



COMBINED MOTOR HOLDINGS LIMITED

AUDITED GROUP FINANCIAL RESULTS FOR THE YEAR ENDED 29 FEBRUARY 2012

Condensed segment information FOR THE YEAR ENDED 29 FEBRUARY 2012

	Audited 2012		Audited 2011	
	R'000	%	R'000	%
TOTAL				
External revenue	8 293 728	100	7 362 224	100
Operating profit	217 124	100	199 992	100
Net finance costs	(19 110)	100	(19 517)	100
Profit before taxation	198 014	100	180 475	100
Total assets	2 483 139	100	2 176 761	100
Total liabilities	1 816 897	100	1 590 752	100
Goodwill at year-end	89 972	100	89 972	100
Employee costs	531 476	100	484 097	100
Number of staff	2 728	100	2 572	100
RETAIL MOTOR				
External revenue	7 799 845	94	6 881 230	94
Operating profit	167 491	77	161 735	81
Net finance costs	(59 125)	309	(48 295)	247
Profit before taxation	108 366	55	113 440	63
Total assets	1 270 677	51	1 114 609	51
Total liabilities	1 073 663	59	857 903	54
Goodwill at year-end	84 972	94	84 972	94
Employee costs	436 270	82	392 220	81
Number of staff	2 263	83	2 143	83
CAR HIRE				
External revenue	291 914	4	299 442	4
Operating profit	23 445	11	23 517	12
Net finance costs	-	-	(298)	2
Profit before taxation	23 445	12	23 219	13
Total assets	511 575	21	454 825	21
Total liabilities	555 236	30	514 348	32
Goodwill at year-end	-	-	-	-
Employee costs	49 171	9	52 576	11
Number of staff	307	11	305	12
MARINE AND LEISURE				
External revenue	173 155	2	142 321	2
Operating profit	2 642	1	(230)	-
Net finance costs	(320)	2	(229)	1
Profit before taxation	2 322	1	(459)	-
Total assets	63 749	3	63 186	3
Total liabilities	21 967	1	14 684	1
Goodwill at year-end	5 000	6	5 000	6
Employee costs	15 021	3	12 263	2
Number of staff	64	2	49	2
FINANCIAL SERVICES				
External revenue	15 559	-	12 009	-
Operating profit	14 529	7	5 873	3
Net finance costs	503	(3)	494	(3)
Profit before taxation	15 032	8	6 367	4
Total assets	9 620	-	12 662	1
Total liabilities	9 916	1	13 314	1
Goodwill at year-end	-	-	-	-
Employee costs	-	-	-	-
Number of staff	-	-	-	-
CORPORATE SERVICES/OTHER				
External revenue	13 255	-	27 222	-
Operating profit	9 017	4	9 097	4
Net finance costs	39 832	(208)	28 811	(147)
Profit before taxation	48 849	24	37 908	21
Total assets	627 518	25	531 479	24
Total liabilities	156 115	9	190 503	12
Goodwill at year-end	-	-	-	-
Employee costs	31 014	6	27 038	6
Number of staff	94	4	75	3

Condensed group statement of financial position AT 29 FEBRUARY 2012

	Audited 2012	Audited 2011
	R'000	R'000
ASSETS		
Non-current assets		
Plant and equipment	58 537	58 565
Goodwill	89 972	89 972
Investments	204 500	187 271
Deferred taxation	49 964	55 287
	402 973	391 095
Current assets		
Investments	3 000	-
Car hire fleet vehicles	467 376	415 636
Inventory	1 001 472	825 201
Trade and other receivables	212 868	229 931
Tax paid in advance	42	2 310
Cash and cash equivalents	395 408	312 588
	2 080 166	1 785 666
Total assets	2 483 139	2 176 761
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	25 438	25 013
Share-based payment reserve	10 006	7 039
Non-distributable reserve	5 896	5 896
Retained earnings	630 203	550 624
Ordinary shareholders' equity	671 543	588 572
Non-controlling interest	(5 301)	(2 563)
Total equity	666 242	586 009
Non-current liabilities		
Non-controlling shareholders of subsidiaries	135 489	144 073
Assurance funds	7 731	13 137
Lease liabilities	104 528	110 176
	247 748	267 386
Current liabilities		
Non-controlling shareholders of subsidiaries	4 850	32 089
Interest-bearing borrowings	-	986
Derivative financial liabilities	1 778	-
Trade and other payables	1 546 201	1 286 022
Lease liabilities	6 639	-
Current tax liabilities	9 681	4 269
	1 569 149	1 323 366
Total liabilities	1 816 897	1 590 752
Total equity and liabilities	2 483 139	2 176 761

Group statement of changes in equity FOR THE YEAR ENDED 29 FEBRUARY 2012

	Share capital	Non-distributable reserve	Share-based payment reserve	Retained earnings	Attributable to equity holders of the Company	Non-controlling interest	Total equity
	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Balance at 28 February 2010	21 123	5 896	6 449	467 296	500 764	(818)	499 946
Issue of shares	2 179	-	-	-	2 179	-	2 179
Total profit and comprehensive income	-	-	-	120 031	120 031	10 305	130 336
Transfer to share capital	1 711	-	(1 711)	-	-	-	-
Share-based payment reserve	-	-	2 301	-	2 301	-	2 301
Dividends paid	-	-	-	(36 703)	(36 703)	(10 556)	(47 259)
Purchase of non-controlling shareholders' interest in subsidiaries	-	-	-	-	-	(1 494)	(1 494)
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

Condensed group statement of cash flows FOR THE YEAR ENDED 29 FEBRUARY 2012

	Audited 2012	Audited 2011
	R'000	R'000
Cash flows from operating activities		
Operating profit	217 124	199 992
Adjustments for non-cash items	87 564	92 169
Sale of car hire fleet vehicles	277 705	306 238
Purchase of car hire fleet vehicles	(396 527)	(336 536)
Working capital changes:		
Inventory	(176 271)	(105 087)
Trade and other receivables	17 063	(21 593)
Trade and other payables	261 679	113 607
Cash generated from operations	288 337	248 790
Finance income received	14 927	12 831
Finance costs paid	(34 037)	(32 348)
Dividends paid	(46 513)	(36 703)
Taxation paid	(40 865)	(49 784)
Net cash movement from operating activities	181 849	142 786
Cash flows from investing activities		
Purchase of non-current plant and equipment	(26 410)	(25 754)
Proceeds on disposal of non-current plant and equipment	1 904	5 714
Investments	(17 229)	(18 234)
Purchase of non-controlling shareholders' interest in subsidiaries	(5 669)	(1 494)
Payment of goodwill	-	(167)
Net cash movement from investing activities	(47 404)	(39 935)
Cash flows from financing activities		
Non-controlling shareholders of subsidiaries	(50 946)	(43 338)
Proceeds of issue of shares	307	2 179
Interest-bearing loans	(986)	(2 183)
Net cash movement from financing activities	(51 625)	(43 342)
Net movement in cash and cash equivalents	82 820	59 509
Cash and cash equivalents at beginning of year	312 588	253 079
Cash and cash equivalents at end of year	395 408	312 588

Condensed group statement of comprehensive income FOR THE YEAR ENDED 29 FEBRUARY 2012

	Audited 2012	Audited 2011
	R'000	R'000
Revenue	8 293 728	7 362 224
Cost of sales	(6 922 488)	(6 075 026)
Gross profit	1 371 240	1 287 198
Other income	3 000	3 000
Impairment of goodwill	-	(167)
Selling and administration expenses	(1 157 116)	(1 090 039)
Operating profit	217 124	199 992
Finance income	14 927	12 831
Finance costs	(34 037)	(32 348)
Profit before taxation	198 014	180 475
Tax expense	(53 868)	(50 139)
Total profit and comprehensive income	144 146	130 336
Attributable to:		
Equity holders of the Company	131 297	120 031
Non-controlling interest	12 849	10 305
	144 146	130 336
Reconciliation of headline earnings		
Total profit and comprehensive income	144 146	130 336
Non-trading items:		
- impairment of goodwill	-	167
Headline earnings	144 146	130 503
Attributable to:		
Equity holders of the Company	131 297	120 173
Non-controlling shareholders of subsidiaries	12 849	10 330
	144 146	130 503
EARNINGS PER SHARE (cents)		
Basic	121,4	111,2
Diluted basic	121,0	109,2
Headline	121,4	111,3
Diluted headline	121,0	109,3

EXTRACTS FROM CHIEF EXECUTIVE OFFICER'S REPORT

The year was one during which the Group consolidated the gains achieved in 2010 and 2011, and laid the seeds for organic growth during the years ahead.

FINANCIAL OVERVIEW

Despite the continued difficult economic conditions, which hampered the ability of potential customers to obtain credit facilities, the Group delivered a satisfactory set of results for the year. A drive to increase sales resulted in market share gains in both new and used cars, and revenue increased 13%.

Despite the opening of eight new retail branches, and the launch of an import and distribution infrastructure for the MG range of vehicles, operating costs were well contained at a 6% increase. As a result, the Group achieved a 2,6% operating margin, which is well ahead of the industry average of 2,2%.

Continued tight control over working capital meant that net finance costs were marginally reduced. Utilisation of prior year assessed losses helped the decline in the overall tax rate, with the result that total profit increased by 10,6%. After adjusting for minority interests, the Group recorded a 9,4% increase in earnings.

Strong cash generation from operations ensured that, after paying dividends of R46,5 million to its listed shareholders, and dividends and loan repayments to its BEE minority partners of R50,9 million, the Group increased its level of cash and cash resources by R83 million, to R395 million.

The balance sheet remains sound. Focus is concentrated on working capital levels and ratios. It is pleasing to see that the current ratio and acid-test ratio remain steady at 1,3 and 0,7 respectively.

The increase in earnings justifies a 10% increase in the dividend payable in June 2012. However, the directors have decided to use the Group's strong past and expected future cash flow to increase the dividend level, thereby enabling shareholders to offset, in part, the impending 15% withholding tax on dividends. As a result, the board has recommended an increase of 20%, to 36 cents per share. It is estimated that the dividend will be covered 2,6 times by headline earnings.

OPERATIONAL OVERVIEW

Retail motor

National new vehicle sales increased 13% during the year under review. The trend towards more affordable models continued. The highest growth came from the entry-level segment, with consequent lower revenue and margins for retail dealers. Price increases were contained at an average

of less than 4%. The buy-down trend adversely affected used car sales. Major vehicle finance houses reported a fall of approximately 8% in sales of one to five-year-old vehicles. Group sales of such vehicles declined only 1,8%. In respect of the makes and models which the Group represents in the new vehicle market, national sales increased 13%, whilst Group sales increased 19%.

The used car market is expected to endure continued pressure in the year ahead. Management will increase its focus in this area in an attempt to restore previously-enjoyed profit margins.

The Group's web-based brand "Carshop – powered by the CMH Group" has gained market recognition, and provides an ever-increasing source of sales leads.

The parts and service departments enjoyed steady growth, with revenue increases of 13,2% and 15,8% respectively.

Car hire

This division enjoyed an excellent year, almost matching the record performance recorded during the previous year – and without the boost of the World Cup. Average daily rental revenue and fleet utilisation rate, together the crucial measurements of success, showed pleasing improvement. The home-grown "First Car Rental" brand is growing in recognition both locally and in the important overseas market. The division's conservative policy regarding fleet depreciation has ensured that retired vehicles can be readily disposed of, and the fleet size tailored to meet anticipated seasonal fluctuations in demand.

Marine and leisure

After a number of years of difficult trading conditions, the marine and leisure division recorded a positive, albeit small, contribution to Group results. This market segment is particularly susceptible to economic downturn, and it is gratifying to see that the restructuring and cost-cutting measures taken over the past three years are beginning to bear fruit. The improved profit trend is expected to continue in the years ahead.

Financial services

Annuity income from insurance policies sold during the current and previous years boosted revenue in this division, enabling it to record its best results since the sale of term-based products was abolished in 2007.

Policy premiums have been outsourced to a collections agency and the result has been an improved collections rate and a reduction in early lapsing of policies. Income from the Group's ventures with two vehicle finance houses showed steady improvement.

PROSPECTS

The consensus view is that national new and used vehicle sales will show a moderate increase during calendar 2012. If this is accurate, and coupled with stable interest and currency exchange rates, I am confident that the Group will continue its trend of earnings growth. Seeds planted during the current year, particularly the establishment of the MG/Maxus distribution centre and the opening of the retail branch network, were a drain on current year profits and resources. However this investment should provide modest returns in the year ahead, and improvement thereafter. Of concern is the ongoing Middle East conflict and its impact on the domestic petrol price. Locally, the inefficiencies of Government and local authorities has resulted in unacceptable and unsustainable increases in electricity tariffs, property rates and toll road fees. All of these have the effect of reducing the buying power of the consumer and retarding economic growth.

The Group is well-structured in terms of personnel, products and resources, and is ideally positioned to take advantage of the prospects that lie ahead.

DIVIDENDS

A dividend (dividend number 48) of 36 cents per share will be paid on Monday, 18 June 2012 to members reflected in the share register of the Company at the close of business on the record date, Friday, 15 June 2012. Last day to trade 'cum' dividend is Friday, 8 June 2012. First day to trade 'ex' dividend is Monday, 11 June 2012. Share certificates may not be dematerialised or rematerialised from Monday, 11 June 2012 to Friday, 15 June 2012, both days inclusive.

The number of ordinary shares in issue at the date of the declaration is 108 198 573. Consequently the gross dividend payable is R38 951 000 and will be distributed from income reserves. The total value of STC credits available for utilisation is R1 372 000, or 1,3 cents per share. The dividend will be subject to dividend withholding tax at a rate of 15%, which will result in a net dividend of 30,8 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 29 February 2012 have been prepared in accordance with IAS 34 Interim Financial Reporting, International Financial Reporting Standards, the AC 500 Standards as issued by the Accounting Practices Board, the Listings Requirements of the JSE Limited 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 28 February 2011.

ANNUAL GENERAL MEETING

The annual general meeting will be held at 1 Wilton Crescent, Umhlanga Ridge at 15:00 on Thursday, 31 May 2012.

These financial results were prepared by 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 2012

COMBINED MOTOR HOLDINGS LIMITED

("the Company" or "the Group")
Registration number: 1965/000270/06
Share code: CMH
ISIN: ZAE000088050

REGISTERED OFFICE

1 Wilton Crescent, Umhlanga Ridge, 4319

TRANSFER SECRETARIES

Computershare Investor Services (Pty) Limited
PO Box 61051, Marshalltown, 2107

SPONSOR

PricewaterhouseCoopers Corporate Finance (Pty) Limited
Private Bag X36, Sunninghill, 2157

DIRECTORS

M Zimmerman (*Chairman*), JD McIntosh (*CEO*)
LCZ Cele, MPD Conway, JS Dixon, JTM Edwards, SK Jackson,
VP Khanyile, D Molefe, JW Alderslade (*alternate*)