Combined Motor Holdings Limited

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

www.cmh.co.za

INTERIM REPORT FOR THE SIX MONTHS ENDED 31 AUGUST 2008

ABRIDGED GROUP INCOME STATEMENT

	Unaudited 6 Months 31 August 2008 R'000	Unaudited 6 Months 31 August 2007 R'000	Change %	Audited 12 Months 29 February 2008 R'000
Revenue	**3 536 810**	4 575 744	(23)	8 811 995
Cost of sales	**(3 041 748)**	(3 988 308)	(24)	(7 486 603)
Gross profit	**495 062**	587 436	(16)	1 325 392
Other operating income	**–**	750	(100)	12 698
Impairment of goodwill	**–**	–	–	(10 400)
Selling and administration expenses	**(465 961)**	(484 634)	(4)	(1 115 453)
Operating profit	**29 101**	103 552	(72)	212 237
Investment income	**8 831**	3 886	127	7 218
Finance costs	**(24 925)**	(13 631)	83	(52 690)
Profit before taxation	**13 007**	93 807	(86)	166 765
Taxation	**(5 490)**	(29 910)	(82)	(54 857)
Net profit	**7 517**	63 897	(88)	111 908
Attributable to:				
Equity holders of the Company	**8 533**	54 256	(84)	98 173
Minority shareholders	**(1 016)**	9 641	(111)	13 735
	7 517	63 897	(88)	111 908
Reconciliation of headline earnings				
Net profit	**7 517**	63 897		111 908
Non-trading items				
– capital profit on sale of business	**–**	(750)		(2 750)
less: capital gains tax	**–**	109		109
	–	(641)		(2 641)
– impairment of goodwill	**–**	–		10 400
	–	–		10 400
Headline earnings	**7 517**	63 256	(88)	119 667
Headline earnings attributable to:				
Equity holders of the Company	**8 533**	53 711	(84)	104 768
Minority shareholders	**(1 016)**	9 545		14 899
	7 517	63 256		119 667

ABRIDGED GROUP CASH FLOW STATEMENT

	Unaudited 31 August 2008 R'000	Unaudited 31 August 2007 R'000	Audited 29 February 2008 R'000
Operating profit adjusted for non-cash items	**42 144**	114 858	240 294
Working capital changes:			
Movement in inventory	**171 673**	53 805	29 115
Movement in trade and other receivables	**8 793**	(35 883)	8 058
Movement in trade and other payables	**(201 128)**	(136 064)	54 230
Cash generated from operations	**21 482**	(3 284)	331 697
Investment income received	**8 831**	3 886	7 218
Finance costs paid	**(24 925)**	(13 631)	(52 690)
Dividends paid	**(36 349)**	(210 432)	(215 841)
Taxation paid	**(20 266)**	(69 414)	(106 709)
Cash flow from operating activities	**(51 227)**	(292 875)	(36 325)
Cash flow from investing activities	**(15 943)**	(15 532)	(41 735)
Cash flow from financing activities	**(12 727)**	(8 811)	(28 985)
Net cash flow for period	**(79 897)**	(317 218)	(107 045)
Cash and cash equivalents at beginning of period	**223 468**	330 513	330 513
Cash and cash equivalents at end of period	**143 571**	13 295	223 468

ABRIDGED GROUP BALANCE SHEET

	Unaudited 31 August 2008 R'000	Unaudited 31 August 2007 R'000	Audited 29 February 2008 R'000
Assets			
Non-current assets			
Plant and equipment	**68 171**	78 034	71 717
Goodwill	**144 346**	154 574	144 346
Investments	**133 868**	112 942	124 379
Deferred taxation	**40 601**	34 720	36 396
	386 986	380 270	376 838
Current assets	**1 610 645**	1 673 713	1 871 007
Total assets	**1 997 631**	2 053 983	2 247 845
Equity and liabilities			
Capital and reserves			
Share capital and reserves	**451 893**	438 558	472 716
Minority interest	**4 850**	15 882	12 121
Total equity	**456 743**	454 440	484 837
Non-current liabilities			
Advance from minority shareholders	**241 145**	260 596	252 317
Interest-bearing borrowings	**4 554**	7 133	5 314
Assurance funds	**26 407**	40 048	26 217
Lease liabilities	**80 405**	71 849	77 905
	352 511	379 626	361 753
Current liabilities	**1 188 377**	1 219 917	1 401 255
Total equity and liabilities	**1 997 631**	2 053 983	2 247 845
Net asset value per share (cents)	**426**	424	451

GROUP FINANCIAL HIGHLIGHTS

		6 Months 31 August 2008	6 Months 31 August 2007	Change %	12 Months 29 February 2008
Revenue	(R'000)	3 536 810	4 575 744	(23)	8 811 995
Operating profit	(R'000)	29 101	103 552	(72)	212 237
Earnings per share	(cents)	7.9	50.7	(84)	91.6
Headline earnings per share	(cents)	7.9	50.2	(84)	97.7
Dividend payable – December 2008	(cents)	Nil	10.6	n/a	28.0
Total assets	(R'000)	1 997 631	2 053 983	(3)	2 247 845

COMMENTARY ON RESULTS

Notwithstanding the extremely depressed and challenging trading conditions which prevailed throughout the period under review, the directors are disappointed at the results achieved. In line with national vehicle sales, revenue declined 23%. A substantial saving in overhead expenses has been achieved and further reductions are expected during the second half. In addition, the full cost of branch closures and staff reductions have been absorbed. The directors are confident that the measures taken will benefit the Group when sales volumes improve. Despite this reduction in expenses, the lower sales volumes resulted in a 72% fall in operating profit. Net finance costs increased by 65% as the result of a higher average prime overdraft rate, and the tax charge at 42% reflects the disproportionately high content of secondary taxation on companies attracted by the dividend declared in April 2008. Attributable earnings and earnings per share declined 84%.

RETAIL MOTOR

High interest rates and the adverse impact of the National Credit Act continued to dominate the trading environment. Consumer over-indebtedness remained evident and the major finance houses have significantly reduced the approval rate of credit applications. The Group's workshops and parts departments both recorded revenue and profit growth. Substantial overhead savings and a 17% reduction in net finance costs as a result of lower net assets, were not sufficient to offset the revenue reduction, and operating profit was 76% lower.

CAR HIRE

A pleasing 12% increase in revenue was negated by higher fleet holding costs and a continued escalation of fleet accident and theft costs. Coupled with higher interest rates, the depressed used vehicle market has meant lower realisation prices and less flexibility to reduce the fleet size during off-peak periods. The continuing price war amongst the dominant competitors in this segment has placed gross margins under pressure. With effect from 1 October 2008 the Group was appointed as the Sixt representative for South Africa. Sixt is the third biggest car hire operator in Europe and the association is expected to boost revenue.

MARINE AND LEISURE

Dealing as it does in luxury and semi-luxury goods, this segment is at the forefront of changing economic cycles. The depressed conditions, coupled with a predominance of "winter" months which fall in the period under review, resulted in a R12,8 million loss. The operation has been substantially restructured and six outlets have been reduced to two. Head count has been reduced by 51% and net assets are down 14%. A significant improvement is expected during the second half.

FINANCIAL SERVICES

This segment comprises primarily income from the Group's joint ventures with major finance banks, and the sale of insurance products. The joint ventures suffered major losses following unacceptably high bad debt write-offs which prevailed at all financial institutions, uninsured customer vehicle damage and theft, and lower resale values of repossessed vehicles. On the insurance products side, lower vehicle sales volumes and a reduced customer take-up rate meant that the division was unable to match the prior year performance.

PROSPECTS

The difficult trading conditions are expected to continue at least until the last quarter of 2009. National new passenger and light commercial vehicle sales, measured on a year-on-year basis, have declined over the past 17 successive months and there appears to be no respite. International markets are depressed and the effects continue to spill over into the domestic economy. The resultant weakening local currency has been exacerbated by the uncertainty following the recent political upheavals and, together, have undermined consumer confidence.

The Group remains financially sound, with cash resources of R144 million. Net asset and cost reduction programmes have yielded substantial savings and the Group is poised to take advantage of the opportunities which arise. The car hire and marine and leisure segments are expected to capitalise on the traditionally improved conditions which the summer months produce.

DIVIDEND

Despite expectations of improved results during the second half, the directors consider it prudent not to declare a dividend at this time.

BASIS OF PREPARATION

The results of the Group for the six months ended 31 August 2008 have been prepared in accordance with IAS 34: Interim Financial Reporting, International Financial Reporting Standards, the International Financial Reporting Interpretation Committee interpretations adopted by the International Accounting Standards Board, the Listings Requirements of the JSE Limited and Schedule 4 of the Companies Act of South Africa. 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 2008.

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 significant principles of both the Report and the JSE Limited Listings Requirements.

The results have not been audited or reviewed by the Group's external auditors.

By order of the board of directors

SK JACKSON BCom (Hons) (Tax Law), CA(SA)
Company Secretary

8 October 2008

REGISTERED OFFICE
1 Wilton Crescent, Umhlanga Ridge, 4319

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

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

DIRECTORS
M Zimmerman (*Chairman*), JD McIntosh (*CEO*), LCZ Cele, MPD Conway, JTM Edwards, L Gadd, SK Jackson, VP Khanyile, RTAC Nethercott, CL Odendaal, JW Alderslade (*alternate*)

GROUP STATEMENT OF CHANGES IN EQUITY

	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	Minority interest R'000	Total equity R'000
At 28 February 2007	18 757	5 896	4 340	409 096	438 089	12 217	450 306
Issue of shares	247				247		247
Net profit				54 256	54 256	9 641	63 897
Dividends paid				(54 603)	(54 603)	(5 976)	(60 579)
Share-based payment reserve			569		569		569
At 31 August 2007	19 004	5 896	4 909	408 749	438 558	15 882	454 440
Issue of shares	1 058				1 058		1 058
Net profit				43 917	43 917	4 094	48 011
Dividends paid				(11 385)	(11 385)	(7 618)	(19 003)
Share-based payment reserve			568		568		568
Purchase of minority interest					–	(237)	(237)
At 29 February 2008	20 062	5 896	5 477	441 281	472 716	12 121	484 837
Issue of shares	384				384		384
Net profit				8 533	8 533	(1 016)	7 517
Dividends paid				(30 094)	(30 094)	(6 255)	(36 349)
Share-based payment reserve			354		354		354
At 31 August 2008	**20 446**	**5 896**	**5 831**	**419 720**	**451 893**	**4 850**	**456 743**

SEGMENT ANALYSIS

	TOTAL 2008 R'000	TOTAL 2007 R'000	RETAIL MOTOR 2008 R'000	RETAIL MOTOR 2007 R'000	CAR HIRE 2008 R'000	CAR HIRE 2007 R'000	MARINE AND LEISURE 2008 R'000	MARINE AND LEISURE 2007 R'000	FINANCIAL SERVICES 2008 R'000	FINANCIAL SERVICES 2007 R'000	CORPORATE SERVICES 2008 R'000	CORPORATE SERVICES 2007 R'000
Revenue	**3 536 810**	4 575 744	**3 304 255**	4 281 811	**125 789**	112 758	**85 868**	154 242	**2 676**	10 271	**18 222**	16 662
Operating profit	**29 101**	103 552	**46 754**	101 298	**(2 316)**	2 969	**(10 008)**	(3 668)	**2 255**	10 110	**(7 584)**	(7 157)
Net finance costs	**(16 094)**	(9 745)	**(31 402)**	(37 980)	**(35)**	(34)	**(2 744)**	(3 786)	**1 116**	1 883	**16 971**	30 172
Profit before taxation	**13 007**	93 807	**15 352**	63 318	**(2 351)**	2 935	**(12 752)**	(7 455)	**3 371**	11 993	**9 387**	23 015
Total assets	**1 997 631**	2 053 983	**1 181 996**	1 425 842	**384 332**	397 486	**142 561**	150 167	**33 278**	52 565	**255 464**	27 923
Total liabilities	**1 540 888**	1 599 543	**784 193**	874 182	**403 296**	361 187	**41 684**	32 410	**28 865**	47 486	**282 850**	284 278
Number of employees	**2 639**	3 123	**2 231**	2 642	**282**	285	**66**	134	**3**	3	**57**	59