Group has invested R2,7 million in energy-saving equipment and R304 000 in installing electricity meters. The consumption reductions generated by the use of more efficient lighting and automated timing devices are regularly monitored. In the initial phase, consumption in dealerships has been reduced resulting in a saving of approximately R300 000 per month. Over the year ahead the programme will be extended to additional dealerships.

The "CMH Green" waterless car wash system continues to be used throughout the Group. Through its showrooms and service departments the Group washes more than 2 200 vehicles daily. The resultant saving from the use of this system is estimated at 220 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. Combined with rain water capture facilities, these systems have reduced consumption by up to 45%.

B-BBEE SCORECARD RATINGS (independently audited)

| | Maximum | 2015 target | 2014 actual | 2013 actual |
|---|---|---|---|---|
| **TOTAL GROUP** | | | | |
| Ownership | 20,0 | 14,2 | **14,2** | 15,6 |
| Management control | 10,0 | 4,5 | **4,7** | 4,2 |
| Employment equity | 15,0 | 7,0 | **7,3** | 7,0 |
| Skills development | 15,0 | 9,0 | **8,7** | 8,4 |
| Preferential procurement | 20,0 | 10,3 | **12,3** | 12,4 |
| Enterprise development | 15,0 | 15,0 | **15,0** | 15,0 |
| Socio-economic development | 5,0 | 5,0 | **5,0** | 5,0 |
| | 100,0 | 65,0 | **67,2** | 67,6 |
| B-BBEE recognition level contributor | | 4 | **4** | 4 |
| **CAR HIRE DIVISION** | | | | |
| Ownership | 20,0 | 14,2 | **15,2** | 13,4 |
| Management control | 10,0 | 6,0 | **5,8** | 8,1 |
| Employment equity | 15,0 | 10,5 | **9,9** | 10,3 |
| Skills development | 15,0 | 12,0 | **12,0** | 18,0 |
| Preferential procurement | 20,0 | 15,8 | **15,5** | 12,7 |
| Enterprise development | 15,0 | 15,0 | **15,0** | 14,0 |
| Socio-economic development | 5,0 | 5,0 | **5,0** | 5,0 |
| | 100,0 | 78,5 | **78,4** | 81,5 |
| B-BBEE recognition level contributor | | 3 | **3** | 3 |

# CORPORATE GOVERNANCE continued

## SOCIAL ISSUES

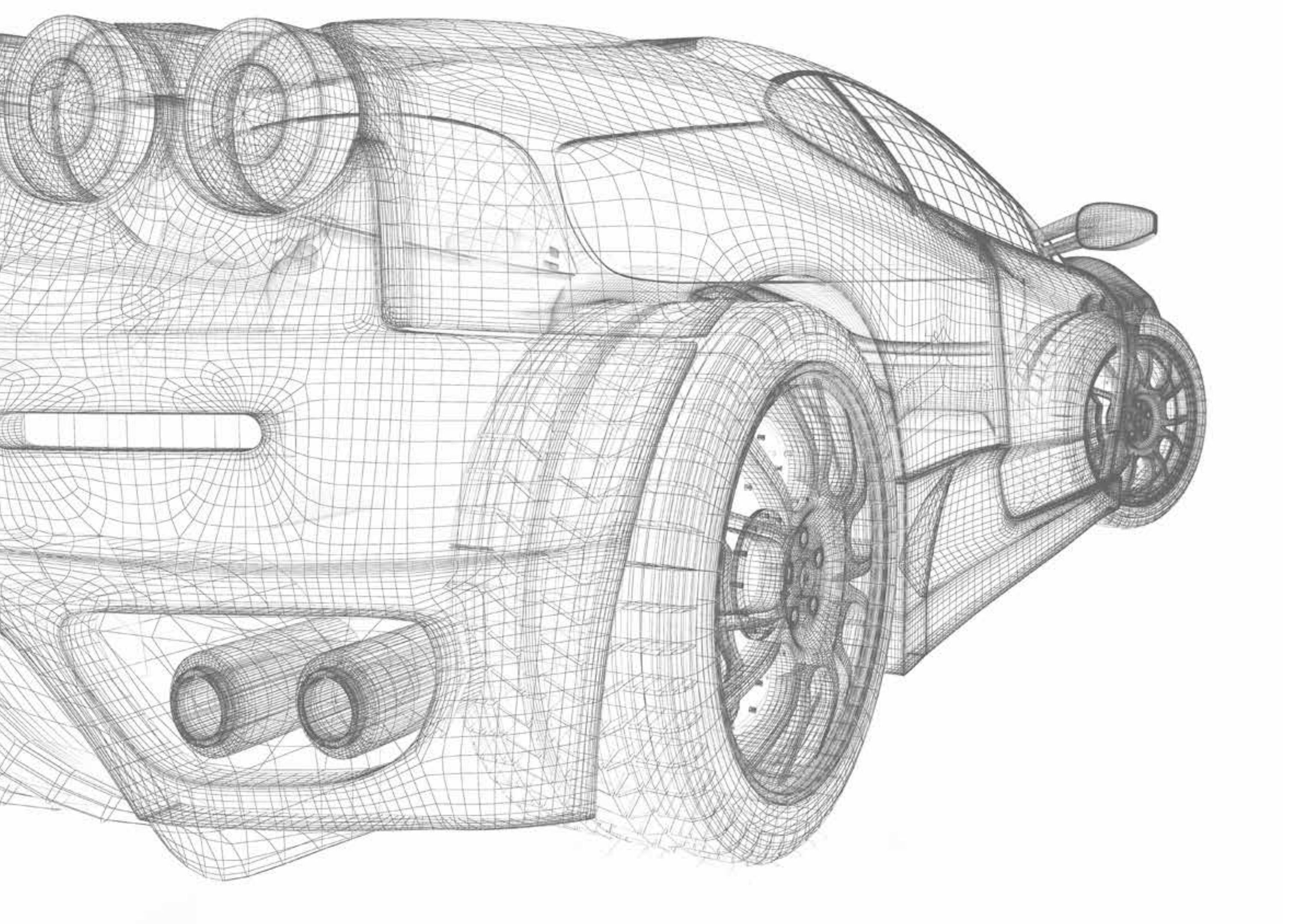
Whilst appreciating that long-term financial success is an essential component of stakeholder confidence, the directors recognise that the Group's operations and activities must be such that it is able to support the communities in which it operates, and ensure that its operations do not adversely impact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

The concept of sharing the wealth generated by Group operations has prompted the directors to select and support a wide range of charitable projects. These include:

- Training and Resources in Early Education;
- Kwamakhuta Comprehensive High School;
- The Unit for Students with Disabilities at the University of the Free State;
- Teachers Across Borders South Africa;
- Masigcine Children's Home; and
- Wildlands Conservation Trusts's Rhino Aerial Support Project.

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

- Reach for a Dream;
- Mike Procter Foundation for Development Cricket;
- Children of Fire; and
- Wet Nose Animal Rescue Centre.



# REPORT OF THE AUDIT AND RISK ASSESSMENT COMMITTEE

The audit and risk assessment committee was appointed by shareholders in respect of the year ended 28 February 2014. All members are independent non-executive directors of the Company. The committee is satisfied that, in respect of the financial year, it has performed all the functions required to be performed by an audit committee as set out in the Companies Act, 2008, the committee's terms of reference, and as more fully set out in the Corporate Governance Report on pages 23 and 24.

Nothing has come to the attention of the committee that would lead it to believe that the Group's system of internal control is not adequate or effective.

The committee has satisfied itself that the external auditor, PricewaterhouseCoopers, is independent of the Company and the Group having given due consideration to the parameters enumerated in section 94(8) of the Companies Act, 2008, and the principles contained in the King Code of Governance for South Africa 2009. The appointment of SF Randelhoff as the designated auditor is in compliance with the Auditing Profession Act, 2005, and the JSE Limited Listings Requirements.

The committee has recommended the integrated annual report to the Board for approval.

**JS Dixon**
*Chairman*

16 April 2014

## REPORT OF THE SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE

The social, ethics and transformation committee has performed all the functions required to be performed by the committee as set out in Regulation 43(5) of the Companies Act Regulations, 2011. These functions include monitoring the Group's activities relating to social and economic development, good corporate citizenship, the environment, health and public safety, consumer relationships, and labour and employment.

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.

**LCZ Cele**
*Member*

16 April 2014

## CERTIFICATION BY THE COMPANY SECRETARY

In my capacity as company secretary, I hereby confirm that, for the year ended 28 February 2014, 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 2014

# DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

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

The directors are responsible for the preparation, integrity and fair presentation of the financial statements. The financial statements presented on pages 36 and 37 and 39 to 81 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee, Financial Pronouncements, as issued by the Financial Reporting Standards Council, and in the manner required by the Companies Act, 2008, and include amounts based on judgements and estimates made by management.

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

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

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

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

The going-concern basis has been adopted in preparing the financial statements. The directors have no reason to believe that the Group or any company within the Group will not be going concerns in the foreseeable future, based on forecasts and available cash resources. These financial statements support the viability of the Company and the Group.

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

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

**JD McIntosh**
*Chief executive officer*

**JTM Edwards**
*Chairman*

16 April 2014

# DIRECTORS' REPORT

Your directors have pleasure in submitting their report on the affairs of the Company and the Group during the year ended 28 February 2014.

## NATURE OF BUSINESS

The Company's business is that of an investment holding company, its principal assets being its investment in and loan to CMH Holdings Proprietary Limited, and a preference share investment in Main Street 445 Proprietary Limited.

Through its subsidiaries, the Group has significant interests in retail motor, car hire, marine and leisure and financial services. Full details of the Group's operations and operating locations appear on pages 3 and 8 to 11.

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

## OPERATING RESULTS

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

## SHARE CAPITAL

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

## DIVIDENDS

The following dividends were declared during the year under review:

| | 2014 R'000 | 2013 R'000 |
|---|---|---|
| Ordinary dividend number 51: 28 cents, declared 11 October 2013 | **30 541** | – |
| Ordinary dividend number 50: 50 cents, declared 19 April 2013 | **54 485** | – |
| Ordinary dividend number 49: 25 cents, declared 9 October 2012 | **–** | 27 206 |
| Ordinary dividend number 48: 36 cents, declared 19 April 2012 | **–** | 38 996 |
| | **85 026** | 66 202 |

## RESOLUTIONS

The following special resolutions were passed during the year:

At the annual general meeting of shareholders held on 30 May 2013:

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

At a general meeting of shareholders held on 10 December 2013:

- approval of the offer by the Company to repurchase up to a maximum of 15 400 000 shares at a price of R13,00 per share on a voluntary tender basis from shareholders.

No other special resolutions were passed by the Company during the year under review.

## DIRECTORS AND SECRETARY

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

JTM Edwards (independent non-executive chairman)
JD McIntosh (chief executive officer)
LCZ Cele (independent non-executive)
MPD Conway (executive)
JS Dixon (independent non-executive)
SK Jackson (executive)
D Molefe (independent non-executive)
N Siyotula (independent non-executive)
M Zimmerman (non-executive)
JW Alderslade (alternate to N Siyotula and D Molefe)

N Siyotula was appointed a director with effect from 1 February 2014.

VP Khanyile resigned as a director with effect from 31 January 2014.

The executive directors, together with the members of the executive committee reflected on page 26, represent the key management of the Company and the Group.

LCZ Cele, JS Dixon, JD McIntosh and M Zimmerman retire by rotation at the forthcoming annual general meeting but, being eligible, offer themselves for re-election. Confirmation of the election of N Siyotula, who was appointed by the Board of directors during the year, will also be sought at the annual general meeting. Brief curriculum vitae of LCZ Cele, N Siyotula, JS Dixon, JD McIntosh and M Zimmerman appear in the Notice of Meeting.

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 80.

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 78.

The results of the subsidiaries, so far as concerns the Company, comprise aggregate income and losses for the year, after taxation, of R216 068 000 (2013: R205 044 000) and R13 020 000 (2013: R16 870 000) respectively.

## AUDITOR

PricewaterhouseCoopers Inc. will continue in office in accordance with section 90(6) of the Companies Act. At the annual general meeting, shareholders will be requested to appoint PricewaterhouseCoopers Inc. as the Group's auditor for the 2015 financial year. It is noted that SF Randelhoff will be the individual registered auditor who will undertake the audit.

## SUBSEQUENT EVENTS

Other than that recorded in note 32 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.

Durban
16 April 2014

# INDEPENDENT AUDITOR'S REPORT

## TO THE SHAREHOLDERS OF COMBINED MOTOR HOLDINGS LIMITED

We have audited the consolidated and separate financial statements of Combined Motor Holdings Limited set out on pages 39 to 81, which comprise the statements of financial position as at 28 February 2014, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

## AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## OPINION

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Combined Motor Holdings Limited as at 28 February 2014, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

## OTHER REPORTS REQUIRED BY THE COMPANIES ACT

As part of our audit of the consolidated and separate financial statements for the year ended 28 February 2014, we have read the Directors' Report, the Audit and Risk Assessment Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

**PricewaterhouseCoopers Inc.**
Director: **SF Randelhoff**
*Registered Auditor*

Durban
16 April 2014

## SEGMENT INFORMATION for the year ended 28 February 2014

| | TOTAL | | | | RETAIL MOTOR | | | |
|---|---|---|---|---|---|---|---|---|
| | **2014 R'000** | **%** | Restated 2013 R'000 | % | **2014 R'000** | **%** | Restated 2013 R'000 | % |
| External revenue | **10 831 384** | **100** | 9 808 733 | 100 | **10 261 436** | **95** | 9 311 946 | 95 |
| Operating profit | **320 224** | **100** | 289 827 | 100 | **234 173** | **74** | 242 723 | 84 |
| Net finance costs | **(75 547)** | **100** | (67 333) | 100 | **(62 778)** | **83** | (50 754) | 76 |
| Profit before taxation | **244 677** | **100** | 222 494 | 100 | **171 395** | **70** | 191 969 | 87 |
| Total assets | **2 574 110** | **100** | 2 494 624 | 100 | **1 538 713** | **60** | 1 496 905 | 60 |
| Total liabilities | **2 008 384** | **100** | 1 813 953 | 100 | **1 272 973** | **63** | 1 149 474 | 63 |
| Goodwill at year-end | **74 972** | **100** | 74 972 | 100 | **74 972** | **100** | 74 972 | 100 |
| Employee costs | **636 386** | **100** | 598 277 | 100 | **526 107** | **83** | 489 941 | 82 |
| Number of staff | **2 935** | **100** | 2 840 | 100 | **2 427** | **82** | 2 344 | 83 |

| | CAR HIRE | | | | MARINE AND LEISURE | | | |
|---|---|---|---|---|---|---|---|---|
| | **2014 R'000** | **%** | Restated 2013 R'000 | % | **2014 R'000** | **%** | Restated 2013 R'000 | % |
| External revenue | **337 439** | **3** | 316 807 | 3 | **127 768** | **1** | 150 756 | 2 |
| Operating profit | **65 431** | **20** | 67 766 | 23 | **(449)** | **–** | (5 533) | (2) |
| Net finance costs | **(35 594)** | **47** | (41 706) | 62 | **(256)** | **–** | (278) | – |
| Profit before taxation | **29 837** | **12** | 26 060 | 12 | **(705)** | **–** | (5 811) | (3) |
| Total assets | **645 072** | **25** | 559 576 | 22 | **51 432** | **2** | 69 599 | 3 |
| Total liabilities | **681 724** | **34** | 616 807 | 34 | **12 247** | **1** | 13 814 | 1 |
| Goodwill at year-end | **–** | **–** | – | – | **–** | **–** | – | – |
| Employee costs | **63 678** | **10** | 56 647 | 9 | **9 841** | **1** | 14 762 | 3 |
| Number of staff | **368** | **13** | 349 | 12 | **28** | **1** | 48 | 2 |

| | FINANCIAL SERVICES | | | | CORPORATE SERVICES/OTHER | | | |
|---|---|---|---|---|---|---|---|---|
| | **2014 R'000** | **%** | Restated 2013 R'000 | % | **2014 R'000** | **%** | Restated 2013 R'000 | % |
| External revenue | **77 910** | **1** | 23 150 | – | **26 831** | **–** | 6 074 | – |
| Operating profit | **30 289** | **9** | 11 246 | 4 | **(9 220)** | **(3)** | (26 375) | (9) |
| Net finance costs | **2 384** | **(3)** | 456 | (1) | **20 697** | **(27)** | 24 949 | (37) |
| Profit before taxation | **32 673** | **13** | 11 702 | 5 | **11 477** | **5** | (1 426) | (1) |
| Total assets | **18 039** | **1** | 5 834 | – | **320 854** | **12** | 362 710 | 15 |
| Total liabilities | **2 156** | **–** | 7 369 | – | **39 284** | **2** | 26 489 | 2 |
| Goodwill at year-end | **–** | **–** | – | – | **–** | **–** | – | – |
| Employee costs | **–** | **–** | – | – | **36 760** | **6** | 36 927 | 6 |
| Number of staff | **–** | **–** | – | – | **112** | **4** | 99 | 3 |

The operating segments are based on the reports reviewed by the chief executive officer that are used to make strategic decisions. The chief executive officer assesses the 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.

Sales amongst segments are carried out at arm's length. The revenue from external customers reported to the chief executive officer is measured in a manner consistent with that in the statement of comprehensive income. The Group operates only in the Republic of South Africa.

The "Corporate Services/Other" segment contains the Group's treasury function, and CMH Green and National Workshop Equipment which are not large enough to warrant separate disclosure.

# GROUP STATEMENT OF FINANCIAL POSITION at 28 February 2014

| | Notes | 2014 R'000 | Restated 2013 R'000 | Restated 2012 R'000 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Plant and equipment | 4 | **74 803** | 68 803 | 58 537 |
| Goodwill | 5 | **74 972** | 74 972 | 89 972 |
| Insurance receivable | 15 | **18 039** | 1 074 | 2 445 |
| Deferred taxation | 7 | **46 643** | 45 707 | 49 964 |
| | | **214 457** | 190 556 | 200 918 |
| **Current assets** | | | | |
| Car hire fleet vehicles | 4 | **572 765** | 520 162 | 467 376 |
| Inventories | 9 | **1 214 577** | 1 184 968 | 1 001 472 |
| Trade and other receivables | 10 | **263 831** | 264 007 | 212 668 |
| Tax paid in advance | | **–** | – | 42 |
| Cash and cash equivalents | 11 | **308 480** | 334 931 | 385 994 |
| | | **2 359 653** | 2 304 068 | 2 067 552 |
| Total assets | | **2 574 110** | 2 494 624 | 2 268 470 |
| **EQUITY AND LIABILITIES** | | | | |
| **Capital and reserves** | | | | |
| Share capital | 12 | **27 794** | 29 500 | 25 438 |
| Share-based payment reserve | 13 | **14 441** | 13 024 | 10 006 |
| Non-distributable reserve | | **–** | – | 5 896 |
| Retained earnings | | **523 379** | 638 027 | 541 523 |
| Ordinary shareholders' equity | | **565 614** | 680 551 | 582 863 |
| Non-controlling interest | | **112** | 120 | 266 |
| Total equity | | **565 726** | 680 671 | 583 129 |
| **Non-current liabilities** | | | | |
| Advance from non-controlling shareholders of subsidiaries | 14 | **–** | 3 938 | 15 952 |
| Insurance payable | 15 | **2 156** | 2 608 | 2 746 |
| Lease liabilities | 16 | **90 244** | 97 481 | 104 528 |
| | | **92 400** | 104 027 | 123 226 |
| **Current liabilities** | | | | |
| Advance from non-controlling shareholders of subsidiaries | 14 | **4 193** | 7 255 | – |
| Derivative financial liabilities | | **–** | – | 1 778 |
| Trade and other payables | 17 | **1 258 014** | 1 128 197 | 1 020 421 |
| Borrowings | 18 | **622 962** | 563 116 | 525 768 |
| Lease liabilities | 16 | **8 759** | 9 092 | 6 639 |
| Current tax liabilities | | **22 056** | 2 266 | 7 509 |
| | | **1 915 984** | 1 709 926 | 1 562 115 |
| Total liabilities | | **2 008 384** | 1 813 953 | 1 685 341 |
| Total equity and liabilities | | **2 574 110** | 2 494 624 | 2 268 470 |

## COMPANY STATEMENT OF FINANCIAL POSITION at 28 February 2014

| | Notes | 2014 R'000 | 2013 R'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Investments | 6 | **187 386** | 233 613 |
| Investment in subsidiary | 8 | **256 093** | 297 566 |
| | | **443 479** | 531 179 |
| **Current assets** | | | |
| Investments | 6 | **–** | 1 000 |
| Cash and cash equivalents | 11 | **175 414** | 292 257 |
| | | **175 414** | 293 257 |
| Total assets | | **618 893** | 824 436 |
| **EQUITY AND LIABILITIES** | | | |
| **Capital and reserves** | | | |
| Share capital | 12 | **27 794** | 29 500 |
| Share-based payment reserve | 13 | **3 325** | 3 702 |
| Retained earnings | | **585 995** | 790 459 |
| Total shareholders' equity | | **617 114** | 823 661 |
| **Current liabilities** | | | |
| Trade and other payables | 17 | **534** | 479 |
| Current tax liabilities | | **1 245** | 296 |
| Total liabilities | | **1 779** | 775 |
| Total equity and liabilities | | **618 893** | 824 436 |

# STATEMENTS OF COMPREHENSIVE INCOME for the year ended 28 February 2014

| | Notes | Group 2014 R'000 | Restated Group 2013 R'000 | Company 2014 R'000 | Company 2013 R'000 |
|---|---|---|---|---|---|
| Revenue | 19 | **10 831 384** | 9 808 733 | **39 364** | 44 113 |
| Cost of sales | 20 | **(9 162 323)** | (8 246 446) | **–** | – |
| Gross profit | | **1 669 061** | 1 562 287 | **39 364** | 44 113 |
| Other income | 21 | **–** | – | **3 409** | 3 000 |
| Impairment of goodwill | 5 | **–** | (15 000) | **–** | – |
| Selling and administration expenses | 20 | **(1 348 837)** | (1 257 460) | **(243)** | (223) |
| Operating profit | | **320 224** | 289 827 | **42 530** | 46 890 |
| Finance income | 22 | **13 709** | 12 535 | **50 266** | 51 680 |
| Finance costs | 22 | **(89 256)** | (79 868) | **–** | – |
| Profit before taxation | | **244 677** | 222 494 | **92 796** | 98 570 |
| Tax expense | 23 | **(75 245)** | (65 680) | **(14 036)** | (14 436) |
| Total profit and comprehensive income | | **169 432** | 156 814 | **78 760** | 84 134 |
| Attributable to: | | | | | |
| Equity holders of the company | | **169 440** | 156 810 | **78 760** | 84 134 |
| Non-controlling interest | | **(8)** | 4 | **–** | – |
| | | **169 432** | 156 814 | **78 760** | 84 134 |
| **EARNINGS PER SHARE** (cents) | | | | | |
| Basic | 24 | **156,8** | 144,5 | | |
| Diluted basic | 24 | **154,9** | 142,4 | | |

# GROUP STATEMENT OF CHANGES IN EQUITY for the year ended 28 February 2014

| | Share capital R'000 | Non-distri-butable reserve R'000 | Share-based payment reserve R'000 | Retained earnings R'000 | Attri-butable to equity holders of the company R'000 | Non-con-trolling interest R'000 | Total equity R'000 |
|---|---|---|---|---|---|---|---|
| **Previously reported balance at 29 February 2012** | 25 438 | 5 896 | 10 006 | 630 203 | 671 543 | (5 301) | 666 242 |
| Adjustment for policy change | | | | (88 680) | (88 680) | 5 567 | (83 113) |
| **Restated balance at 29 February 2012** | 25 438 | 5 896 | 10 006 | 541 523 | 582 863 | 266 | 583 129 |
| Issue of shares | 3 144 | | | | 3 144 | | 3 144 |
| Total profit and comprehensive income | | | | | | | |
| – restated | | | | 156 810 | 156 810 | 4 | 156 814 |
| – previously reported | | | | 186 399 | 186 399 | 17 528 | 203 927 |
| – adjustment for policy change | | | | (29 589) | (29 589) | (17 524) | (47 113) |
| Transfer to share capital | 918 | | (918) | | | | |
| Share-based payment reserve | | | 3 936 | | 3 936 | | 3 936 |
| Dividends paid | | | | | | | |
| – restated | | | | (66 202) | (66 202) | (150) | (66 352) |
| – previously reported | | | | (66 202) | (66 202) | (20 209) | (86 411) |
| – adjustment for policy change | | | | | | 20 059 | 20 059 |
| Transfer to retained earnings | | (5 896) | | 5 896 | | | |
| **Balance at 28 February 2013** | 29 500 | – | 13 024 | 638 027 | 680 551 | 120 | 680 671 |
| Issue of shares | 1 274 | | | | 1 274 | | 1 274 |
| Total profit and comprehensive income | | | | 169 440 | 169 440 | (8) | 169 432 |
| Transfer to share capital | 377 | | (377) | | | | |
| Release following exercise of share appreciation rights | | | (2 182) | | (2 182) | | (2 182) |
| Loss on share appreciation rights exercised | | | | (864) | (864) | | (864) |
| Share-based payment reserve | | | 3 976 | | 3 976 | | 3 976 |
| Dividends paid | | | | (85 026) | (85 026) | | (85 026) |
| Shares repurchased | (3 357) | | | (198 198) | (201 555) | | (201 555) |
| **Balance at 28 February 2014** | **27 794** | **–** | **14 441** | **523 379** | **565 614** | **112** | **565 726** |

## COMPANY STATEMENT OF CHANGES IN EQUITY for the year ended 28 February 2014

| | Share capital R'000 | Non-distri-butable reserve R'000 | Share-based payment reserve R'000 | Retained earnings R'000 | Total equity R'000 |
|---|---|---|---|---|---|
| **Balance at 29 February 2012** | 25 438 | 5 896 | 4 620 | 766 631 | 802 585 |
| Issue of shares | 3 144 | | | | 3 144 |
| Transfer to share capital | 918 | | (918) | | |
| Transfer to retained earnings | | (5 896) | | 5 896 | |
| Total profit and comprehensive income | | | | 84 134 | 84 134 |
| Dividends paid | | | | (66 202) | (66 202) |
| **Balance at 28 February 2013** | 29 500 | – | 3 702 | 790 459 | 823 661 |
| Issue of shares | 1 274 | | | | 1 274 |
| Transfer to share capital | 377 | | (377) | | |
| Shares repurchased | (3 357) | | | (198 198) | (201 555) |
| Total profit and comprehensive income | | | | 78 760 | 78 760 |
| Dividends paid | | | | (85 026) | (85 026) |
| **Balance at 28 February 2014** | **27 794** | **–** | **3 325** | **585 995** | **617 114** |

# STATEMENTS OF CASH FLOWS for the year ended 28 February 2014

| | Notes | Group 2014 R'000 | Restated Group 2013 R'000 | Company 2014 R'000 | Restated Company 2013 R'000 |
|---|---|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | |
| Cash receipts from customers | | **10 814 135** | 9 784 160 | **39 364** | 44 113 |
| Cash paid to suppliers and employees | | **(10 362 756)** | (9 598 534) | **(19 552)** | (44 317) |
| Cash generated from operations | 25 | **451 379** | 185 626 | **19 812** | (204) |
| Finance income received | 22 | **–** | – | **50 266** | 51 680 |
| Taxation paid | 26 | **(56 055)** | (66 624) | **(13 087)** | (17 129) |
| Net cash movement from operating activities | | **395 324** | 119 002 | **56 991** | 34 347 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | |
| Purchase of non-current plant and equipment | | **(38 227)** | (37 077) | **–** | – |
| Proceeds on disposal of non-current plant and equipment | | **5 105** | 1 079 | **–** | – |
| Investments | | **–** | – | **70 000** | 20 000 |
| Insurance receivables | | **(16 965)** | 1 371 | **–** | – |
| Insurance payables | | **(452)** | (138) | **–** | – |
| Repayment by subsidiary | | **–** | – | **41 473** | 152 291 |
| Net cash movement from investing activities | | **(50 539)** | (34 765) | **111 473** | 172 291 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | | |
| Non-controlling shareholders of subsidiaries | 27 | **(7 000)** | (4 909) | **–** | – |
| Proceeds of issue of shares | | **1 274** | 3 144 | **1 274** | 3 144 |
| Repurchase of shares | | **(201 555)** | – | **(201 555)** | – |
| Settlement of share appreciation rights | | **(3 382)** | – | **–** | – |
| Finance income received | 22 | **13 709** | 12 535 | **–** | – |
| Finance costs paid | 22 | **(89 256)** | (79 868) | **–** | – |
| Dividends paid | 28 | **(85 026)** | (66 202) | **(85 026)** | (66 202) |
| Net cash movement from financing activities | | **(371 236)** | (135 300) | **(285 307)** | (63 058) |
| Net movement in cash and cash equivalents | | **(26 451)** | (51 063) | **(116 843)** | 143 580 |
| Cash and cash equivalents at beginning of year | | **334 931** | 385 994 | **292 257** | 148 677 |
| **Cash and cash equivalents at end of year** | 11 | **308 480** | 334 931 | **175 414** | 292 257 |

# NOTES TO THE FINANCIAL STATEMENTS for the year ended 28 February 2014

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 1.1 Basis of preparation

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

**Standards, amendments and interpretations effective in 2014 or early adopted by the Group**

IFRS 10, 'Consolidated Financial Statements' was issued in August 2012 and is effective for the current financial period. This standard has been adopted and the change in accounting policy applied retroactively. As a consequence, adjustments made have been recognised in the financial statements of all comparative periods presented.

Other than IFRS 10, there are no standards, amendments or interpretations that became effective in 2014 and are relevant to the Group. No standards, amendments and interpretations not yet effective have been early adopted by the Group.

### 1.2 Basis of consolidation

**Investment in subsidiaries**

Subsidiaries are those entities over which the Group has control. The Group controls an entity when the Group is exposed to, 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. The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired, and liabilities and contingent liabilities assumed, in a business combination are measured initially at their fair value at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's net assets.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of comprehensive income.

Inter-company transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

### 1.3 Foreign currency translation

**Functional and presentation currency**

Items included in the financial statements of each subsidiary are measured using the currency of the primary economic environment in which the subsidiary operates (the functional currency). The consolidated financial statements are presented in South African Rands, which is the Group's presentation currency.

**Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income within "selling and administration expenses" in the period in which they arise.

### 1.4 Plant and equipment

Plant and equipment is 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 | 9 to 18 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.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are recognised in the statement of comprehensive income within "selling and administration expenses".

Where it is the Group's intention to dispose of items of plant and equipment within 12 months after the year-end date, such items are disclosed as current assets.

### 1.5 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets in the business combination at the date of acquisition. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Goodwill arising on business combinations is initially reflected at its original cost. Goodwill is not amortised but is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

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

### 1.6 Classification of financial assets

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its assets at initial recognition. 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.

The Group assesses at each financial year-end whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment losses are recognised in the statement of comprehensive income in the period in which they occur.

### 1.7 Investments

Investments are recognised initially at fair value and subsequently measured at amortised cost, using the effective-interest-rate method, less provision for impairment. Investments are impaired when there is objective evidence that the Group will not be able to collect all amounts owing according to the original terms of investments.

The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the impairment is recognised in the statement of comprehensive income within "selling and administration expenses".

# NOTES TO THE FINANCIAL STATEMENTS for the year ended 28 February 2014

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

### 1.8 Current and deferred taxation

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

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

### 1.9 Inventories

Inventories are stated at the lower of cost and net realisable value, due recognition having been made for obsolescence and redundancy. 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 |
| New marine craft | actual cost |
| Used and demonstration vehicles | actual cost |
| Used and demonstration marine craft | actual cost |
| Parts and accessories | weighted average cost |
| Petrol, oils and other inventory | actual cost |

Vehicles and parts purchased, which are paid for within the short-time periods provided for in the manufacturers' standard franchise agreements, are recognised as inventory when received. This policy is applied despite the fact that certain agreements provide that ownership will remain vested in the manufacturer until the purchase price has been paid in full.

### 1.10 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective-interest-rate method, less provision for impairment. Trade receivables are impaired when there is objective evidence that the Group will not be able to collect all amounts owing according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the impairment is recognised in the statement of comprehensive income within "selling and administration expenses".

### 1.11 Cash and cash equivalents

Cash and cash equivalents comprise deposits held at call with banks, net of bank overdrafts. These are reflected in the statement of financial position and statement of cash flows at cost. 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.

### 1.12 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.

## 1.13 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.

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.

## 1.14 Derivative financial instruments

Derivatives held comprise forward exchange contracts. Derivatives are initially recognised at fair value on the date a derivative contract is entered into. Subsequently the derivatives are carried at fair value through profit or loss. Gains or losses arising from a change in the fair value of the derivatives are included in the statement of comprehensive income within "selling and administration expenses" in the period in which they arise. The fair value of these contracts is determined using quoted forward exchange rates at the year-end date.

## 1.15 Employee benefits

### Pension

The Group provides retirement benefits for its employees through a number of defined contribution plans. A defined contribution plan is a pension plan under which the Group pays a fixed contribution to a separate entity and has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to their employment service.

Payments to the retirement contribution plans are charged to the statement of comprehensive income as incurred.

### Health care

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

### Remuneration

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

### Equity compensation plans

The Group enters into share-based payment transactions in terms of the employee share option and share appreciation rights schemes. Costs incurred in administering the schemes 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 options/rights determined at the grant date using the Black-Scholes valuation model. Non-market vesting conditions are included in assumptions about the number of options/rights that are expected to become exercisable or the number of options/rights that the employee will ultimately receive. The amount determined, net of taxation, is charged or credited to the statement of comprehensive income, with a corresponding adjustment to equity. The proceeds received on exercise of the options/rights, net of any directly attributable transaction costs, are credited to equity. Profits and losses, representing the difference between the fair value of the options/rights at grant date and the actual value at exercise date, are taken to equity.

# NOTES TO THE FINANCIAL STATEMENTS for the year ended 28 February 2014

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

### 1.16 Provisions

Provisions are recognised when the Group has a present or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be established.

The Group recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

### 1.17 Revenue recognition

Group revenue comprises revenue from trading activities after deducting value-added tax, and after eliminating sales within the Group. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and, in respect of the sale of vehicles, marine craft, parts and accessories, the risks and rewards of ownership have been transferred to the customer. Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of business.

Interest income is recognised as it accrues, taking into account the effective yield on the asset. Dividends are recognised when the right to receive payment is established.

### 1.18 Dividends paid

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

### 1.19 Segment reporting

Operating segments are reported in a manner consistent with that used for internal reporting provided to the chief executive officer. The chief executive officer, responsible for allocating resources and assessing performance of the operating segments, has been identified as the person that makes strategic decisions.

The various segments of the Group are each subject to risks and returns that are different from other business segments. The principal business segments identified within the Group are retail motor, car hire, marine and leisure, 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 to warrant separate disclosure.

Segment assets, liabilities, revenue and expenditure are those directly attributable to the segment. Transfers between segments are accounted for at competitive market prices and are eliminated on consolidation.

### 1.20 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; and
- 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 an external financial services provider 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/payable".

### 1.21 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. Penalties payable on cancellation of leases are charged to the statement of comprehensive income in the period in which the penalties become payable.

### 1.22 Finance leases

Leases where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised when the lease commences, at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding lease obligations, net of finance charges, are included in "Borrowings". The interest element of the finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Assets acquired under finance leases are depreciated to their estimated residual value over the lease term.

# NOTES TO THE FINANCIAL STATEMENTS for the year ended 28 February 2014

## 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, use of derivative financial instruments, 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 098 000 (2013: R3 264 000) on the assumption that all other factors remained constant.

### 2.2 Foreign currency risk

The Group has no significant foreign currency risk. Certain balances arising on material transactions denominated in foreign currencies are economically hedged through the use of forward exchange contracts. At 28 February 2014, the Group had accounts receivable to the value of US$332 116 denominated in foreign currency (2013: US$1 544 764), and had trade payables to the value of US$917 237 (2013: US$406 238). No portion of this (2013: nil) was hedged through the use of forward exchange contracts. These trade payables will be settled within the next 12 months. Had the South African Rand been 5% weaker or stronger against the US Dollar and the Euro at year-end, the profit before taxation for the year would have been lower or higher by R316 000 (2013: R481 000).

### 2.3 Credit risk

The Group's credit risk lies principally in its trade receivables. These comprise a number of major banks which finance vehicle sales, together with a large, wide-spread customer base. Regular credit assessments of customers are conducted. All amounts receivable are subject to the Group's standard credit terms and are due within a period of 1 to 60 days after sale. There are no significant concentrations of credit risk.

Cash and cash equivalents are placed only with major financial institutions with secure credit ratings.

### 2.4 Equity price risk

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

### 2.5 Liquidity risk

The Group manages its liquidity risk by regularly monitoring its projected cash flow requirements against its cash resources and unutilised borrowing facilities. At year-end the Group's position was as follows:

| | 2014<br>R'000 | 2013<br>R'000 |
|---|---|---|
| Cash resources | **308 480** | 334 931 |

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 current assets.

### 2.6 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.

## 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 Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 1.5. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations use projections based on financial budgets approved by management. The value-in-use calculation uses estimates and assumptions made by management. Management determines budgeted operating profit based on past performance and future expectations. The weighted average growth rates are consistent with the forecasts used in industry reports. The discount rates used reflect specific risks relating to the relevant cash-generating units.

### 3.2 Consolidation of entities in which the Group holds less than 50%

The Group has applied IFRS 10, 'Consolidated Financial Statements' in determining whether to consolidate its investment in Main Street 445 Proprietary Limited ("Main Street"). The Group has determined that, even though it does not own any ordinary equity shares in Main Street, an agreement signed by the Company, Thebe Investment Corporation Limited and Main Street does enable the Company to control the activities of Main Street, and to earn variable returns therefrom. As a result, Main Street has been consolidated in the financial statements of the Group.

### 3.3 Consolidation of underwriting entities

The Group has applied IFRS 10, 'Consolidated Financial Statements' in determining whether to consolidate its investment in various entities through which it conducts insurance underwriting activities. The Group has determined that the entities do not constitute "deemed separate entities" as envisaged in IFRS 10, and have not been consolidated.

### 3.4 Equity compensation plans

The terms of the Group's Share Appreciation Rights Scheme 2010 ("the Scheme") permits settlement in cash in certain circumstances. During the year under review, the first year of vesting of the rights granted in 2010, the majority of participants elected a cash settlement. However, the Board has determined that, in future, cash settlement will only be permitted in extreme circumstances. On this basis the Group will continue to account for the Scheme on an equity-settled basis.

# NOTES TO THE FINANCIAL STATEMENTS for the year ended 28 February 2014

## 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 | Car hire fleet and other motor vehicles R'000 |
|---|---|---|---|---|---|
| **GROUP** | | | | | |
| **At 28 February 2014** | | | | | |
| Cost | **894 412** | **55 345** | **59 720** | **97 417** | **681 930** |
| Accumulated depreciation | **(246 844)** | **(27 867)** | **(42 788)** | **(70 967)** | **(105 222)** |
| Net book value | **647 568** | **27 478** | **16 932** | **26 450** | **576 708** |
| Less: vehicles transferred to current assets | **(572 765)** | **–** | **–** | **–** | **(572 765)** |
| Non-current portion | **74 803** | **27 478** | **16 932** | **26 450** | **3 943** |
| **At 28 February 2013** | | | | | |
| Cost | 801 161 | 46 785 | 52 462 | 92 065 | 609 849 |
| Accumulated depreciation | (212 196) | (20 109) | (37 764) | (68 468) | (85 855) |
| Net book value | 588 965 | 26 676 | 14 698 | 23 597 | 523 994 |
| Less: vehicles transferred to current assets | (520 162) | – | – | – | (520 162) |
| Non-current portion | 68 803 | 26 676 | 14 698 | 23 597 | 3 832 |
| **COMPANY:** Nil | | | | | |

### 4.2 Reconciliation of movement

| | Total R'000 | Leasehold improvements R'000 | Plant and machinery R'000 | Furniture and office equipment R'000 | Car hire fleet and other motor vehicles R'000 |
|---|---|---|---|---|---|
| **GROUP** | | | | | |
| **Net book value 29 February 2012** | | | | | |
| – non-current | 58 537 | 16 060 | 16 094 | 23 501 | 2 882 |
| – current | 467 376 | – | – | – | 467 376 |
| Additions | 430 723 | 17 422 | 5 738 | 10 605 | 396 958 |
| Disposals | (269 047) | (320) | (359) | (392) | (267 976) |
| Depreciation charge | (98 624) | (6 486) | (6 775) | (10 117) | (75 246) |
| **Net book value 28 February 2013** | | | | | |
| – non-current | 68 803 | 26 676 | 14 698 | 23 597 | 3 832 |
| – current | 520 162 | – | – | – | 520 162 |
| Additions | 465 240 | 9 857 | 10 714 | 14 567 | 430 102 |
| Disposals | (299 092) | (352) | (1 557) | (1 304) | (295 879) |
| Depreciation charge | (107 545) | (8 703) | (6 923) | (10 410) | (81 509) |
| **Net book value 28 February 2014** | | | | | |
| – non-current | **74 803** | **27 478** | **16 932** | **26 450** | **3 943** |
| – current | **572 765** | **–** | **–** | **–** | **572 765** |

**4.3** The insurance replacement value of plant and equipment excluding motor vehicles is R180 000 000 (2013: R165 000 000).

**4.4** R30 000 000 (2013: R25 000 000) has been budgeted and authorised for capital expenditure in respect of leasehold improvements and the replacement of plant and equipment excluding car hire fleet vehicles. No portion of this was committed at year-end. This amount will be financed from existing cash resources.

| | Group 2014 R'000 | Group 2013 R'000 |
|---|---|---|
| **4. PLANT AND EQUIPMENT** continued | | |
| **4.5** Depreciation is recognised in the statement of comprehensive income as follows: | | |
| – Cost of sales | **79 583** | 73 207 |
| – Selling and administration expenses | **27 962** | 25 417 |
| | **107 545** | 98 624 |
| **4.6** Car hire fleet vehicles aggregating R572 765 000 (2013: R520 162 000) have been pledged as security for interest-bearing borrowings aggregating R622 962 000 (2013: R563 116 000). | | |
| **5. GOODWILL** | | |
| **5.1** Cost | **155 473** | 155 473 |
| Accumulated impairment | **(80 501)** | (80 501) |
| Net book value at end of year | **74 972** | 74 972 |
| **5.2** Net book value at beginning of year | **74 972** | 89 972 |
| Amounts impaired during year | **–** | (15 000) |
| Net book value at end of year | **74 972** | 74 972 |

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

The carrying value of goodwill is subject to annual impairment testing using the value-in-use method. Detailed operating budgets for the 2015 year formed the basis of projected cash flows. In respect of the CGUs with attributable goodwill, the budgets contained average sales volume growth of 4% (2013: 4%). In respect of the forecast years two to five, growth of between 4% and 5% (2013: 4% and 5%) per annum was predicted, and a discount rate of between 13% and 14% (2013: 13% and 14%) applied. On this basis, the value-in-use calculations indicated that the calculated value of goodwill of each CGU exceeded its carrying value and no impairment charge was necessary at 28 February 2014.

**5.4** The cash flows of the CGUs were stress-tested by adversely amending the parameters listed above. Neither parameter change had an impact on the outcomes.

**5.5** Amounts impaired are shown separately on the face of the statement of comprehensive income.

# NOTES TO THE FINANCIAL STATEMENTS for the year ended 28 February 2014

| | Company 2014 R'000 | Company 2013 R'000 |
|---|---|---|
| **6. INVESTMENTS** | | |
| **6.1 Main Street 445 Proprietary Limited** | | |
| Cost at acquisition | **124 387** | 124 387 |
| Discount on initial recognition | **(21 409)** | (21 409) |
| Reversal recognised | | |
| – Prior years | **18 000** | 15 000 |
| – Current year | **3 409** | 3 000 |
| | **–** | (3 409) |
| Dividends accrued | **62 999** | 113 635 |
| Amortised cost at end of year | **187 386** | 234 613 |
| Less: current portion | **–** | (1 000) |
| Non-current portion | **187 386** | 233 613 |

**6.2** The investment in Main Street 445 Proprietary Limited ("Main Street") comprises 124 387 'C' redeemable cumulative preference shares of R0,00001 each issued at a premium of R999,99999 each. The preference shares accrue a semi-annual dividend providing a dividend yield to the holder on the unredeemed capital and accrued dividends equivalent to the prime overdraft rate. Main Street is wholly-owned by Thebe Investment Corporation ("TIC"). This investment was made in support of the BEE transaction concluded with TIC in October 2006.

**6.3** A discount of R21 409 000 was applied when the investment was initially recognised at fair value on acquisition date. This discount is reversed through the statement of comprehensive income over the initially-estimated period of settlement of the investment.

| | | Group 2014 R'000 | Group 2013 R'000 |
|---|---|---|---|
| **7.** | **DEFERRED TAXATION** | | |
| **7.1** | Balance at beginning of year | **45 707** | 49 964 |
| | Movements during year: | | |
| | Temporary differences | **600** | (4 257) |
| | Release following exercise of share appreciation rights | **336** | – |
| | Balance at end of year | **46 643** | 45 707 |
| **7.2** | Balance at end of year comprises: | | |
| | Impairment of receivables | **1 992** | 1 962 |
| | Lease liabilities | **27 250** | 29 133 |
| | Taxation allowances | **(6 719)** | (7 828) |
| | Accruals and provisions | **16 500** | 12 517 |
| | Assessed losses | **98** | 606 |
| | Receipts in advance | **6 595** | 6 717 |
| | Share-based payment reserve | **927** | 2 610 |
| | Prepayments | **–** | (10) |
| | | **46 643** | 45 707 |

**7.3** The movement on the deferred taxation account was as follows:

| | Closing balance 28 February 2014 R'000 | Movement during the year 2014 R'000 | Closing balance 28 February 2013 R'000 | Movement during the year 2013 R'000 | Closing balance 29 February 2012 R'000 |
|---|---|---|---|---|---|
| Impairment of receivables | **1 992** | **30** | 1 962 | 305 | 1 657 |
| Lease liabilities | **27 250** | **(1 883)** | 29 133 | (1 170) | 30 303 |
| Taxation allowances | **(6 719)** | **1 109** | (7 828) | (2 584) | (5 244) |
| Accruals and provisions | **16 500** | **3 983** | 12 517 | 2 602 | 9 915 |
| Assessed losses | **98** | **(508)** | 606 | (6 347) | 6 953 |
| Receipts in advance | **6 595** | **(122)** | 6 717 | 1 845 | 4 872 |
| Share-based payment reserve | **927** | **(1 683)** | 2 610 | 1 102 | 1 508 |
| Prepayments | **–** | **10** | (10) | (10) | – |
| Total | **46 643** | **936** | 45 707 | (4 257) | 49 964 |

| | | Group 2014 R'000 | Group 2013 R'000 |
|---|---|---|---|
| **7.4** | Movement during the year | **936** | (4 257) |
| | Less: release following exercise of share appreciation rights | **(336)** | – |
| | Statement of comprehensive income movement | **600** | (4 257) |

**7.5** At 28 February 2014, certain subsidiaries had assessable losses aggregating R35 355 600 (2013: R29 992 000) against which no deferred taxation asset has been raised as the future generation of taxable income by those companies is not assured beyond reasonable doubt.

# NOTES TO THE FINANCIAL STATEMENTS for the year ended 28 February 2014

| | Company 2014 R'000 | Company 2013 R'000 |
|---|---|---|
| **8. INVESTMENT IN SUBSIDIARY** | | |
| **8.1** Shares, at cost less amounts impaired | **1** | 1 |
| Amount owing by subsidiary | **256 092** | 297 565 |
| | **256 093** | 297 566 |

**8.2** Financial information in respect of Group subsidiaries is stated on page 78.

**8.3** The amount owing by subsidiary is unsecured, earns interest at 2% above the prime overdraft rate and has no fixed repayment terms.

**8.4** Costs of impairment of investments in subsidiaries are charged to the statement of comprehensive income under the heading "selling and administration expenses".

| | Group 2014 R'000 | Group 2013 R'000 |
|---|---|---|
| **9. INVENTORIES** | | |
| **9.1** Inventories have been valued as stated in note 1.9 and comprise: | | |
| – new vehicles | **648 056** | 606 958 |
| – new marine craft | **24 660** | 44 652 |
| – used and demonstration vehicles | **485 091** | 469 701 |
| – used and demonstration marine craft | **1 040** | 3 460 |
| – parts and accessories | **42 376** | 49 984 |
| – petrol, oils and other inventory | **13 354** | 10 213 |
| | **1 214 577** | 1 184 968 |
| **9.2** Inventories of new and demonstration vehicles aggregating R795 213 000 (2013: R742 399 000) form security for trade payables aggregating R1 000 893 000 (2013: R838 700 000). | | |
| **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. | | |
| **9.4** Inventories are stated after deduction of the following provisions for obsolescence and redundancy: | | |
| – new marine craft | **1 675** | 2 425 |
| – used and demonstration vehicles | **21 815** | 18 107 |
| – parts and accessories | **6 212** | 5 107 |
| | **29 702** | 25 639 |

| | Group 2014 R'000 | Restated Group 2013 R'000 |
|---|---|---|
| **10. TRADE AND OTHER RECEIVABLES** | | |
| **10.1** Trade receivables | **218 758** | 201 509 |
| Less: impairment | **(7 747)** | (7 008) |
| | **211 011** | 194 501 |
| Other receivables | **52 820** | 69 506 |
| | **263 831** | 264 007 |

**10.2** Trade receivables are primarily in respect of vehicle, marine craft, car hire, parts and workshop sales. These amounts are subject to the Group's standard credit terms and are due within a period of 1 to 60 days after year-end. No interest is charged on these accounts and there are no significant concentrations of credit risk.

**10.3** Other receivables comprise primarily incentive and warranty claims payable by motor manufacturers, deposits and payments in advance.

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

| | Group 2014 R'000 | Restated Group 2013 R'000 |
|---|---|---|
| **10.5** Trade receivables can be analysed as follows: | | |
| 0 to 30 days, neither overdue nor impaired | **157 616** | 146 734 |
| 31 to 60 days, overdue less than 61 days and impaired | **38 826** | 33 634 |
| Impairment | **(364)** | (219) |
| | **38 462** | 33 415 |
| 61 to 90 days, overdue more than 60, less than 91 days and impaired | **6 992** | 9 572 |
| Impairment | **(964)** | (961) |
| | **6 028** | 8 611 |
| 91+ days, overdue more than 90 days and impaired | **15 324** | 11 569 |
| Impairment | **(6 419)** | (5 828) |
| | **8 905** | 5 741 |
| Total | **218 758** | 201 509 |
| Impairment | **(7 747)** | (7 008) |
| | **211 011** | 194 501 |
| **10.6** The movement in the allowance for impairment is as follows: | | |
| At beginning of year | **7 008** | 6 680 |
| Written off during year | **(2 653)** | (4 484) |
| Increase in impairment | **3 392** | 4 812 |
| At end of year | **7 747** | 7 008 |

**10.7** The net movement in the allowance for impairment and the charge for bad and doubtful debts for the year has been included under "selling and administration expenses" in the statement of comprehensive income.

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 28 February 2014

| | Group 2014 R'000 | Restated Group 2013 R'000 | Company 2014 R'000 | Company 2013 R'000 |
|---|---|---|---|---|
| **11. CASH AND CASH EQUIVALENTS** | | | | |
| Bank balances | **308 480** | 334 931 | **175 414** | 292 257 |
| The effective interest rate earned on bank balances was 4% (2013: 4%). | | | | |
| **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** | | | | |
| At beginning of year – 108 824 573 shares | **29 500** | 25 438 | **29 500** | 25 438 |
| Issued – 248 925 (2013: 626 000) shares | **1 274** | 3 144 | **1 274** | 3 144 |
| Repurchased – 15 400 000 shares | **(3 357)** | – | **(3 357)** | – |
| Transfer from share-based payment reserve | **377** | 918 | **377** | 918 |
| At end of year – 93 673 498 shares | **27 794** | 29 500 | **27 794** | 29 500 |
| **12.3** During 2001 shareholders approved the introduction of an employee share incentive scheme. In terms of the scheme 20% of the Company's issued shares, less those shares that are subject to the terms and conditions of the Combined Motor Holdings Limited Share Trust, were made available to issue to employees as option shares. Share options which have been granted to date, and which have now fully vested, net of options which have matured and been exercised, are as follows ('000 shares): | | | | |
| – October 2004 at R5,12 per share | **2 262** | 2 510 | **2 262** | 2 510 |
| **12.4** Details of the share options are ('000 shares): | | | | |
| Granted at beginning of year | **2 510** | 3 136 | **2 510** | 3 136 |
| Taken up during year | **(248)** | (626) | **(248)** | (626) |
| Granted at end of year | **2 262** | 2 510 | **2 262** | 2 510 |

| | Group 2014 R'000 | Group 2013 R'000 | Company 2014 R'000 | Company 2013 R'000 |
|---|---|---|---|---|
| **13. SHARE-BASED PAYMENT RESERVE** | | | | |
| Share option scheme 2001 | **3 325** | 3 702 | **3 325** | 3 702 |
| Share appreciation rights scheme 2010 | **11 116** | 9 322 | **–** | – |
| | **14 441** | 13 024 | **3 325** | 3 702 |

## 13.1 Share option scheme 2001

**13.1.1** During October 2004, the Group granted 12 employees the option to acquire a total of 4 350 000 shares at R5,12 per share. All the options were exercised immediately and have now fully vested.

**13.1.2** A reconciliation of the movement in the number of share options is as follows ('000 shares):

| | Group 2014 | Group 2013 | Company 2014 | Company 2013 |
|---|---|---|---|---|
| Outstanding at beginning of year | **2 510** | 3 116 | **2 510** | 3 116 |
| Taken up during year | **(248)** | (606) | **(248)** | (606) |
| Outstanding at end of year | **2 262** | 2 510 | **2 262** | 2 510 |

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

| | Group 2014 R'000 | Group 2013 R'000 | Company 2014 R'000 | Company 2013 R'000 |
|---|---|---|---|---|
| Balance at beginning of year | **3 702** | 4 620 | **3 702** | 4 620 |
| Transferred to share capital | **(377)** | (918) | **(377)** | (918) |
| Balance at end of year | **3 325** | 3 702 | **3 325** | 3 702 |

## 13.2 Share appreciation rights scheme 2010

**13.2.1** 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 Group performance levels over a performance period. Details of the rights granted are recorded on page 62.

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 28 February 2014

### 13. SHARE-BASED PAYMENT RESERVE continued

#### 13.2 Share appreciation rights scheme 2010 continued

**13.2.1** continued

| Grant date | Grant price | Expiry date | Number of rights at 1 March 2013 '000 | Rights granted during the year '000 | Rights exercised during the year '000 | Rights forfeited during the year '000 | Number of rights at 28 February 2014 '000 |
|---|---|---|---|---|---|---|---|
| June 2010 | R10,31 | Dec 2013 | 1 043 | – | 1 043 | – | **–** |
| June 2010 | R10,31 | Dec 2014 | 1 043 | – | – | – | **1 043** |
| June 2010 | R10,31 | Dec 2015 | 1 044 | – | – | – | **1 044** |
| | | | 3 130 | – | 1 043 | – | **2 087** |
| June 2011 | R11,48 | Dec 2014 | 140 | – | – | – | **140** |
| June 2011 | R11,48 | Dec 2015 | 140 | – | – | – | **140** |
| June 2011 | R11,48 | Dec 2016 | 140 | – | – | – | **140** |
| | | | 420 | – | – | – | **420** |
| June 2012 | R10,84 | Dec 2015 | 316 | – | – | – | **316** |
| June 2012 | R10,84 | Dec 2016 | 317 | – | – | – | **317** |
| June 2012 | R10,84 | Dec 2017 | 317 | – | – | – | **317** |
| | | | 950 | – | – | – | **950** |
| June 2013 | R13,70 | Dec 2016 | – | 390 | – | – | **390** |
| June 2013 | R13,70 | Dec 2017 | – | 390 | – | – | **390** |
| June 2013 | R13,70 | Dec 2018 | – | 390 | – | – | **390** |
| | | | – | 1 170 | – | – | **1 170** |
| | | | 4 500 | 1 170 | 1 043 | – | **4 627** |

The Group has used a Black-Scholes model to determine the fair value of the share appreciation rights (SARs). The model used the following parameters:

| | |
|---|---|
| Grant price | The grant price at which the SAR is issued, being the 30-day weighted average share price quoted on the JSE Limited on the grant date |
| Share price at grant date | The closing share price as quoted by the JSE Limited at grant date |
| Expected option life | Between 3,25 and 5,25 years |
| Risk-free rate | Between 7,6% and 7,9% |
| Annualised volatility | Between 38,8% and 49,1% based on historic volatility determined by the statistical analysis of daily share price movements over the past three years |
| Dividend yield | Between 3,4% and 3,6% based on historic dividend payments over the three years prior to the grant date |
| Vesting | 1 183 000 on 1 June 2014 (rights expire on 1 December 2014)<br>1 500 000 on 1 June 2015 (rights expire on 1 December 2015)<br>847 000 on 1 June 2016 (rights expire on 1 December 2016)<br>707 000 on 1 June 2017 (rights expire on 1 December 2017)<br>390 000 on 1 June 2018 (rights expire on 1 December 2018) |
| Performance conditions | Compound real growth in headline earnings per share of the Company |
| Non-market conditions | Growth in headline earnings per share |
| Market conditions | No market conditions |

## 13. SHARE-BASED PAYMENT RESERVE continued

### 13.2 Share appreciation rights scheme 2010 continued

**13.2.1** continued

| | |
|---|---|
| Estimated fair value per right at grant date | Grant date: June 2010 |
| Expiry date 1 December 2014: R1,33 | |
| Expiry date 1 December 2015: R1,33 | |
| Grant date: June 2011 | |
| Expiry date 1 December 2014: R0,93 | |
| Expiry date 1 December 2015: R1,29 | |
| Expiry date 1 December 2016: R1,50 | |
| Grant date: June 2012 | |
| Expiry date 1 December 2015: R0,98 | |
| Expiry date 1 December 2016: R1,12 | |
| Expiry date 1 December 2017: R1,42 | |
| Grant date: June 2013 | |
| Expiry date 1 December 2016: R0,75 | |
| Expiry date 1 December 2017: R0,85 | |
| Expiry date 1 December 2018: R1,12 | |
| Average remaining life | Between 0,5 and 4,75 years |

| | Group 2014 R'000 | Group 2013 R'000 |
|---|---|---|
| **13.2.2** The amounts recognised in the financial statements for these share-based payment transactions are as follows: | | |
| Balance at beginning of year | **9 322** | 5 386 |
| Charged as "selling and administration expenses" during year | **3 976** | 3 936 |
| Released during year following exercise of share appreciation rights | **(2 182)** | – |
| Balance at end of year | **11 116** | 9 322 |

**13.2.3** The total cost of the rights, as reflected by the model, is R19 537 000, which will be charged to the statement of comprehensive income as follows:

| | R'000 |
|---|---|
| 2011 | 2 301 |
| 2012 | 3 085 |
| 2013 | 3 936 |
| **2014** | **3 976** |
| 2015 | 3 041 |
| 2016 | 1 786 |
| 2017 | 953 |
| 2018 | 393 |
| 2019 | 66 |
| | 19 537 |

**13.2.4** During the year 1 043 000 (2013: nil) rights were exercised at a time when the 30-day weighted average share price quoted on the JSE Limited was R13,50.

# NOTES TO THE FINANCIAL STATEMENTS for the year ended 28 February 2014

| | Group 2014 R'000 | Restated Group 2013 R'000 |
|---|---|---|
| **14. ADVANCE FROM NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES** | | |
| **14.1** Non-current portion | **–** | 3 938 |
| Current portion | **4 193** | 7 255 |
| | **4 193** | 11 193 |
| **14.2** The advance from non-controlling shareholders of subsidiaries is interest-free. It is repayable as follows: | | |
| Next 12 months | **4 193** | 7 255 |
| Months 13 to 24 | **–** | 3 938 |
| | **4 193** | 11 193 |
| **14.3** The non-controlling shareholders of subsidiaries are related parties of the Company. | | |
| **15. INSURANCE RECEIVABLE/(PAYABLE)** | | |
| **15.1** 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. | | |
| **15.2** Statement of comprehensive income effect: | | |
| – gross written premium | **60 910** | 20 583 |
| – investment income | **1 384** | 456 |
| – (increase)/decrease in assurance funds | **(10 207)** | 183 |
| – claims paid | **(14 686)** | (3 880) |
| – other expenses | **(22 909)** | (7 225) |
| – profit before taxation | **14 492** | 10 117 |
| **15.3** Reflected in the statement of financial position as: | | |
| – insurance receivable | **18 039** | 1 074 |
| – insurance payable | **(2 156)** | (2 608) |
| **16. LEASE LIABILITIES** | | |
| At beginning of year | **106 573** | 111 167 |
| Movement during year | **(7 570)** | (4 594) |
| At end of year | **99 003** | 106 573 |
| Less: current portion | **(8 759)** | (9 092) |
| Non-current portion | **90 244** | 97 481 |

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

| | Group 2014 R'000 | Restated Group 2013 R'000 | Company 2014 R'000 | Company 2013 R'000 |
|---|---|---|---|---|
| **17. TRADE AND OTHER PAYABLES** | | | | |
| **17.1** Trade payables | **1 123 291** | 1 004 390 | **–** | – |
| Accrued expenses | **134 723** | 123 807 | **534** | 479 |
| | **1 258 014** | 1 128 197 | **534** | 479 |
| **17.2** Trade and other payables comprise primarily trade payables in respect of the purchase of vehicles, marine craft and parts. They are payable according to terms varying between 30 and 180 days. | | | | |
| **17.3** All payables are interest-free except those in respect of vehicle purchases which bear interest at rates varying between 8,0% and 10,5% per annum (2013: 7,5% and 10%) for the period they are outstanding in excess of an initial interest-free period. | | | | |
| **18. BORROWINGS** | | | | |
| **18.1 Current** | | | | |
| Car hire fleet liability | **622 962** | 563 116 | **–** | – |
| **18.2** These borrowings are secured by car hire fleet vehicles classified as current assets (refer note 4.6). The underlying contracts have a maturity of less than one year and bear interest at rates varying between 8,0% and 11,0% per annum (2013: 7,5% and 10,5%), after an initial interest-free period. The carrying amounts of borrowings approximate their fair value, as the impact of discounting is not significant. | | | | |
| **19. REVENUE** | | | | |
| Revenue is derived from the various segments of the business as follows: | | | | |
| Retail motor | **10 261 436** | 9 311 946 | **–** | – |
| Car hire | **337 439** | 316 807 | **–** | – |
| Marine and leisure | **127 768** | 150 756 | **–** | – |
| Financial services | **77 910** | 23 150 | **–** | – |
| Corporate services/other | **26 831** | 6 074 | **39 364** | 44 113 |
| | **10 831 384** | 9 808 733 | **39 364** | 44 113 |

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 28 February 2014

| | Group 2014 R'000 | Restated Group 2013 R'000 | Company 2014 R'000 | Company 2013 R'000 |
|---|---|---|---|---|
| **20. EXPENSES BY NATURE** | | | | |
| Cost of sales | **9 162 323** | 8 246 446 | **–** | – |
| Impairment of goodwill | **–** | 15 000 | **–** | – |
| – Employee benefit expense (note 20.1) | **636 386** | 598 277 | **–** | – |
| – Depreciation | **27 962** | 25 417 | **–** | – |
| – Auditor's remuneration (note 20.3) | **4 784** | 4 537 | **63** | 52 |
| – Operating lease charges | | | | |
| – Properties | **191 808** | 188 162 | **–** | – |
| – Equipment | **6 457** | 6 615 | **–** | – |
| – Impairment charge for bad and doubtful debt | **3 392** | 4 812 | **–** | – |
| – Foreign exchange (gains)/losses | **(526)** | 3 756 | **–** | – |
| – Valuation of derivative financial instrument | **–** | (2 263) | **–** | – |
| – (Profit)/loss on disposal of plant and equipment | **(115)** | 542 | **–** | – |
| – Advertising expenses | **55 229** | 50 654 | **–** | – |
| – Other expenses | **423 460** | 376 951 | **180** | 171 |
| Selling and administration expenses | **1 348 837** | 1 257 460 | **243** | 223 |
| **20.1 Employee benefit expense** | | | | |
| Employee costs – selling and administration | **570 388** | 537 975 | **–** | – |
| – workshop labour | **68 797** | 63 822 | | |
| Pension fund contributions | **36 525** | 32 898 | **–** | – |
| Medical aid contributions | **25 497** | 23 468 | **–** | – |
| Share-based payment expense | **3 976** | 3 936 | **–** | – |
| Total employee benefit expense | **705 183** | 662 099 | **–** | – |
| Less: portion included in "Cost of sales" | **(68 797)** | (63 822) | **–** | – |
| Included in "Selling and administration expenses" | **636 386** | 598 277 | **–** | – |
| **20.2 Key management employee benefit expense** | | | | |
| Short-term employee benefits | **37 620** | 32 964 | **–** | – |
| Share-based payment expense | **2 303** | 2 149 | **–** | – |
| | **39 923** | 35 113 | **–** | – |
| These amounts are included in "Employee benefit expense" above. | | | | |
| **20.3 Auditor's remuneration** | | | | |
| Fees for audit | **4 702** | 4 449 | **63** | 52 |
| Fees for other services | **82** | 88 | **–** | – |
| | **4 784** | 4 537 | **63** | 52 |

| | Group 2014 R'000 | Restated Group 2013 R'000 | Company 2014 R'000 | Company 2013 R'000 |
|---|---|---|---|---|
| **21. OTHER INCOME** | | | | |
| Fair value discount reversed (note 6) | **–** | – | **3 409** | 3 000 |
| **22. FINANCE INCOME/FINANCE COSTS** | | | | |
| Interest paid – trade payables | **(48 853)** | (36 655) | **–** | – |
| – interest-bearing borrowings | **(40 402)** | (43 206) | | |
| – other | **(1)** | (7) | **–** | – |
| | **(89 256)** | (79 868) | **–** | – |
| Interest received – bank | **13 295** | 12 394 | **9 923** | 10 460 |
| – subsidiary | **–** | – | **40 343** | 41 220 |
| – other | **414** | 141 | **–** | – |
| | **13 709** | 12 535 | **50 266** | 51 680 |
| Net finance cost | **(75 547)** | (67 333) | **50 266** | 51 680 |
| **23. TAX EXPENSE** | | | | |
| **23.1 South African normal taxation** | | | | |
| – current year | **75 757** | 61 268 | **14 036** | 14 436 |
| – prior year adjustment | **88** | 155 | **–** | – |
| – deferred – current year | **(600)** | 4 257 | **–** | – |
| | **75 245** | 65 680 | **14 036** | 14 436 |
| | **%** | % | **%** | % |
| **23.2 Reconciliation of rate of taxation** | | | | |
| Statutory rate | **28,0** | 28,0 | **28,0** | 28,0 |
| Adjusted for: | | | | |
| Disallowable expenditure | **1,0** | 2,4 | **–** | – |
| Exempt income and allowances | **(0,6)** | (0,6) | **(12,9)** | (13,4) |
| Assessed losses | **2,4** | (0,4) | **–** | – |
| Effective rate | **30,8** | 29,5 | **15,1** | 14,6 |

# NOTES TO THE FINANCIAL STATEMENTS for the year ended 28 February 2014

## 24. EARNINGS PER SHARE

**24.1** Basic earnings and headline earnings per share are based on total profit and comprehensive income, and headline earnings attributable to equity holders of the Company respectively, and are calculated using the weighted average of 108 057 000 (2013: 108 531 000) shares in issue during the year.

**24.2** On the assumption that all of the share options referred to in note 12.4 are taken up by employees, earnings and headline earnings per share will be diluted.

The number of shares used to calculate diluted earnings and headline earnings per share is determined by adding to the weighted average number of shares in issue the number of shares that could have been purchased using the value representing the discount between the price at which the option shares were granted and the year-end value of the existing shares. No adjustment is made to total profit or headline earnings.

| | Group 2014 R'000 | Restated Group 2013 R'000 |
|---|---|---|
| Weighted average number of shares in issue during year ('000 shares) | **108 057** | 108 531 |
| Adjustment for option shares | **1 335** | 1 555 |
| Weighted average number of shares for dilution calculation | **109 392** | 110 086 |
| **24.3 Reconciliation of headline earnings** | | |
| Total profit and comprehensive income | **169 432** | 156 814 |
| Non-trading items: | | |
| – impairment of goodwill | **–** | 15 000 |
| – (profit)/loss on sale of plant and equipment | | |
| – gross | **(115)** | 542 |
| – impact of income tax | **32** | (152) |
| Headline earnings | **169 349** | 172 204 |
| Attributable to: | | |
| Equity holders of the Company | **169 357** | 172 200 |
| Non-controlling interest | **(8)** | 4 |
| | **169 349** | 172 204 |
| **24.4 Earnings per share (cents)** | | |
| Basic | **156,8** | 144,5 |
| Diluted basic | **154,9** | 142,4 |
| Headline | **156,7** | 158,7 |
| Diluted headline | **154,8** | 156,4 |

| | Group 2014 R'000 | Restated Group 2013 R'000 | Company 2014 R'000 | Restated Company 2013 R'000 |
|---|---|---|---|---|
| **25. CASH GENERATED FROM OPERATIONS** | | | | |
| Operating profit | **320 224** | 289 827 | **42 530** | 46 890 |
| Adjustments for non-cash items: | | | | |
| Dividend accrued | **–** | – | **(19 364)** | (44 113) |
| Movement in lease liabilities | **(7 570)** | (4 594) | **–** | – |
| Movement in share-based payment reserve | **3 976** | 3 936 | **–** | – |
| Depreciation | **107 545** | 98 624 | **–** | – |
| Valuation of derivative financial liability | **–** | (1 778) | **–** | – |
| (Profit)/loss on sale of plant and equipment | **(115)** | 542 | **–** | – |
| Fair value discount reversed | **–** | – | **(3 409)** | (3 000) |
| Impairment of goodwill | **–** | 15 000 | **–** | – |
| Sale of car hire fleet vehicles | **294 102** | 267 426 | **–** | – |
| Purchase of car hire fleet vehicles | **(427 013)** | (393 646) | **–** | – |
| | **291 149** | 275 337 | **19 757** | (223) |
| Working capital changes: | | | | |
| Inventories | **(29 609)** | (183 496) | **–** | – |
| Trade and other receivables | **176** | (51 339) | **–** | – |
| Trade and other payables | **129 817** | 107 776 | **55** | 19 |
| Borrowings | **59 846** | 37 348 | **–** | – |
| | **160 230** | (89 711) | **55** | 19 |
| Cash generated from operations | **451 379** | 185 626 | **19 812** | (204) |
| **26. TAXATION PAID** | | | | |
| Taxation paid is reconciled to the amounts disclosed in the statements of comprehensive income as follows: | | | | |
| Amounts unpaid at beginning of year | **(2 266)** | (7 467) | **(296)** | (2 989) |
| Amounts charged to the statements of comprehensive income | **(75 845)** | (61 423) | **(14 036)** | (14 436) |
| Amounts unpaid at end of year | **22 056** | 2 266 | **1 245** | 296 |
| | **(56 055)** | (66 624) | **(13 087)** | (17 129) |
| **27. NON-CONTROLLING SHAREHOLDERS OF SUBSIDIARIES** | | | | |
| Repayment of loans | **(7 000)** | (4 759) | | |
| Payment of dividends | **–** | (150) | | |
| | **(7 000)** | (4 909) | | |
| **28. DIVIDENDS PAID** | | | | |
| **Ordinary dividends** | | | | |
| Dividend number 51 | **(30 541)** | – | **(30 541)** | – |
| Dividend number 50 | **(54 485)** | – | **(54 485)** | – |
| Dividend number 49 | **–** | (27 206) | **–** | (27 206) |
| Dividend number 48 | **–** | (38 996) | **–** | (38 996) |
| | **(85 026)** | (66 202) | **(85 026)** | (66 202) |

# NOTES TO THE FINANCIAL STATEMENTS for the year ended 28 February 2014

| | Group 2014 R'000 | Restated Group 2013 R'000 | Company 2014 R'000 | Company 2013 R'000 |
|---|---|---|---|---|
| **29. RELATED PARTY TRANSACTIONS** | | | | |
| **29.1** 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 | **67 289** | 61 249 | **–** | – |
| The directors are of the opinion that the terms and conditions of the rental agreements approximate those available in the open market. | | | | |
| **29.2** Other transactions conducted and balances with related companies were as follows: | | | | |
| **Dividends received** | | | | |
| – Main Street 445 Proprietary Limited (note 6) | **–** | – | **(19 364)** | (44 113) |
| – inter-group | **–** | – | **(20 000)** | – |
| Interest received | | | | |
| – inter-group | **–** | – | **(40 343)** | (41 220) |
| **Dividends paid** | | | | |
| – Main Street 445 Proprietary Limited | **–** | 59 | **–** | – |
| – Chez Investments Proprietary Limited | **–** | 150 | **–** | – |
| **Year-end balances** | | | | |
| – advance to subsidiary | **–** | – | **256 092** | 297 565 |
| – investment in Main Street 445 Proprietary Limited | **–** | – | **187 386** | 234 613 |
| – advance from Thebe Investment Corporation Limited | **3 938** | 10 938 | **–** | – |
| – advance from Chez Investments Proprietary Limited | **255** | 255 | **–** | – |
| Thebe Investment Corporation Limited and Chez Investments Proprietary Limited are non-controlling shareholders of Group companies. | | | | |
| **30. COMMITMENTS** | | | | |
| **Operating lease commitments** | | | | |
| The future minimum lease payments under non-cancellable operating leases are as follows: | | | | |
| Next 12 months | **191 673** | 176 092 | **–** | – |
| Years 2 to 5 | **416 745** | 377 533 | **–** | – |
| Years 6+ | **86 585** | 100 837 | **–** | – |
| | **695 003** | 654 462 | **–** | – |
| Less: accrued in statement of financial position | **(99 003)** | (106 573) | **–** | – |
| Future expense | **596 000** | 547 889 | **–** | – |

## 31. EMPLOYEE BENEFIT INFORMATION

**31.1** Membership of motor-related union pension funds is compulsory for certain artisans and other employees, whilst membership of the Group pension fund, Combined Motor Holdings Pension Fund, is available for all other classes of employees commencing employment before the age of 55 years.

**31.2** During the year under review the Combined Motor Holdings Pension Fund operated as a defined contribution plan governed by the Pension Funds Act.

**31.3** 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.

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

## 32. SUBSEQUENT EVENT

A dividend (dividend number 52) of 50 cents per share will be paid on Tuesday, 17 June 2014 to members reflected in the share register of the Company at the close of business on the record date, Friday, 13 June 2014. Last day to trade cum dividend is Friday, 6 June 2014. First day to trade ex dividend is Monday, 9 June 2014. Share certificates may not be dematerialised or rematerialised from Monday, 9 June 2014 to Friday, 13 June 2014, both days inclusive.

The number of ordinary shares in issue at the date of the declaration is 93 673 498. Consequently, the gross dividend payable is R46 837 000 and will be distributed from income reserves. There are no STC credits available for utilisation. The dividend will be subject to dividend withholding tax at a rate of 15%, which will result in a net dividend of 42,5 cents to those shareholders who are not exempt in terms of section 64F of the Income Tax Act.

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

A number of new standards, and amendments to existing standards and interpretations have been published that are mandatory for the Group's future accounting periods, but that the Group has not early adopted. None of these is expected to have an impact on the consolidated financial statements of the Group in future periods, except for the following:

| | |
|---|---|
| IFRS 2 | (Amendment) Share-based Payments (effective for periods beginning on or after 1 July 2014) |
| IFRS 9 | (Revised) Financial Instruments (effective for periods beginning on or after 1 January 2015) |
| IFRS 8 | Operating Segments (effective for periods beginning on or after 1 July 2014) |

Management is currently assessing the impact of the above on the results and disclosures of the Group and intends to adopt the standards at their respective effective dates.

# NOTES TO THE FINANCIAL STATEMENTS for the year ended 28 February 2014

## 34. CHANGES IN ACCOUNTING POLICIES AND COMPARATIVE FIGURES

During the year a number of changes in accounting policies were effected. These were triggered principally by accounting statement changes, and also by decision of the Board. Details of the changes, and the impact on prior year financial statements, are recorded below.

### 34.1 Consolidated financial statements

#### 34.1.1 Investment in Main Street 445 Proprietary Limited

IFRS 10, 'Consolidated Financial Statements' was issued in August 2012 and replaces the guidance on control and consolidation in IAS 27, 'Consolidated and Separate Financial Statements', and in SIC 12, 'Consolidation – Special Purpose Entities'. The Group concluded a BEE transaction with Thebe Investment Corporation Limited ("TIC") in 2006. In terms of the transaction, a special purpose entity, Main Street 445 Proprietary Limited ("Main Street") was formed as a wholly-owned subsidiary of TIC to acquire a 15% equity stake in CMH Holdings Proprietary Limited. The balance of 85% is owned by the Company.

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

#### 34.1.2 Investment in insurance underwriting activities

The Group conducts insurance underwriting activities through various entities controlled by external financial service providers. These entities were consolidated in terms of IAS 27 and SIC 12. However, the Group has determined that the entities do not constitute "deemed separate entities" as envisaged in IFRS 10 and they have not been consolidated.

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

### 34.2 Reclassification within Statement of Cash Flows

In the Group financial statements "Finance income received", "Finance costs", and "Dividends paid" were previously classified under the heading "Cash movement from operating activities". They have now been reclassified under the heading "Cash movement from financing activities".

In the Company financial statements, because it is an investment holding entity, "Finance income received" remains under the heading "Cash movement from operating activities", whilst "Dividends paid" has been reclassified under the heading "Cash movement from financing activities".

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

### 34.3 Reclassification of wholesale transactions

Revenue arising from the sale of new and used motor vehicles to customers who were themselves dealers in motor vehicles and who purchased the vehicles for resale, was classified as wholesale revenue, and was eliminated and offset against "Cost of sales" in the statement of comprehensive income. This policy has been discontinued and revenue from such sales is now included in "Revenue" and a corresponding adjustment has been made to "Cost of sales". The change has no impact on "Gross profit".

### 34.4 Reclassification of transactions associated with financing of car hire fleet

The cost of financing the Group's car hire vehicles was included in "Cost of sales" and the year-end liability in "Trade and other payables". This policy has been discontinued. Finance charges are now included in "Finance costs" and the liability is recorded as "Borrowings". The change has no impact on "Profit before taxation" nor on "Total current liabilities".

The effect in the financial statements is summarised as follows:

## 34. CHANGES IN ACCOUNTING POLICIES AND COMPARATIVE FIGURES continued

### GROUP STATEMENT OF FINANCIAL POSITION

| | Restated 28 February 2013 R'000 | Adjustment Note 34.1 R'000 | Adjustment Note 34.4 R'000 | Previously reported 28 February 2013 R'000 |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Investments | – | (233 613) | – | 233 613 |
| Insurance receivable | 1 074 | 1 074 | – | – |
| **Current assets** | | | | |
| Investments | – | (1 000) | – | 1 000 |
| Trade and other receivables | 264 007 | (106) | – | 264 113 |
| Cash and cash equivalents | 334 931 | (5 728) | – | 340 659 |
| **Total assets** | 2 494 624 | (239 373) | – | 2 733 997 |
| **Capital and reserves** | | | | |
| Retained earnings | 638 027 | (118 269) | – | 756 296 |
| Non-controlling interest | 120 | 8 102 | – | (7 982) |
| **Non-current liabilities** | | | | |
| Advance from non-controlling shareholders of subsidiaries | 3 938 | (124 446) | – | 128 384 |
| Assurance funds | – | (7 548) | – | 7 548 |
| Insurance payable | 2 608 | 2 608 | – | – |
| **Current liabilities** | | | | |
| Trade and other payables | 1 128 197 | 548 | (563 116) | 1 690 765 |
| Borrowings | 563 116 | – | 563 116 | – |
| Current tax liabilities | 2 266 | (368) | – | 2 634 |
| **Total equity and liabilities** | 2 494 624 | (239 373) | – | 2 733 997 |

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 28 February 2014

### 34. CHANGES IN ACCOUNTING POLICIES AND COMPARATIVE FIGURES continued

GROUP STATEMENT OF FINANCIAL POSITION

| | Restated 29 February 2012 R'000 | Adjustment Note 34.1 R'000 | Adjustment Note 34.4 R'000 | Previously reported 29 February 2012 R'000 |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Investments | – | (204 500) | – | 204 500 |
| Insurance receivable | 2 445 | 2 445 | – | – |
| **Current assets** | | | | |
| Investments | – | (3 000) | – | 3 000 |
| Trade and other receivables | 212 668 | (200) | – | 212 868 |
| Cash and cash equivalents | 385 994 | (9 414) | – | 395 408 |
| **Total assets** | 2 268 470 | (214 669) | – | 2 483 139 |
| **Capital and reserves** | | | | |
| Retained earnings | 541 523 | (88 680) | – | 630 203 |
| Non-controlling interest | 266 | 5 567 | – | (5 301) |
| **Non-current liabilities** | | | | |
| Non-controlling shareholders of subsidiaries | 15 952 | (119 537) | – | 135 489 |
| Assurance funds | – | (7 731) | – | 7 731 |
| Insurance payable | 2 746 | 2 746 | – | – |
| **Current liabilities** | | | | |
| Non-controlling shareholders of subsidiaries | – | (4 850) | – | 4 850 |
| Trade and other payables | 1 020 421 | (12) | (525 768) | 1 546 201 |
| Borrowings | 525 768 | – | 525 768 | – |
| Current tax liabilities | 7 509 | (2 172) | – | 9 681 |
| **Total equity and liabilities** | 2 268 470 | (214 669) | – | 2 483 139 |

## 34. CHANGES IN ACCOUNTING POLICIES AND COMPARATIVE FIGURES continued

### GROUP STATEMENT OF COMPREHENSIVE INCOME

| | Restated 28 February 2013 R'000 | Adjustment Note 34.1 R'000 | Adjustment Note 34.3 R'000 | Adjustment Note 34.4 R'000 | Previously reported 28 February 2013 R'000 |
|---|---|---|---|---|---|
| Revenue | 9 808 733 | (44 113) | 881 035 | – | 8 971 811 |
| Cost of sales | (8 246 446) | – | (881 035) | 43 206 | (7 408 617) |
| Gross profit | 1 562 287 | (44 113) | – | 43 206 | 1 563 194 |
| Other income | – | (3 000) | – | – | 3 000 |
| Operating profit | 289 827 | (47 113) | – | 43 206 | 293 734 |
| Finance costs | (79 868) | – | – | (43 206) | (36 662) |
| Profit before taxation | 222 494 | (47 113) | – | – | 269 607 |
| Total profit and comprehensive income | 156 814 | (47 113) | – | – | 203 927 |
| Attributable to: | | | | | |
| Equity holders of the company | 156 810 | (29 589) | – | – | 186 399 |
| Non-controlling interest | 4 | (17 524) | – | – | 17 528 |
| Earnings per share (cents) | | | | | |
| Basic | 144,5 | (27,2) | – | – | 171,7 |
| Diluted basic | 142,4 | (26,9) | – | – | 169,3 |

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 28 February 2014

### 34. CHANGES IN ACCOUNTING POLICIES AND COMPARATIVE FIGURES continued

GROUP STATEMENT OF CASH FLOWS

| | Restated 28 February 2013 R'000 | Adjustment Note 34.1 R'000 | Adjustment Note 34.2 R'000 | Adjustment Note 34.3 R'000 | Adjustment Note 34.4 R'000 | Previously reported 28 February 2013 R'000 |
|---|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | | |
| Cash receipts from customers | 9 784 160 | (44 007) | – | 881 035 | – | 8 947 132 |
| Cash paid to suppliers and employees | (9 598 534) | 44 656 | – | (881 035) | 43 206 | (8 805 361) |
| Cash generated from operations | 185 626 | 649 | – | – | 43 206 | 141 771 |
| Finance income | – | – | (12 535) | – | – | 12 535 |
| Finance costs | – | – | 36 662 | – | – | (36 662) |
| Dividends paid | – | – | 66 202 | – | – | (66 202) |
| Taxation paid | (66 667) | 1 761 | – | – | – | (68 428) |
| Net cash movement from operating activities | 118 959 | 2 410 | 90 329 | – | 43 206 | (16 986) |
| **Cash flows from investing activities** | | | | | | |
| Investments | – | (20 000) | – | – | – | 20 000 |
| Redemption of insurance receivables | 1 414 | 1 414 | – | – | – | – |
| Repayment of insurance payables | (138) | (138) | – | – | – | – |
| Net cash movement from investing activities | (34 722) | (18 724) | – | – | – | (15 998) |
| **Cash flows from financing activities** | | | | | | |
| Advance from non-controlling shareholders of subsidiaries | (4 909) | 20 000 | – | – | – | (24 909) |
| Finance income | 12 535 | – | 12 535 | – | – | – |
| Finance costs | (79 868) | – | (36 662) | – | (43 206) | – |
| Dividends paid | (66 202) | – | (66 202) | – | – | – |
| Net cash movement from financing activities | (135 300) | 20 000 | (90 329) | – | (43 206) | (21 765) |
| Net movement in cash and cash equivalents | (51 063) | 3 686 | – | – | – | (54 749) |
| Cash and cash equivalents at beginning of year | 385 994 | (9 414) | – | – | – | 395 408 |
| Cash and cash equivalents at end of year | 334 931 | (5 728) | – | – | – | 340 659 |

## 34. CHANGES IN ACCOUNTING POLICIES AND COMPARATIVE FIGURES continued

### COMPANY STATEMENT OF CASH FLOWS

| | Restated 28 February 2013 R'000 | Adjustment Note 34.2 R'000 | Previously reported 28 February 2013 R'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Dividends paid | – | 66 202 | (66 202) |
| Net cash movement from operating activities | 34 347 | 66 202 | (31 855) |
| **Cash flows from financing activities** | | | |
| Dividends paid | (66 202) | (66 202) | – |
| Net cash movement from financing activities | (63 058) | (66 202) | 3 144 |
| Net movement in cash and cash equivalents | 143 580 | – | 143 580 |

# SUBSIDIARIES

| Name of company | Issued share capital R | Activity | Effective holding (indirect)/direct **2014** **%** | 2013 % | Shares at cost less amounts written off **2014** **R'000** | 2013 R'000 | Indebtedness by subsidiaries **2014** **R'000** | 2013 R'000 |
|---|---|---|---|---|---|---|---|---|
| CMH Autogas Products | 100 | 4 | **(85)** | (85) | **–** | – | **–** | – |
| CMH Car Hire | 100 | 2 | **(85)** | (85) | **–** | – | **–** | – |
| CMH Holdings | 1 000 | 4 | **85** | 85 | **1** | 1 | **256 092** | 297 565 |
| CMH Luxury Motors (Lyndhurst) | 200 | 1 | **(85)** | (85) | **–** | – | **–** | – |
| CMH Marine and Leisure | 67 000 | 3 | **(85)** | (85) | **–** | – | **–** | – |
| Combined Motor Finance | 2 | 5 | **(85)** | (85) | **–** | – | **–** | – |
| Datcentre Motors | 250 000 | 1 | **(85)** | (85) | **–** | – | **–** | – |
| Kempster Sedgwick | 1 800 400 | 1 | **(85)** | (85) | **–** | – | **–** | – |
| Mandarin Motors | 100 | 1 | **(77)** | (77) | **–** | – | **–** | – |
| Mandarin Motors Three | 100 | 1 | **(85)** | (85) | **–** | – | **–** | – |
| Pipemakers | 100 | 4 | **(60)** | (60) | **–** | – | **–** | – |
| Waterworld | 1 | 5 | **(85)** | (85) | **–** | – | **–** | – |
| Whitehouse Motors | 25 | 1 | **(85)** | (85) | **–** | – | **–** | – |
| | | | | | **1** | 1 | **256 092** | 297 565 |

*Notes*

1. *All subsidiaries are Proprietary Limited companies incorporated in South Africa.*
2. *Activity index:*
   1 *retail motor*
   2 *car hire*
   3 *marine and leisure*
   4 *corporate services/other*
   5 ***dormant/deregistered in current year***
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.*

# DIRECTORS' EMOLUMENTS

| Executive directors | Total R'000 | MPD Conway R'000 | SK Jackson R'000 | JD McIntosh R'000 |
|---|---|---|---|---|
| **2014** | | | | |
| Salary | **10 356** | **3 283** | **3 283** | **3 790** |
| Performance-related payments | **4 400** | **1 300** | **1 300** | **1 800** |
| Share-based payment award | **380** | **380** | **–** | **–** |
| Other benefits | **783** | **261** | **261** | **261** |
| Contributions to pension and medical aid funds | **1 018** | **319** | **330** | **369** |
| | **16 937** | **5 543** | **5 174** | **6 220** |
| **2013** | | | | |
| Salary | 9 519 | 2 880 | 3 064 | 3 575 |
| Performance-related payments | 4 400 | 1 300 | 1 300 | 1 800 |
| Share-based payment award | 476 | 476 | – | – |
| Other benefits | 756 | 252 | 252 | 252 |
| Contributions to pension and medical aid funds | 1 035 | 307 | 347 | 381 |
| | 16 186 | 5 215 | 4 963 | 6 008 |

| Non-executive directors | Total R'000 | LCZ Cele R'000 | JS Dixon R'000 | JTM Edwards R'000 | VP Khanyile R'000 | D Molefe R'000 | M Zimmer-man R'000 |
|---|---|---|---|---|---|---|---|
| **2014** | | | | | | | |
| Fees | **1 477** | **177** | **230** | **397** | **162** | **132** | **379** |
| **2013** | | | | | | | |
| Fees | 1 495 | 176 | 215 | 273 | 141 | 105 | 585 |

*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' SHAREHOLDING

| ('000 shares) | Total | MPD Conway | JTM Edwards | SK Jackson | JD McIntosh | M Zimmer-man | JW Alderslade |
|---|---|---|---|---|---|---|---|
| Beneficial shareholding at 28 February 2013 | | | | | | | |
| – direct | 219 | 5 | 7 | 87 | 112 | – | 8 |
| – indirect | 75 171 | 1 308 | – | 5 000 | 25 395 | 43 468 | – |
| | 75 390 | 1 313 | 7 | 5 087 | 25 507 | 43 468 | 8 |
| Shares disposed of during the year | | | | | | | |
| – indirect | (15 013) | – | – | – | – | (15 013) | – |
| Beneficial shareholding at 28 February 2014 | | | | | | | |
| – direct | 219 | 5 | 7 | 87 | 112 | – | 8 |
| – indirect | 60 158 | 1 308 | – | 5 000 | 25 395 | 28 455 | – |
| | **60 377** | **1 313** | **7** | **5 087** | **25 507** | **28 455** | **8** |
| Options held subject to the terms and conditions of the Share Option Scheme 2001 – at R5,12 per share | **2 137** | **338** | **–** | **787** | **1 012** | **–** | **–** |
| Rights held subject to the terms and conditions of the CMH Share Appreciation Rights Scheme 2010 ('000 rights) | | | | | | | |
| At 28 February 2013 | 425 | 425 | – | – | – | – | – |
| Exercised during year | (100) | (100) | – | – | – | – | – |
| Granted during year | 125 | 125 | – | – | – | – | – |
| At 28 February 2014 | **450** | **450** | **–** | **–** | **–** | **–** | **–** |

## ANALYSIS OF ORDINARY SHAREHOLDERS

| | Number of shareholders | | Number of shares held ('000) | | Percentage of shares held | |
|---|---|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 | **2014** | 2013 |
| Individuals | **610** | 539 | **5 028** | 5 035 | **5,4** | 4,6 |
| Nominee companies and trusts | **83** | 74 | **4 406** | 4 489 | **4,7** | 4,1 |
| Other corporate bodies | **114** | 108 | **84 239** | 99 301 | **89,9** | 91,3 |
| | **807** | 721 | **93 673** | 108 825 | **100,0** | 100,0 |
| Holdings | | | | | | |
| 1 – 2 500 | **447** | 374 | **402** | 338 | **0,4** | 0,3 |
| 2 501 – 5 000 | **106** | 94 | **396** | 349 | **0,4** | 0,3 |
| 5 001 – 10 000 | **90** | 86 | **690** | 674 | **0,7** | 0,6 |
| Over 10 000 | **164** | 167 | **92 185** | 107 464 | **98,5** | 98,8 |
| | **807** | 721 | **93 673** | 108 825 | **100,0** | 100,0 |
| Public shareholders | **801** | 715 | **33 296** | 33 435 | **35,5** | 30,7 |
| Non-public shareholders – directors of Company | **6** | 6 | **60 377** | 75 390 | **64,5** | 69,3 |
| | **807** | 721 | **93 673** | 108 825 | **100,0** | 100,0 |

*Notes*

1. *So far as is known, only one shareholder other than a director is directly or indirectly beneficially interested in 5% or more of the ordinary issued share capital. Old Mutual Group holds 8,1%.*
2. *A copy of the detailed share register as at 28 February 2014 is available on written request to the company secretary.*

## STOCK EXCHANGE PERFORMANCE

| | | | **2014** | 2013 |
|---|---|---|---|---|
| Closing price | 28 February 2014 | (cents) | **1 250** | 1 330 |
| Volume of shares traded | | ('000) | **8 699** | 13 673 |
| Value of shares traded | | (R'000) | **117 248** | 160 903 |
| Number of transactions | | | **2 663** | 1 657 |
| Volume of shares traded as percentage of total issued shares | | (%) | **9,3** | 12,6 |
| JSE General Retailers Index | | | **55 172** | 60 588 |
| JSE All-share Index | | | **47 329** | 39 710 |
| Lowest price | 21 February 2014 | (cents) | **1 150** | 965 |
| Highest price | 18 October 2013 | (cents) | **1 499** | 1 440 |
| Earnings yield | 28 February 2014 | (%) | **12,5** | 11,9 |
| Dividend yield | 28 February 2014 | (%) | **6,2** | 4,6 |

# NOTICE OF MEETING

Notice is hereby given that the twenty-seventh 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, 29 May 2014 commencing at 15h00 for the following purposes:

## 1. ORDINARY RESOLUTION NUMBER 1

**Approval of financial statements**

To receive, approve and adopt the financial statements, and the reports of the directors, and audit committee and social, ethics and transformation committee of the Company and the Group for the year ended 28 February 2014.

## 2. ORDINARY RESOLUTION NUMBER 2

**Election and re-election of directors**

To confirm the election of the following director who was appointed on 1 February 2014:

- N Siyotula

To confirm the re-election of the following directors who retire by rotation in terms of the Memorandum of Incorporation and who have offered themselves for re-election:

- LCZ Cele
- JS Dixon
- JD McIntosh
- M Zimmerman

A brief curriculum vitae of each of the above directors is recorded on page 84. The Board recommends the 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. The Board proposes the election of the following members:

- JS Dixon (chairman)
- LCZ Cele
- N Siyotula

## 4. ORDINARY RESOLUTION NUMBER 4

**Appointment of external auditor**

To appoint PricewaterhouseCoopers Inc. and designated partner SF Randelhoff, as auditor of the Company and the Group for the ensuing year.

## 5. ORDINARY RESOLUTION NUMBER 5

**Remuneration report**

To confirm, on a non-binding advisory basis, the approval by shareholders of the remuneration report of the Group. The remuneration report is recorded on pages 22 and 23.

## 6. SPECIAL RESOLUTION NUMBER 1

To authorise the directors, in terms of Section 45(3) of the Companies Act, 2008 ("Act"), to bind the Company in the provision of direct and indirect financial assistance to a related company.

## 7. SPECIAL RESOLUTION NUMBER 2

**Approval of fees of non-executive directors**

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

| | 2015 R'000 |
|---|---|
| Chairman of the Board | **550** |
| Lead independent director | **220** |
| Director | **117** |
| **Audit and risk assessment committee** | |
| – chairman | **150** |
| – member | **32** |
| – per meeting | **12** |
| **Remuneration committee** | |
| – chairman | **28** |
| – member | **12** |
| – per meeting | **8** |
| **Social, ethics and transformation committee** | |
| – chairman | **28** |
| – member | **12** |
| – per meeting | **8** |

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, driver's licence or passport will be acceptable. Proxy forms should be forwarded to reach the registered office of the Company by no later than 12h00 on Wednesday, 28 May 2014.

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 Thursday, 17 April 2014.

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, 23 May 2014.

By order of the Board of directors

**K Fonseca**
*Company secretary*

16 April 2014

# CURRICULA VITAE

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

## N SIYOTULA

Nonzukiso (Zukie) Siyotula, CA (SA), was appointed to the Board in February 2014 after being appointed chief executive officer of Thebe Capital. Prior to joining Thebe Capital, Zukie held various senior positions in Barclays Africa Group including CFO for Wealth Management and COO for Africa Finance. Zukie is a Chartered Accountant (SA) and a Chartered Management Accountant (UK). She has an MBA from the Gordon Institute of Business Science and is currently completing an executive programme with Harvard and Insead. She has served on public and private sector boards, as well as non-profit organisations and professional bodies such as ABSIP, AWCA and SAICA.

## M ZIMMERMAN

Maldwyn Zimmerman held the position of executive chairman of the Company until October 2007 when he retired and assumed the position of non-executive chairman, a position he held until October 2013. He has been a member of the Board since 1976 and a member of the remuneration committee since 2008. Maldwyn was last re-elected to office in 2011.

## JD MCINTOSH

Jebb McIntosh, CA (SA) is a founder director of the Company and has played a pivotal role in its development since 1976. In addition to his involvement in overall strategy and direction, he is responsible for the day-to-day business activities and resources of the Group. Jebb was appointed chief executive officer in 2001 and was last re-elected to office in 2011.

## LCZ CELE

Zee Cele, MAcc (Tax) was appointed a non-executive director of the Company and a member of the audit and risk assessment committee in July 2007. She has been a member of the social, ethics and transformation committee since its formation in May 2012. Zee holds a Master of Accountancy (Taxation) degree from Natal University. She serves as a non-executive director on numerous boards including Hulamin Limited, Efficient Group and Avbob. She is also a commercial member of the Tax Court. Zee was last re-elected to office in 2011.

## JS DIXON

James Dixon, CA (SA) was appointed to the Board and the audit and risk assessment committee in October 2010. He was appointed chairman of the audit and risk assessment committee in 2011. 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 was the partner in charge of the Group's audit during the years 2000 to 2007 and brings with him a wealth of knowledge and experience. His appointment in 2010 was confirmed by shareholders in 2011.

# FORM OF PROXY

**COMBINED MOTOR HOLDINGS LIMITED ANNUAL GENERAL MEETING 29 MAY 2014**

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 15h00 on Thursday, 29 May 2014 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 | | | |
| Ordinary resolution number 2.1: N Siyotula | | | |
| Ordinary resolution number 2.2: LCZ Cele | | | |
| Ordinary resolution number 2.3: JS Dixon | | | |
| Ordinary resolution number 2.4: JD McIntosh | | | |
| Ordinary resolution number 2.5: M Zimmerman | | | |
| Ordinary resolution number 3.1: JS Dixon | | | |
| Ordinary resolution number 3.2: LCZ Cele | | | |
| Ordinary resolution number 3.3: N Siyotula | | | |
| Ordinary resolution number 4 | | | |
| Ordinary resolution number 5 | | | |
| Special resolution number 1 | | | |
| Special resolution number 2 | | | |

**Notes**

1. A shareholder who is entitled to attend and vote at the meeting is entitled to appoint a proxy to attend, speak and vote in his stead. The person so appointed need not be a shareholder.
2. Proxy forms should be signed, dated and forwarded to reach the registered office of the Company, 1 Wilton Crescent, Umhlanga Ridge 4319, by no later than 12h00 on Wednesday, 28 May 2014.
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 Act, any shareholder or proxy who attends the meeting must provide satisfactory identification. A South African green bar-coded identification document, 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

Registration number: 1965/000270/06
Income tax reference number: 9471/712/71/2
Share code: CMH
ISIN: ZAE000088050

### DIRECTORS

LCZ Cele, BCom, Postgrad Dip Tax, MAcc (Tax) *(independent non-executive)*
MPD Conway, CA (SA) *(executive)*
JS Dixon, CA (SA) *(independent non-executive)*
JTM Edwards, CA (SA) *(independent non-executive)*
SK Jackson, BCom (Hons) (Tax Law), CA (SA) *(executive)*
JD McIntosh, CA (SA) *(executive)*
D Molefe, BCom, BCompt (Hons), Masters International Accounting, CA (SA) *(independent non-executive)*
N Siyotula, CA (SA), MBA *(independent non-executive)*
M Zimmerman *(non-executive)*
JW Alderslade, CA (SA) *(alternate to N Siyotula and D Molefe)*

### EXECUTIVE COMMITTEE

SL Atkinson
BWJ Barritt
JP de Bruyn
K Fonseca
GP Gray
RJ Minnaar
TH Morey
CG Webber

### COMPANY SECRETARY

K Fonseca

### 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

### AUDITOR

PricewaterhouseCoopers Inc.

### SPONSORS

PricewaterhouseCoopers Corporate Finance Proprietary Limited
Private Bag X36
Sunninghill 2157

### BANKERS

First National Bank of South Africa

# SHAREHOLDERS' DIARY

| | |
|---|---|
| Year-end | February |
| Annual general meeting | May |
| **REPORTS** | |
| Interim | October |
| Integrated annual report | May |
| **DIVIDENDS** | |
| Interim | Declared October |
| | Paid December |
| Final | Declared April |
| | Paid June |

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