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 2009

ABRIDGED GROUP INCOME STATEMENT

	% Change	**Unaudited 6 months 31 August 2009 R'000**	Unaudited 6 months 31 August 2008 R'000	Audited 12 months 28 February 2009 R'000
Revenue	(17)	**2 929 957**	3 536 810	6 581 641
Cost of sales	(19)	**(2 456 226)**	(3 041 748)	(5 483 271)
Gross profit	(4)	**473 731**	495 062	1 098 370
Other operating income		**1 500**	–	3 100
Impairment of goodwill		**–**	–	(21 572)
Selling and administration expenses	(5)	**(440 377)**	(465 961)	(1 033 520)
Operating profit	20	**34 854**	29 101	46 378
Investment income	(26)	**6 539**	8 831	17 142
Finance costs	(30)	**(17 351)**	(24 925)	(50 437)
Profit before taxation	85	**24 042**	13 007	13 083
Taxation	25	**(6 840)**	(5 490)	(11 023)
Profit for the period	129	**17 202**	7 517	2 060
Total comprehensive income for the period		**17 202**	7 517	2 060
Attributable to:				
Equity holders of the Company	106	**17 620**	8 533	8 127
Minority shareholders	59	**(418)**	(1 016)	(6 067)
	129	**17 202**	7 517	2 060
Reconciliation of headline earnings				
Profit for the period		**17 202**	7 517	2 060
Non-trading items				
– capital profit on sale of business		**–**	–	(100)
less: capital gains tax		**–**	–	14
		–	–	(86)
– impairment of goodwill		**–**	–	21 572
		–	–	21 572
Headline earnings	129	**17 202**	7 517	23 546
Headline earnings attributable to:				
Equity holders of the Company	106	**17 620**	8 533	26 390
Minority shareholders	59	**(418)**	(1 016)	(2 844)
	129	**17 202**	7 517	23 546
Earnings per share (cents)	106	**16.3**	7.9	7.6
Diluted earnings per share (cents)	106	**16.3**	7.9	7.6
Headline earnings per share (cents)	106	**16.3**	7.9	24.6
Diluted headline earnings per share (cents)	106	**16.3**	7.9	7.6

ABRIDGED GROUP CASH FLOW STATEMENT

	Unaudited 31 August 2009 R'000	Unaudited 31 August 2008 R'000	Audited 28 February 2009 R'000
Operating profit adjusted for non-cash items	**48 908**	42 144	100 841
Working capital changes:			
Movement in inventory	**165 473**	171 673	216 713
Movement in trade and other receivables	**(17 985)**	8 793	64 684
Movement in trade and other payables	**(161 762)**	(201 128)	(211 175)
Cash generated from operations	**34 634**	21 482	171 063
Investment income received	**6 539**	8 831	17 142
Finance costs paid	**(17 351)**	(24 925)	(50 437)
Dividends paid	**–**	(36 349)	(30 094)
Taxation paid	**(8 610)**	(20 266)	(38 827)
Cash flow from operating activities	**15 212**	(51 227)	68 847
Cash flow from investing activities	**(14 362)**	(15 943)	(47 777)
Cash flow from financing activities	**(21 020)**	(12 727)	(32 548)
Net cash flow for period	**(20 170)**	(79 897)	(11 478)
Cash and cash equivalents at beginning of period	**211 990**	223 468	223 468
Cash and cash equivalents at end of period	**191 820**	143 571	211 990

ABRIDGED GROUP BALANCE SHEET

	Unaudited 31 August 2009 R'000	Unaudited 31 August 2008 R'000	Audited 28 February 2009 R'000
Assets			
Non-current assets			
Plant and equipment	**68 940**	68 171	75 069
Goodwill	**123 001**	144 346	123 001
Investments	**156 839**	133 868	146 848
Deferred taxation	**45 831**	40 601	43 535
	394 611	386 986	388 453
Current assets	**1 415 244**	1 610 645	1 579 834
Total assets	**1 809 855**	1 997 631	1 968 287
Equity and liabilities			
Capital and reserves			
Share capital and reserves	**469 657**	451 893	451 905
Minority interest	**(851)**	4 850	(433)
Total equity	**468 806**	456 743	451 472
Non-current liabilities			
Advance from minority shareholders	**203 964**	241 145	224 792
Interest-bearing borrowings	**3 446**	4 554	3 670
Assurance funds	**14 680**	26 407	19 458
Lease liabilities	**96 813**	80 405	88 613
	318 903	352 511	336 533
Current liabilities	**1 022 146**	1 188 377	1 180 282
Total equity and liabilities	**1 809 855**	1 997 631	1 968 287
Net asset value per share (cents)	**436**	426	420

GROUP FINANCIAL HIGHLIGHTS

Operating profit up 20%

Profit for the period up 129%

Earnings per share up 106%

Dividends resumed – 6 cents per share

COMMENTARY ON RESULTS

The significant increase in earnings during the period under review belies the continued difficult economic conditions which prevailed. Revenue fell 17% and, although offset by an improved margin, this resulted in a 4% decrease in gross profit. The Group's efforts over the past two years to reduce its overhead structure bore fruit, with a 5% decline in selling and administration expenses. This enabled a 20% increase in operating profit. The reduction in interest rates, and the Group's focus on optimising its working capital level, produced a 33% decline in net finance costs. The tax rate reduced from 42% to 28% as a result of the high secondary taxation on companies related to the dividend paid in the prior period which was not applicable in the current period.

The net result is that the Group achieved a 106% increase in earnings and headline earnings per share.

RETAIL MOTOR

The continued difficulty faced by potential customers seeking to finance their purchases again dominated the retail motor sector. Finance houses are still suffering the consequences of prior lending patterns and, despite talk of less restrictive minimum requirements for new business, the reality is that only one in four applicants is being approved.

Following a 17% decline in revenue and a stable profit margin, it was only because of a 33% saving in net finance costs that the segment recorded a marginal improvement in profit before taxation. The Group's investment in inventory has been reduced in line with the lower trading level.

CAR HIRE

The division's concentration on profitable business, rather than chasing market share, has paid dividends. With a lower cost base, and aided by the interest rate decline which reduced the fleet holding costs, the division has turned a R2,4 million loss into a R4,1 million profit before taxation. A small reduction in the fleet size has produced a meaningful increase in utilisation and hence revenue per day. The division has a good order book for the balance of the year and with the expected boost during next year's World Cup, seems well positioned to continue its improvement trend.

MARINE AND LEISURE

Intensive management efforts to reduce the cost structure, head count and working capital level have paid dividends; however these were not enough to fully counter the 35% revenue decline. It is expected that this segment will continue to struggle until such time as there is an improvement in economic conditions. A gradual return to profitability, especially during the next six "summer" months, is anticipated.

FINANCIAL SERVICES

The annuity-type income generated by this segment will continue to decline until substantial "fresh" business is added following an increase in new and used vehicle sales. The continued high cancellation and default rate on insurance policies is a concern, and a reflection of desperate measures resorted to by pressured customers.

PROSPECTS

Although the year-on-year decline in new vehicle sales continues, there are indications that the bottom has been reached, and month-on-month levels will trend upwards. Vehicle sales declined 30% during the first nine months of calendar year 2009; however, modest increases were experienced in September. It is anticipated that the lower interest rates and easier bank lending criteria will fuel improved sales levels in the months ahead. Given its low cost structure, such an improvement will have a significant positive impact on Group earnings.

The Group is financially sound, has a good cash generation record and low debt levels.

DIVIDEND

A dividend (dividend number 43) of 6 cents per share will be paid on Monday 14 December 2009 to members reflected in the share register of the Company at the close of business on the record date, Friday 11 December 2009. Last day to trade "cum" dividend is Friday 4 December 2009. First day to trade "ex" dividend is Monday 7 December 2009. Share certificates may not be dematerialised or rematerialised from Monday 7 December 2009 to Friday 11 December 2009, both days inclusive.

BASIS OF PREPARATION

The results of the Group for the six months ended 31 August 2009 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 28 February 2009.

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

20 October 2009

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, 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 29 February 2008	20 062	5 896	5 477	441 281	472 716	12 121	484 837
Issue of shares	384				384		384
Profit for the period				8 533	8 533	(1 016)	7 517
Dividends paid				(30 094)	(30 094)		(30 094)
Share-based payment reserve			354		354		354
At 31 August 2008	20 446	5 896	5 831	419 720	451 893	11 105	462 998
Issue of shares	63				63		63
Profit for the period				(406)	(406)	(5 051)	(5 457)
Dividends paid					–	(6 398)	(6 398)
Share-based payment reserve			355		355		355
Purchase of minority interest						(89)	(89)
At 28 February 2009	20 509	5 896	6 186	419 314	451 905	(433)	451 472
Profit for the period				17 620	17 620	(418)	17 202
Share-based payment reserve			132		132		132
At 31 August 2009	**20 509**	**5 896**	**6 318**	**436 934**	**469 657**	**(851)**	**468 806**

SEGMENTAL ANALYSIS

	TOTAL		RETAIL MOTOR		CAR HIRE		MARINE AND LEISURE		FINANCIAL SERVICES		CORPORATE SERVICES	
	2009 R'000	2008 R'000	**2009 R'000**	2008 R'000	**2009 R'000**	2008 R'000	**2009 R'000**	2008 R'000	**2009 R'000**	2008 R'000	**2009 R'000**	2008 R'000
Revenue	**2 929 957**	3 536 810	**2 736 181**	3 304 255	**116 170**	125 789	**55 673**	85 868	**2 398**	2 676	**19 535**	18 222
Operating profit	**34 854**	29 101	**38 055**	46 754	**4 082**	(2 316)	**(6 061)**	(10 008)	**203**	2 255	**(1 425)**	(7 584)
Net finance costs	**(10 812)**	(16 094)	**(21 124)**	(31 402)	**–**	(35)	**(2 243)**	(2 744)	**854**	1 116	**11 701**	16 971
Profit before taxation	**24 042**	13 007	**16 931**	15 352	**4 082**	(2 351)	**(8 304)**	(12 752)	**1 057**	3 371	**10 276**	9 387
Total assets	**1 809 855**	1 997 631	**1 025 948**	1 181 996	**315 369**	384 332	**108 484**	142 561	**27 907**	33 278	**332 147**	255 464
Total liabilities	**1 341 049**	1 540 888	**736 029**	784 193	**333 985**	403 296	**22 573**	41 684	**15 242**	28 865	**233 220**	282 850
Number of employees	**2 321**	2 639	**1 921**	2 221	**286**	282	**44**	66	**3**	3	**67**	67