



COMBINED MOTOR
HOLDINGS LIMITED
FINANCIAL RESULTS
FOR THE SIX MONTHS ENDED 31 AUGUST 2016

GROUP STATEMENT OF FINANCIAL POSITION

as at 31 August 2016

	Unaudited 31 August 2016 R'000	Unaudited 31 August 2015 R'000	Audited 29 February 2016 R'000
ASSETS			
Non-current assets			
Plant and equipment	66 920	69 517	71 715
Goodwill	10 078	25 878	27 078
Insurance receivable	40 703	28 138	30 032
Deferred taxation	39 128	49 282	39 934
	156 829	172 815	168 759
Current assets			
Car hire fleet vehicles	603 331	494 431	643 882
Inventories	1 106 462	1 113 262	1 118 004
Trade and other receivables	319 740	395 276	266 680
Tax paid in advance	–	–	2 590
Cash and cash equivalents	292 147	155 906	498 254
	2 321 680	2 158 875	2 529 410
Assets of disposal group held for sale	–	–	85 300
Total assets	2 478 509	2 331 690	2 783 469
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	38 091	38 091	38 091
Share-based payment reserve	5 030	4 350	5 987
Retained earnings	443 315	353 575	436 013
Ordinary shareholders' equity	486 436	396 016	480 091
Non-controlling interest	887	275	722
Total equity	487 323	396 291	480 813
Non-current liabilities			
Lease liabilities	42 972	76 305	44 745
Provisions	–	3 712	–
	42 972	80 017	44 745
Current liabilities			
Advance from non-controlling shareholders of subsidiaries	255	255	255
Trade and other payables	1 286 243	1 277 871	1 521 268
Borrowings	653 277	552 396	726 137
Lease liabilities	6 266	10 126	6 413
Current tax liabilities	2 173	14 734	3 838
	1 948 214	1 855 382	2 257 911
Total liabilities	1 991 186	1 935 399	2 302 656
Total equity and liabilities	2 478 509	2 331 690	2 783 469

GROUP STATEMENT OF COMPREHENSIVE INCOME
for the six months ended 31 August 2016

	Unaudited 6 months 31 August 2016 R'000	Restated unaudited 6 months 31 August 2015 R'000	Audited 12 months 29 February 2016 R'000
Continuing operations			
Revenue	5 262 311	5 511 069	11 016 150
Cost of sales	(4 415 618)	(4 698 035)	(9 275 592)
Gross profit	846 693	813 034	1 740 558
Other income	13 753	8 925	28 064
Impairment of goodwill	(17 000)	(22 000)	(22 000)
Selling and administration expenses	(679 296)	(653 009)	(1 373 717)
Operating profit	164 150	146 950	372 905
Finance income	9 643	5 293	14 906
Finance costs	(64 817)	(49 726)	(117 644)
Profit before taxation	108 976	102 517	270 167
Tax expense	(37 011)	(36 312)	(87 218)
Total profit for the year from continuing operations	71 965	66 205	182 949
Discontinued operation			
Loss for the year from discontinued operation (attributable to equity holders of the Company)	–	(924)	–
Total profit and comprehensive income	71 965	65 281	182 949
Attributable to:			
Equity holders of the Company	71 800	65 281	182 502
Non-controlling interest	165	–	447
	71 965	65 281	182 949
Reconciliation of headline earnings			
Profits/(losses) for the year attributable to equity holders of the Company			
– from continuing operations	71 800	66 205	182 502
– from discontinued operation	–	(924)	–
Total profit and comprehensive income attributable to equity holders of the Company	71 800	65 281	182 502
Non-trading items:			
– impairment of goodwill	17 000	22 000	22 000
– profit on sale of plant and equipment			
– gross	(2 230)	(490)	(3 395)
– impact of income tax	624	137	951
Headline earnings attributable to equity holders of the Company	87 194	86 928	202 058
From continuing operations	87 194	87 852	202 058
From discontinued operation	–	(924)	–
	87 194	86 928	202 058
Weighted average number of shares in issue ('000)	74 802	88 516	81 653

GROUP STATEMENT OF COMPREHENSIVE INCOME
for the six months ended 31 August 2016 *continued*

	Unaudited 6 months 31 August 2016 cents	Unaudited 6 months 31 August 2015 cents	Audited 12 months 29 February 2016 cents
Total earnings per share			
Basic	96,0	73,8	223,5
Diluted basic	96,0	73,8	223,5
Headline	116,6	98,2	247,5
Diluted headline	116,6	98,2	247,5
Earnings per share from continuing operations			
Basic	96,0	74,8	223,5
Diluted basic	96,0	74,8	223,5
Headline	116,6	99,2	247,5
Diluted headline	116,6	99,2	247,5
Earnings per share from discontinued operation			
Basic	–	(1,0)	–
Diluted basic	–	(1,0)	–
Headline	–	(1,0)	–
Diluted headline	–	(1,0)	–
Dividend payable – December 2016	55,0	46,5	
Dividend paid			111,5
Dividend cover (times)	2,1	2,1	2,2

GROUP STATEMENT OF CHANGES IN EQUITY
for the six months ended 31 August 2016

	Share capital 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 2015	27 794	12 011	600 543	640 348	275	640 623
Issue of shares	11 579			11 579		11 579
Total profit and comprehensive income			65 281	65 281		65 281
Release following exercise of share appreciation rights		(5 655)		(5 655)		(5 655)
Share-based payment reserve		1 319		1 319		1 319
Loss on share appreciation rights exercised			(2 856)	(2 856)		(2 856)
Dividends paid			(62 357)	(62 357)		(62 357)
Transfer to share capital following exercise of share options	3 325	(3 325)		–		–
Shares repurchased	(4 607)		(247 036)	(251 643)		(251 643)
Balance at 31 August 2015	38 091	4 350	353 575	396 016	275	396 291
Total profit and comprehensive income			117 221	117 221	447	117 668
Share-based payment reserve		1 637		1 637		1 637
Dividends paid			(34 783)	(34 783)		(34 783)
Balance at 29 February 2016	38 091	5 987	436 013	480 091	722	480 813
Total profit and comprehensive income			71 800	71 800	165	71 965
Release following exercise of share appreciation rights		(2 566)	2 566	–		–
Share-based payment reserve		1 609		1 609		1 609
Cost of shares delivered in terms of share appreciation rights scheme			(3 483)	(3 483)		(3 483)
Dividends paid			(63 581)	(63 581)		(63 581)
Balance at 31 August 2016	38 091	5 030	443 315	486 436	887	487 323

GROUP STATEMENT OF CASH FLOWS

for the six months ended 31 August 2016

	Unaudited 6 months 31 August 2016 R'000	Unaudited 6 months 31 August 2015 R'000	Audited 12 months 29 February 2016 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit			
From continuing operations	164 150	146 950	372 905
From discontinued operation	–	(868)	–
	164 150	146 082	372 905
Adjustment for non-cash items			
– depreciation/other	69 386	94 753	94 192
Sale of car hire fleet vehicles	149 655	159 996	341 606
Purchase of car hire fleet vehicles	(150 647)	(106 256)	(461 388)
	232 544	294 575	347 315
Working capital changes:			
Inventories	48 465	61 945	(48 024)
Trade and other receivables	(53 060)	(128 983)	(387)
Trade and other payables	(234 266)	(1 496)	238 642
Borrowings	(72 860)	(115 165)	58 576
Cash movement from operations	(79 177)	110 876	596 122
Taxation paid	(35 280)	(29 704)	(84 748)
Net cash movement from operating activities	(114 457)	81 172	511 374
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of non-current plant and equipment	(9 085)	(8 623)	(37 007)
Proceeds on disposal of non-current plant and equipment	390	540	7 422
Proceeds on disposal of business	49 954	–	31 205
Purchase of business	–	(2 906)	(5 537)
Insurance receivable	(10 671)	(7 720)	(9 614)
Insurance payable	–	(1 680)	(1 680)
Net cash movement from investing activities	30 588	(20 389)	(15 211)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds of issue of shares	–	11 579	11 579
Repurchase of shares	–	(251 643)	(251 643)
Cost of shares delivered in terms of share appreciation rights scheme	(3 483)	(8 511)	(8 511)
Finance income received	9 643	5 293	14 906
Finance costs paid	(64 817)	(49 782)	(117 644)
Dividends paid	(63 581)	(62 357)	(97 140)
Net cash movement from financing activities	(122 238)	(355 421)	(448 453)
Net movement in cash and cash equivalents	(206 107)	(294 638)	47 710
Cash and cash equivalents at beginning of period	498 254	450 544	450 544
Cash and cash equivalents at end of period	292 147	155 906	498 254

GROUP SEGMENT INFORMATION

for the six months ended 31 August 2016

	TOTAL		RETAIL MOTOR		CAR HIRE		FINANCIAL SERVICES		CORPORATE SERVICES/OTHER		MARINE & LEISURE (discontinued)	
	2016 R'000	2015 R'000	2016 R'000	2015 R'000	2016 R'000	2015 R'000	2016 R'000	2015 R'000	2016 R'000	2015 R'000	2016 R'000	2015 R'000
Segment revenue	5 278 046	5 550 250	4 968 181	5 233 325	225 998	191 278	38 072	43 137	45 795	51 574	–	30 936
Inter-segment revenue	(15 735)	(8 245)	–	–	–	–	–	–	(15 735)	(8 245)	–	–
External revenue	5 262 311	5 542 005	4 968 181	5 233 325	225 998	191 278	38 072	43 137	30 060	43 329	–	30 936
Operating profit/(loss)	164 150	146 082	94 736	85 868	60 490	45 149	13 139	15 351	(4 215)	582	–	(868)
Net finance costs	(55 174)	(44 489)	(30 977)	(30 766)	(31 225)	(25 936)	2 427	1 354	4 601	10 915	–	(56)
Profit before taxation	108 976	101 593	63 759	55 102	29 265	19 213	15 566	16 705	386	11 497	–	(924)
After charging												
– employee costs	381 586	374 222	318 569	319 200	33 966	30 475	–	–	29 051	24 547	–	–
– depreciation charge	54 927	54 704	11 479	12 893	42 743	40 919	–	–	705	892	–	–
– impairment of goodwill	17 000	22 000	17 000	22 000	–	–	–	–	–	–	–	–
Total assets	2 478 509	2 331 690	1 387 108	1 542 447	721 579	527 208	40 703	28 138	329 119	219 597	–	14 300
Total liabilities	1 991 186	1 935 399	1 231 670	1 339 838	710 671	575 649	2 739	433	46 106	15 956	–	3 523
Goodwill at period-end	10 078	25 878	10 078	25 878	–	–	–	–	–	–	–	–

COMMENTARY ON THE RESULTS

The directors are satisfied with the results which have been achieved during a particularly tough trading period. The declining level of new vehicle sales is a reflection of the subdued economic activity brought about by depressed business and consumer confidence levels. Interest hikes and substantial new vehicle price increases, coupled with social and political unrest, have combined to produce a climate of uncertainty and a deferral of purchasing decisions

Despite this, the Group produced a 12% increase in operating profit, with the operating margin, before goodwill impairments, rising from 3.1% to 3.4%. Taking into account the fewer shares in issue, following the share repurchase in July last year, this translates into a 19% increase in headline earnings per share. Good cash generation has enabled the repayment of in excess of R200 million of interest-bearing trade payables and car hire fleet borrowings. In addition, the directors have proposed a dividend of 55 cents per share, up 18% on last year. The statement of financial position remains sound, with a healthy cash balance, and no long-term debt.

OPERATING REVIEW

Against a decline of 12.4% in national new passenger and light commercial unit sales, the Group's sales declined 8.8%. This was offset by a 6.7% rise in used vehicle sales. Overall, the retail motor division recorded a 16% improvement in pre-tax profit. This was due to an increase in gross profit margins, a below-inflation rise in selling and administration expenses, and the positive impact of the closure of loss-making dealerships. The operating margin, before goodwill impairment, improved from 2.1% to 2.2%.

Underpinned by strong demand for its retired fleet vehicles, and an 18% growth in revenue, the car hire division enjoyed continued success, returning a 52% increase in profit before taxation. The division is benefitting from the economies of scale which arise from increased revenue and a static infrastructure.

The financial services operations produced mixed results. The insurance cells recorded a pleasing 17% improvement on the back of an improved claims ratio. Offsetting this, the finance joint ventures applied more conservative doubtful debt provisioning in anticipation of increased pressure on consumer disposable income, and profit declined 22%.

The increased net finance cost is largely attributable to the interest income foregone on the R250 million invested last year on the share repurchase, and the increased investment in the car hire fleet.

PROSPECTS

The directors do not foresee an improvement in trading conditions during the second half of the financial year. The optimists are speculating that the new vehicle sales levels are bottoming out, and that further year-on-year declines will be limited. It is clear that new vehicle price hikes have made purchases very expensive, despite the marketing incentives offered by manufacturers. On the plus side, the banks are reporting an increase in applications for used vehicle financing. This indicates that consumers are switching from new to used, rather than not investing at all. The Group has a strong used car presence, able to take advantage of the increased demand.

Whilst the directors do not believe that the 19% increase in headline earnings per share is sustainable for the full year, they are confident that the Group will emerge favourably from a difficult trading period.

CHANGES IN DIRECTORATE

BWJ Barritt was appointed as an executive director on 25 April 2016 and as a member of the Social, Ethics and Transformation Committee on 26 May 2016.

DIVIDEND DECLARATION

A gross dividend (dividend number 57) of 55 cents per share will be paid on Monday, 19 December 2016 to members reflected in the share register of the Company at the close of business on the record date, Thursday, 15 December 2016. Last day to trade cum dividend is Monday, 12 December 2016. First day to trade ex dividend is Tuesday, 13 December 2016. Share certificates may not be dematerialised or rematerialised from Tuesday, 13 December 2016 to Thursday, 15 December 2016, both days inclusive. The number of ordinary shares in issue at the date of the declaration is 74 801 998. Consequently, the gross dividend payable is R41 141 100 and will be distributed from income reserves. The dividend will be subject to dividend withholding tax at a rate of 15%, which will result in a net dividend of 46,75 cents per share to those shareholders who are not exempt in terms of section 64F of the Income Tax Act.

BASIS OF PREPARATION

The summary consolidated financial statements for the six months ended 31 August 2016 have been prepared under the supervision of SK Jackson CA (SA), financial director, in accordance with the requirements of the JSE Limited Listings Requirements for interim reports, and the requirements of the South African Companies Act, No 71 of 2008, (the "Act"), applicable to summary financial statements. The Listings Requirements require interim reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS"), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, and Financial Pronouncements as issued by the Financial Reporting Standards Council, and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting. The accounting policies applied are in terms of IFRS and are consistent with those applied in the financial statements as at 29 February 2016. The figures previously presented in respect of the Group Statement of Comprehensive Income for the six months ended 31 August 2015 have been restated to separately disclose "Other income" which was previously included in "Selling and administration expenses". The restatement has no impact on operating profit. The results have not been reviewed nor audited by PricewaterhouseCoopers Inc., the Group's external auditors.

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.

By order of the board of directors

K Fonseca CA (SA)
Company Secretary

13 October 2016



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

DIRECTORS

JTM Edwards (chairman)

JD McIntosh (CEO)

BWJ Barritt

LCZ Cele

JS Dixon

SK Jackson

ME Jones

JA Mabena

MR Nkadimeng

TRANSFER SECRETARIES

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