COMBINED MOTOR HOLDINGS LIMITED
AUDITED GROUP FINANCIAL RESULTS FOR THE YEAR ENDED 28 FEBRUARY 2013

Condensed segment information
FOR THE YEAR ENDED 28 FEBRUARY 2013

	Audited 2013 R'000	%	Audited 2012 R'000	%
TOTAL				
External revenue	**8 971 811**	**100**	8 293 728	100
Operating profit	**293 734**	**100**	217 124	100
Net finance costs	**(24 127)**	**100**	(19 110)	100
Profit before taxation	**269 607**	**100**	198 014	100
Total assets	**2 733 997**	**100**	2 483 139	100
Total liabilities	**1 943 159**	**100**	1 816 897	100
Goodwill at year-end	**74 972**	**100**	89 972	100
Employee costs	**598 277**	**100**	531 476	100
Number of staff	**2 840**	**100**	2 728	100
RETAIL MOTOR				
External revenue	**8 430 911**	**95**	7 799 845	94
Operating profit	**242 723**	**83**	167 491	77
Net finance costs	**(50 754)**	**210**	(59 125)	309
Profit before taxation	**191 969**	**71**	108 366	55
Total assets	**1 496 905**	**55**	1 270 677	51
Total liabilities	**1 149 474**	**59**	1 073 663	59
Goodwill at year-end	**74 972**	**100**	84 972	94
Employee costs	**489 941**	**82**	436 270	82
Number of staff	**2 344**	**83**	2 263	83
CAR HIRE				
External revenue	**316 807**	**3**	291 914	4
Operating profit	**24 560**	**8**	23 445	11
Net finance costs	**1 500**	**(6)**	–	–
Profit before taxation	**26 060**	**10**	23 445	12
Total assets	**559 576**	**20**	511 575	21
Total liabilities	**616 807**	**32**	555 236	30
Goodwill at year-end	**–**	**–**	–	–
Employee costs	**56 647**	**9**	49 171	9
Number of staff	**349**	**12**	307	11
MARINE AND LEISURE				
External revenue	**150 756**	**2**	173 155	2
Operating profit	**(5 533)**	**(2)**	2 642	1
Net finance costs	**(278)**	**1**	(320)	2
Profit before taxation	**(5 811)**	**(2)**	2 322	1
Total assets	**69 599**	**3**	63 749	3
Total liabilities	**13 814**	**1**	21 967	1
Goodwill at year-end	**–**	**–**	5 000	6
Employee costs	**14 762**	**3**	15 021	3
Number of staff	**48**	**2**	64	2
FINANCIAL SERVICES				
External revenue	**23 150**	**–**	15 559	–
Operating profit	**11 246**	**4**	14 529	7
Net finance costs	**456**	**(2)**	503	(3)
Profit before taxation	**11 702**	**4**	15 032	8
Total assets	**5 834**	**–**	9 620	–
Total liabilities	**7 369**	**–**	9 916	1
Goodwill at year-end	**–**	**–**	–	–
Employee costs	**–**	**–**	–	–
Number of staff	**–**	**–**	–	–
CORPORATE SERVICES/OTHER				
External revenue	**50 187**	**–**	13 255	–
Operating profit	**20 738**	**7**	9 017	4
Net finance costs	**24 949**	**(103)**	39 832	(208)
Profit before taxation	**45 687**	**17**	48 849	24
Total assets	**602 083**	**22**	627 518	25
Total liabilities	**155 695**	**8**	156 115	9
Goodwill at year-end	**–**	**–**	–	–
Employee costs	**36 927**	**6**	31 014	6
Number of staff	**99**	**3**	94	4

Condensed group statement of financial position
AT 28 FEBRUARY 2013

	Audited 2013 R'000	Audited 2012 R'000
ASSETS		
Non-current assets		
Plant and equipment	**68 803**	58 537
Goodwill	**74 972**	89 972
Investments	**233 613**	204 500
Deferred taxation	**45 707**	49 964
	423 095	402 973
Current assets		
Investments	**1 000**	3 000
Car hire fleet vehicles	**520 162**	467 376
Inventory	**1 184 968**	1 001 472
Trade and other receivables	**264 113**	212 868
Tax paid in advance	**–**	42
Cash and cash equivalents	**340 659**	395 408
	2 310 902	2 080 166
Total assets	**2 733 997**	2 483 139
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	**29 500**	25 438
Share-based payment reserve	**13 024**	10 006
Non-distributable reserve	**–**	5 896
Retained earnings	**756 296**	630 203
Ordinary shareholders' equity	**798 820**	671 543
Non-controlling interest	**(7 982)**	(5 301)
Total equity	**790 838**	666 242
Non-current liabilities		
Non-controlling shareholders of subsidiaries	**128 384**	135 489
Assurance funds	**7 548**	7 731
Lease liabilities	**97 481**	104 528
	233 413	247 748
Current liabilities		
Non-controlling shareholders of subsidiaries	**7 255**	4 850
Derivative financial liabilities	**–**	1 778
Trade and other payables	**1 690 765**	1 546 201
Lease liabilities	**9 092**	6 639
Current tax liabilities	**2 634**	9 681
	1 709 746	1 569 149
Total liabilities	**1 943 159**	1 816 897
Total equity and liabilities	**2 733 997**	2 483 139

Condensed group statement of comprehensive income
FOR THE YEAR ENDED 28 FEBRUARY 2013

	Audited 2013 R'000	Audited 2012 R'000
Revenue	**8 971 811**	8 293 728
Cost of sales	**(7 408 617)**	(6 922 488)
Gross profit	**1 563 194**	1 371 240
Other income	**3 000**	3 000
Impairment of goodwill	**(15 000)**	–
Selling and administration expenses	**(1 257 460)**	(1 157 116)
Operating profit	**293 734**	217 124
Finance income	**12 535**	14 927
Finance costs	**(36 662)**	(34 037)
Profit before taxation	**269 607**	198 014
Tax expense	**(65 680)**	(53 868)
Total profit and comprehensive income	**203 927**	144 146
Attributable to:		
Equity holders of the Company	**186 399**	131 297
Non-controlling interest	**17 528**	12 849
	203 927	144 146
Reconciliation of headline earnings		
Total profit and comprehensive income	**203 927**	144 146
Non-trading items:		
– impairment of goodwill	**15 000**	–
– loss on sale of plant and equipment	**542**	–
Headline earnings	**219 469**	144 146
Attributable to:		
Equity holders of the Company	**199 610**	131 297
Non-controlling interest	**19 859**	12 849
	219 469	144 146
Earnings per share (cents)		
Basic	**171,7**	121,4
Diluted basic	**169,3**	121,0
Headline	**183,9**	121,4
Diluted headline	**181,3**	121,0

Condensed group statement of cash flows
FOR THE YEAR ENDED 28 FEBRUARY 2013

	Audited 2013 R'000	Restated Audited 2012 R'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating profit	**293 734**	217 124
Adjustments for non-cash items:	**64 434**	70 335
Sale of car hire fleet vehicles	**267 426**	277 705
Purchase of car hire fleet vehicles	**(393 646)**	(396 527)
Working capital changes:		
Inventory	**(183 496)**	(176 271)
Trade and other receivables	**(51 245)**	17 063
Trade and other payables	**144 564**	261 679
Cash generated from operations	**141 771**	271 108
Finance income	**12 535**	14 927
Finance costs	**(36 662)**	(34 037)
Dividends paid	**(66 202)**	(46 513)
Taxation paid	**(68 428)**	(40 865)
Net cash movement from operating activities	**(16 986)**	164 620
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of non-current plant and equipment	**(37 077)**	(26 410)
Proceeds on disposal of non-current plant and equipment	**1 079**	1 904
Investments	**20 000**	–
Purchase of non-controlling shareholders' interest in subsidiaries	**–**	(5 669)
Net cash movement from investing activities	**(15 998)**	(30 175)
CASH FLOWS FROM FINANCING ACTIVITIES		
Non-controlling shareholders of subsidiaries	**(24 909)**	(50 946)
Proceeds of issue of shares	**3 144**	307
Interest-bearing loans	**–**	(986)
Net cash movement from financing activities	**(21 765)**	(51 625)
Net movement in cash and cash equivalents	**(54 749)**	82 820
Cash and cash equivalents at beginning of year	**395 408**	312 588
Cash and cash equivalents at end of year	**340 659**	395 408

Group statement of changes in equity
FOR THE YEAR ENDED 28 FEBRUARY 2013

	Share capital R'000	Non-distributable reserve R'000	Share-based payment reserve R'000	Retained earnings R'000	Attributable to equity holders of the Company R'000	Non-controlling interest R'000	Total equity R'000
Balance at 28 February 2011	25 013	5 896	7 039	550 624	588 572	(2 563)	586 009
Issue of shares	307				307		307
Total profit and comprehensive income				131 297	131 297	12 849	144 146
Transfer to share capital	118		(118)				
Share-based payment reserve			3 085		3 085		3 085
Dividends paid				(46 513)	(46 513)	(15 123)	(61 636)
Purchase of non-controlling shareholders' interest in subsidiaries				(5 205)	(5 205)	(464)	(5 669)
Balance at 29 February 2012	25 438	5 896	10 006	630 203	671 543	(5 301)	666 242
Issue of shares	3 144				3 144		3 144
Total profit and comprehensive income				186 399	186 399	17 528	203 927
Transfer to share capital	918		(918)				
Share-based payment reserve			3 936		3 936		3 936
Dividends paid				(66 202)	(66 202)	(20 209)	(86 411)
Capital redemption reserve transferred to retained earnings		(5 896)		5 896			
Balance at 28 February 2013	**29 500**	**–**	**13 024**	**756 296**	**798 820**	**(7 982)**	**790 838**

Restatement of statement of cash flows

Dividend income receivable but not yet received by the Group was reflected in the statement of cash flows for the year ended 29 February 2012 both as cash inflows, and as an increase in investments. Further, the line item 'Cash paid to suppliers and employees' also included an entry recording dividends accrued.

The 2012 condensed statement of cash flows has been adjusted to remove the effect of these items, as follows:

	As previously reported R'000	Adjustment for dividend income R'000	As restated R'000
2012			
Cash generated from operations	288 337	(17 229)	271 108
Net cash movement from operating activities	181 849	(17 229)	164 620
Investments	(17 229)	17 229	–
Net cash movement from investing activities	(47 404)	17 229	(30 175)

The restatement had no impact on the net movement in cash and cash equivalents, nor the balance thereof at year-end.

EXTRACTS FROM THE REPORT OF THE CHIEF EXECUTIVE OFFICER

The year was characterised by uncertain global and local economic conditions, and only moderate growth in the industry segment in which the Group competes. During the year a number of the strategies and structures implemented in 2010 and 2011 bore fruit, and the outcome was a remarkable result during an unremarkable economic period.

FINANCIAL OVERVIEW

Improved gross margins and a tight control over selling and administration expenses resulted in the 8,2% increase in revenue converting into a 35,3% improvement in operating profit. The operating profit margin, before impairment of goodwill, has improved from 2,6% to a pleasing 3,4%, well ahead of the industry average. Net finances charges increased by 26% off a low base, and the tax rate reduced from 27% to 24%, principally because of the abolishment of secondary tax on companies and a higher content of tax-exempt dividend income. The net result, after accounting for minority interests, was a 51,5% increase in headline earnings per share. This represents a 25,4% return on shareholders' funds, compared with a 20,8% return last year. Included in these figures is a once-off receipt of dividend income in the sum of R21,2 million. This amount accrued as a result of the change in the taxation of dividends and will not be repeated in future years.

The Group has been questioned in the past for having what is described as a "lazy" balance sheet, with a too high level of cash resources. During the year under review the Group has used a portion of its cash resources to reduce the level of interest-bearing trade liabilities in the retail motor (R60 million) and car hire (R20 million) segments. It must be borne in mind that the Group has a substantial level of interest-bearing trade debt and, with increasing pressure from motor manufacturers to raise inventory levels, a conservative approach to cash management provides a shield against potential interest-rate hikes.

The Group's statement of financial position remains sound and liquid. Working capital levels have increased, as expected, in line with increased activity levels. The current ratio and asset-test ratio remain comfortable.

OPERATIONAL OVERVIEW

Retail motor

The 9% increase in national new vehicle sales belies the true state of the industry from a retailer's perspective. A high proportion of the unit sales increase stems from the highly competitive entry level segment where trading margins are low. The increase has come at the expense of the used car market.

The Group's new vehicle unit sales level matched the national increase of 9%, and used vehicle volumes rose 4%. The latter was disappointing, but compares with an estimated decline of 2% in national volumes of one- to five-year-old vehicles, the segment in which the Group competes. Overall, selling margins improved and, with a pleasing increase in the marketing of after-sale products, both departments made significantly higher profit contributions.

The Group's parts and service departments continued to provide a solid and dependable base, and recorded a pleasing increase in revenue and profit.

Internet-based and social network marketing has become increasingly popular. Public awareness of the Group's brand, "Carshop, powered by the CMH Group" has grown and now generates more than 50% of sales leads.

I expect that national new vehicle sales will grow 3 – 5% next year. Much will depend on the economic climate, the degree to which anticipated further hikes in rates and utility costs reduce disposable spending, and the appetite of the banks to continue growing their lending books. One ongoing positive is that, because the country has no effective public transport system, the purchase of a vehicle is, for many, a necessity rather than a luxury. Although the average finance and replacement cycle has increased from 28 to 44 months in recent years, the longer period does provide workshop and replacement parts opportunities.

Car hire

First Car Rental achieved excellent results in a very competitive market. Rental days increased by 11%, against an industry average of 6%. Vehicle write-off and damage costs were reduced following a focus on quality business rather than chasing volume, and the fleet utilisation rate improved. A key component of the profit model is the price at which retired fleet vehicles can be sold. The policy of deploying vehicles which are different to those used by competitors means that the division is able to sell the vehicles into niche markets rather than competing in a market oversupplied by retired fleets. First Car Rental's focus on customer service was recognised when, in the face of stiff competition from well-established industry players, it was awarded Gold – 1st Place in the South African Service Awards. The division's web-based booking system is world class and its popular "Show and Go" loyalty card has proved to be a valuable time-saver for customers.

Financial services

This division comprises three insurance cells, providing both long and short-term customer cover, and two joint venture vehicle financing operations in partnership with major finance houses. Profit from the insurance cells declined by 22% as the result of a higher than usual claims ratio. Being a relatively small portfolio, it is sensitive to movements in claims. On the positive side, the 50% increase in premium collections reflects the growth in policies written and augurs well for the income stream over the next three to five years. Prior year losses in the joint venture finance operations have been eliminated and these operations will show significant profit in the year ahead.

Marine and leisure

Disappointing results from this division reflect the extent to which the leisure market is still suffering from the depressed economic conditions which have prevailed for the past three years. The Group has taken a decision to focus on the wholesale side of the business and to offload its two retail outlets. To this end the Cape Town branch was sold during December 2012, and negotiations are in progress to sell the Randburg outlet. This move will reduce the division's cost base and working capital investment.

PROSPECTS

Forecasts of expectations for the year ahead produce mixed signals. Consumers are experiencing a good deal more stress exacerbated by lower-than-inflation salary increase expectations and exorbitant increases in the cost of basic utilities, food and petrol. Recent instances of illegal and violent strikes have reduced business confidence for both local and offshore investors. The motor industry wage negotiations begin in June and, if not quickly resolved, may result in supply disruptions. In Gauteng, the ill-conceived toll road system will be both a financial burden for motorists and an administrative challenge for the car hire division and local dealerships. The car hire division will need to recoup toll fees from hirers but will not have timeous access to information from SANRAL.

On the positive side, the consensus opinion is that national new vehicle sales will increase 3 – 5% off a relatively high base. Whilst the weakening of the rand will feed through to vehicle price inflation, it is expected that an increased gap between new and used car prices will give a much needed boost to the used car market.

I believe that the year ahead will be one of slow economic recovery. However, the Group is in a strong position to continue its recent earnings trend and achieve its growth budgets.

Dividend

A dividend of 50 cents per share will be paid on Tuesday, 18 June 2013 to members reflected in the share register of the Company at the close of business on the record date, Friday, 14 June 2013. Last day to trade cum-dividend is Friday, 7 June 2013. First day to trade ex-dividend is Monday, 10 June 2013. Share certificates may not be dematerialised or rematerialised from Monday, 10 June 2013 to Friday, 14 June 2013, both days inclusive.

The number of ordinary shares in issue at the date of the declaration is 108 825 000. Consequently, the gross dividend payable is R54 413 000 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.

Basis of preparation

The results of the Group for the year ended 28 February 2013 have been prepared in accordance with IAS 34 Interim Financial Reporting, International Financial Reporting Standards, the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee, Financial Pronouncements, as issued by the Financial Reporting Standards Council, the JSE Limited Listings Requirements and the Companies Act, 2008. The accounting policies of the Group have been consistently applied to these results and are the same as those applied to the results at 29 February 2012.

Corporate governance

The Group is committed to maintaining the high standards of governance as embodied in the King Report on Corporate Governance and complies with the principles of both the Report and the JSE Limited Listings Requirements.

Annual general meeting

The annual general meeting will be held at 1 Wilton Crescent, Umhlanga Ridge at 15h00 on Thursday, 30 May 2013. 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 19 April 2013. 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 24 May 2013. Accordingly, the last date to trade in the Company's shares on the JSE Limited in order to be eligible to participate in and vote at this annual general meeting is Friday, 17 May 2013.

These financial results were prepared under the supervision of the financial director, SK Jackson, CA (SA). The information has been audited by PricewaterhouseCoopers Inc., the Group's external auditor. A copy of their unqualified audit report is available for inspection at the Company's registered office.

By order of the board of directors.

K Fonseca CA (SA)
Company Secretary

19 April 2013

COMBINED MOTOR HOLDINGS LIMITED
("the Company" or "the Group")

Registration number: 1965/000270/06

Income tax reference number: 9471/712/71/2

Share code: CMH

ISIN: ZAE000088050

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