



COMBINED MOTOR HOLDINGS LIMITED INTERIM RESULTS

FOR THE SIX MONTHS ENDED 31 AUGUST 2014

CONDENSED GROUP STATEMENT OF FINANCIAL POSITION

	Unaudited 31 August 2014 R'000	Restated Unaudited 31 August 2013 R'000	Adjustment 31 August 2013 R'000	Previously reported Unaudited 31 August 2013 R'000	Audited 28 February 2014 R'000
ASSETS					
Non-current assets					
Plant and equipment	68 604	67 464		67 464	74 803
Goodwill	74 972	74 972		74 972	74 972
Insurance receivable	19 480	25 405	25 405	–	18 039
Deferred taxation	44 487	44 878		44 878	46 643
	207 543	212 719	25 405	187 314	214 457
Current assets					
Car hire fleet vehicles	454 339	440 734		440 734	572 765
Inventory	1 087 751	1 219 565		1 219 565	1 214 577
Trade and other receivables	364 060	235 324		235 324	263 831
Cash and cash equivalents	239 106	283 681	(34 427)	318 108	308 480
	2 145 256	2 179 304	(34 427)	2 213 731	2 359 653
Total assets	2 352 799	2 392 023	(9 022)	2 401 045	2 574 110
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	27 794	30 774		30 774	27 794
Share-based payment reserve	10 491	14 884		14 884	14 441
Retained earnings	559 958	669 740		669 740	523 379
Ordinary shareholders' equity	598 243	715 398		715 398	565 614
Non-controlling interest	112	82		82	112
Total equity	598 355	715 480		715 480	565 726
Non-current liabilities					
Advance from non-controlling shareholders of subsidiaries	–	4 000		4 000	–
Assurance funds	–	–	(7 778)	7 778	–
Insurance payable	712	–		–	2 156
Lease liabilities	84 713	90 645		90 645	90 244
	85 425	94 645	(7 778)	102 423	92 400
Current liabilities					
Advance from non-controlling shareholders of subsidiaries	255	4 255		4 255	4 193
Trade and other payables	1 112 679	1 050 096	(498 674)	1 548 770	1 258 014
Borrowings	531 068	497 430	497 430	–	622 962
Lease liabilities	10 540	11 109		11 109	8 759
Current tax liabilities	14 477	19 008		19 008	22 056
	1 669 019	1 581 898	(1 244)	1 583 142	1 915 984
Total liabilities	1 754 444	1 676 543	(9 022)	1 685 565	2 008 384
Total equity and liabilities	2 352 799	2 392 023	(9 022)	2 401 045	2 574 110

CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 6 months 31 August 2014 R'000	Restated Unaudited 6 months 31 August 2013 R'000	Adjustment 31 August 2013 R'000	Previously reported Unaudited 6 months 31 August 2013 R'000	Audited 12 months 28 February 2014 R'000
Revenue	5 489 524	5 368 468	335 015	5 033 453	10 831 384
Cost of sales	(4 753 865)	(4 659 133)	(315 084)	(4 344 049)	(9 162 323)
Gross profit	735 659	709 335	19 931	689 404	1 669 061
Selling and administration expenses	(578 753)	(550 006)		(550 006)	(1 348 837)
Operating profit	156 906	159 329	19 931	139 398	320 224
Finance income	4 382	2 175		2 175	13 709
Finance costs	(45 890)	(40 999)	(19 931)	(21 068)	(89 256)
Profit before taxation	115 398	120 505		120 505	244 677
Tax expense	(34 042)	(34 344)		(34 344)	(75 245)
Total profit and comprehensive income	81 356	86 161		86 161	169 432
Attributable to:					
Equity holders of the Company	81 356	86 199		86 199	169 440
Non-controlling interest	–	(38)		(38)	(8)
	81 356	86 161		86 161	169 432
Reconciliation of headline earnings					
Total profit and comprehensive income	81 356	86 161		86 161	169 432
Non-trading item					
– profit on sale of plant and equipment					
– gross	(256)	–		–	(115)
– impact of income tax	72	–		–	32
Headline earnings	81 172	86 161		86 161	169 349
Attributable to:					
Equity holders of the Company	81 172	86 199		86 199	169 357
Non-controlling shareholders of subsidiaries	–	(38)		(38)	(8)
	81 172	86 161		86 161	169 349
Weighted average number of shares in issue ('000)	93 673	108 982		108 982	108 057
Earnings per share					
Basic (cents)	86,9	79,1		79,1	156,8
Diluted basic (cents)	85,7	78,9		78,9	154,9
Headline (cents)	86,7	79,1		79,1	156,7
Diluted headline (cents)	85,5	78,9		78,9	154,8
Dividend payable – December 2014 (cents)	32,5	28,0		28,0	
Dividend paid (cents)					78,0
Dividend cover (times)	2,7	2,8		2,8	2,0



COMBINED MOTOR HOLDINGS LIMITED

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2014

GROUP STATEMENT OF CHANGES IN EQUITY

	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 2013	29 500	13 024	638 027	680 551	120	680 671
Issue of shares	1 274			1 274		1 274
Total profit and comprehensive income			86 199	86 199	(38)	86 161
Share-based payment reserve		1 860		1 860		1 860
Dividends paid			(54 486)	(54 486)		(54 486)
Balance at 31 August 2013	30 774	14 884	669 740	715 398	82	715 480
Total profit and comprehensive income			83 241	83 241	30	83 271
Transfer to share capital	377	(377)		–		–
Release following exercise of share appreciation rights		(2 182)		(2 182)		(2 182)
Loss on share appreciation rights exercised			(864)	(864)		(864)
Share-based payment reserve		2 116		2 116		2 116
Dividends paid			(30 540)	(30 540)		(30 540)
Shares repurchased	(3 357)		(198 198)	(201 555)		(201 555)
Balance at 28 February 2014	27 794	14 441	523 379	565 614	112	565 726
Total profit and comprehensive income			81 356	81 356		81 356
Release following exercise of share appreciation rights		(5 470)		(5 470)		(5 470)
Profit on share appreciation rights exercised			2 059	2 059		2 059
Share-based payment reserve		1 520		1 520		1 520
Dividends paid			(46 836)	(46 836)		(46 836)
Balance at 31 August 2014	27 794	10 491	559 958	598 243	112	598 355

CONDENSED GROUP STATEMENT OF CASH FLOWS

	Unaudited 6 months 31 August 2014 R'000	Restated Unaudited 6 months 31 August 2013 R'000	Adjustment 31 August 2013 R'000	Previously reported Unaudited 6 months 31 August 2013 R'000	Audited 12 months 28 February 2014 R'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Operating profit	156 906	159 329	19 931	139 398	320 224
Adjustments for non-cash items					
Depreciation/other	70 034	62 417	(230)	62 647	103 836
Sale of car hire fleet vehicles	157 549	178 983		178 983	294 102
Purchase of car hire fleet vehicles	(97 642)	(151 304)		(151 304)	(427 013)
	286 847	249 425	19 701	229 724	291 149
Working capital changes:					
Inventory	126 826	(34 597)		(34 597)	(29 609)
Trade and other receivables	(100 229)	28 683	(106)	28 789	176
Trade and other payables	(145 335)	(78 101)	63 894	(141 995)	129 817
Borrowings	(91 894)	(65 686)	(65 686)	-	59 846
Cash generated from operations	76 215	99 724	17 803	81 921	451 379
Taxation paid	(39 466)	(16 773)	368	(17 141)	(56 055)
Net cash movement from operating activities	36 749	82 951	18 171	64 780	395 324
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of non-current plant and equipment	(7 827)	(13 269)		(13 269)	(38 227)
Proceeds on disposal of non-current plant and equipment	282	981		981	5 105
Insurance receivables	(1 441)	(24 331)	(24 331)	-	(16 965)
Insurance payables	(1 444)	(2 608)	(2 608)	-	(452)
Net cash movement from investing activities	(10 430)	(39 227)	(26 939)	(12 288)	(50 539)
CASH FLOWS FROM FINANCING ACTIVITIES					
Non-controlling shareholders of subsidiaries	(3 938)	(2 938)		(2 938)	(7 000)
Proceeds of issue of shares	-	1 274		1 274	1 274
Repurchase of shares	-	-		-	(201 555)
Settlement of share appreciation rights	(3 411)	-		-	(3 382)
Finance income received	4 382	2 175		2 175	13 709
Finance costs paid	(45 890)	(40 999)	(19 931)	(21 068)	(89 256)
Dividends paid	(46 836)	(54 486)		(54 486)	(85 026)
Net cash movement from financing activities	(95 693)	(94 974)	(19 931)	(75 043)	(371 236)
Net movement in cash and cash equivalents	(69 374)	(51 250)	(28 699)	(22 551)	(26 451)
Cash and cash equivalents at beginning of period	308 480	334 931	(5 728)	340 659	334 931
Cash and cash equivalents at end of period	239 106	283 681	(34 427)	318 108	308 480

SEGMENTAL ANALYSIS

	Total		Retail motor		Car hire	
	2014 R'000	2013 R'000	2014 R'000	2013 R'000	2014 R'000	2013 R'000
Revenue						
– restated	5 489 524	5 368 468	5 197 580	5 096 116	171 874	161 232
– as previously reported	5 489 524	5 033 453	5 197 580	4 761 101	171 874	161 232
– adjustment		335 015		335 015		
Operating profit						
– restated	156 906	159 329	105 957	109 913	41 459	34 856
– as previously reported	156 906	139 398	105 957	109 913	41 459	14 925
– adjustment		19 931				19 931
Net finance costs						
– restated	(41 508)	(38 824)	(32 487)	(37 039)	(23 797)	(19 931)
– as previously reported	(41 508)	(18 893)	(32 487)	(37 039)	(23 797)	
– adjustment		(19 931)				(19 931)
Profit before taxation	115 398	120 505	73 472	72 874	17 662	14 925
Total assets						
– restated	2 352 799	2 392 023	1 523 987	1 592 381	488 391	437 657
– as previously reported	2 352 799	2 401 045	1 523 987	1 592 381	488 391	437 657
– adjustment		(9 022)				
Total liabilities						
– restated	1 754 444	1 676 543	1 171 525	1 173 302	561 494	469 544
– as previously reported	1 754 444	1 685 565	1 171 525	1 173 302	561 494	469 544
– adjustment		(9 022)				
Goodwill at period end	74 972	74 972	74 972	74 972	–	–
Number of staff	2 967	2 973	2 443	2 472	399	376
	Marine and leisure		Financial services		Corporate services/Other	
	2014 R'000	2013 R'000	2014 R'000	2013 R'000	2014 R'000	2013 R'000
Revenue						
– restated	36 628	53 174	35 706	29 670	47 736	28 276
– as previously reported	36 628	53 174	35 706	29 670	47 736	28 276
– adjustment						
Operating profit						
– restated	(5 642)	(1 730)	14 448	15 505	684	785
– as previously reported	(5 642)	(1 730)	14 448	15 505	684	785
– adjustment						
Net finance costs						
– restated	78	(102)	946	465	13 752	17 783
– as previously reported	78	(102)	946	465	13 752	17 783
– adjustment						
Profit before taxation	(5 566)	(1 832)	15 394	15 970	14 436	18 568
Total assets						
– restated	44 917	54 165	19 480	25 405	276 024	282 415
– as previously reported	44 917	54 165	19 480	34 427	276 024	282 415
– adjustment				(9 022)		
Total liabilities						
– restated	4 998	3 435	712	–	15 715	30 262
– as previously reported	4 998	3 435	712	9 022	15 715	30 262
– adjustment				(9 022)		
Goodwill at period end	–	–	–	–	–	–
Number of staff	24	27	3	3	98	95

COMMENTARY ON THE RESULTS

Considering the economic environment during the period under review, which led to a 9% decline in national dealer new vehicle sales, the directors are satisfied with the results achieved. Headline earnings per share increased 10% and continued strong cash generation has enabled the directors to recommend a dividend of 32,5 cents per share, up 16% over that declared last year. Off marginally increased revenue, the gross profit margin improved from 13,2% to 13,4%, expenses were contained at a 5% increase, and the operating profit margin reduced from 3,0% to a still creditable 2,9%. Following the utilisation of R200 million of cash resources to effect a share buyback during January 2014, net finance charges increased 7%.

OPERATING REVIEW

The period under review was extremely disrupted. After the many national holidays during March/April which reduced productivity, the motor manufacturing industry was hit by protracted strike action which brought production to a virtual standstill. The first strike, at the assembly plants, was followed by a second at the component manufacturers, and a third at the steel and engineering suppliers. Labour extremists seem to consider the motor industry, South Africa's biggest manufacturing industry, to be a legitimate target in pursuit of their political aspirations. The loss of income to both workers and the fiscus is severe.

In April 2014 it was recorded that a strategy had been implemented to eliminate the Group's loss-making retail motor operations. This exercise has borne fruit, and prior period net losses in excess of R10 million have been eliminated. Despite the closing of these operations, Group new vehicle unit sales declined only 8,3% compared with the dealer industry decline of 9,0% during the period under review. Operating margins remain under pressure at 2,0% (2,2%), but expense levels have been held below inflation. Tight control over working capital resulted in a 12% reduction in finance charges, and profit before taxation, at R73,5 million, was marginally up on the prior period.

The car hire segment recorded excellent growth with an 18% increase in pre-tax profit. The profit margin has improved from 9,3% to 10,3% after absorbing the effects of the interest rate hikes on the cost of financing the fleet. The improvement is largely as a result of the stable used car prices which have generated a higher return for the retired fleet, and improved daily rental returns. The division has increased its footprint with the opening of two new branches, and is well structured for continued improvement.

The results of the marine and leisure division were disappointing. Despite various restructuring and cost-cutting measures, this segment continued to suffer the effects of consumers' reduced disposal income. Management is reviewing its options regarding the future viability of this operation.

Profit before taxation from the corporate services segment is principally net investment income. This has fallen because of the utilisation of R200 million of cash resources to effect the share buyback in January 2014.

The financial services sector continued to provide a solid earnings base despite the vagaries of short-term economic cycles. The marginally higher claims rate experienced during the period has reduced returns; however, this is not expected to impact ongoing profitability.

PROSPECTS

After a slow start to the financial year, the Group experienced an improvement during July and August, and the early signs are that this trend will continue. Improved national new vehicle sales in September showed there has been a pickup in business activity, albeit off a relatively low base. Whilst the motor industry expects further price hikes this year, attractive incentive packages, pre-emptive demand and expected stable interest rates should sustain demand. The Group will shortly open six Datsun and four Mazda outlets, all of which will be accommodated within the existing overhead structure. The directors believe the Group will deliver satisfactory results during the next six months.

CHANGES IN DIRECTORATE

In June 2014, D Molefe resigned as a director of the Company. Her position was filled by JA Mabena. In July 2014 M Zimmerman tendered his resignation as a director of the company. He was replaced by Il Zimmerman.

DIVIDEND

A dividend (dividend number 53) of 32,5 cents per share will be paid on Monday, 15 December 2014 to members reflected in the share register of the Company at the close of business on the record date, Friday, 12 December 2014. Last day to trade "cum" dividend is Friday, 5 December 2014. First day to

trade "ex" dividend is Monday, 8 December 2014. Share certificates may not be dematerialised or rematerialised from Monday, 8 December 2014 to Friday, 12 December 2014, both days inclusive.

The number of ordinary shares in issue at the date of the declaration is 93 673 498. Consequently, the gross dividend payable is R30 443 887 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 27,625 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 six months ended 31 August 2014 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 abridged reports, and the requirements of the South African Companies Act, No 71 of 2008. The Listings Requirements require abridged 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 used in the financial statements as at 28 February 2014. Except as recorded below, the accounting policies are consistent with those used in the financial results as at 31 August 2013. The results have not been reviewed or audited by the Group's external auditors.

CHANGES IN ACCOUNTING POLICIES AND COMPARATIVE FIGURES

During the previous financial year a number of changes in accounting policies were effected. Certain figures previously reported in respect of the six months ended 31 August 2013 have been restated.

1. Consolidated financial statements

Investment in insurance underwriting activities

IFRS 10: *Consolidated Financial Statements* replaces the guidance on control and consolidation in IAS 27: *Consolidated and Separate Financial Statements*, and in SIC 12: *Consolidation – Special Purpose Entities*.

The Group conducts insurance underwriting activities through various entities controlled by external financial service providers. These entities were consolidated in terms of IAS 27 and SIC 12. However, the Group has determined that the entities do not constitute "deemed separate entities" as envisaged in IFRS 10 and they will no longer be consolidated.

As required under IFRS 10, the changes in accounting policy have been applied retroactively and, as a consequence, adjustments have been made in the financial statements of all comparative periods presented.

2. Reclassification of wholesale transactions

Revenue arising from the sale of new and used motor vehicles to customers who were themselves dealers in motor vehicles and who purchased the vehicles for resale, was classified as wholesale revenue, and was eliminated and offset against "Cost of sales" in the statement of comprehensive income. This policy has been discontinued and revenue from such sales is now included in "Revenue" and a corresponding adjustment has been made to "Cost of sales". The change has no impact on "Gross profit".

3. Reclassification of transactions associated with financing of car hire fleet

The cost of financing the Group's car hire vehicles was included in "Cost of sales" and the year-end liability in "Trade and other payables". This policy has been discontinued. Finance charges are now included in "Finance costs" and the liability is recorded as "Borrowings". The change has no impact on "Profit before taxation" nor on "Total current liabilities".

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

22 October 2014



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

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

JTM Edwards (Chairman), JD McIntosh (CEO)

LCZ Cele, MPD Conway, JS Dixon, SK Jackson,

JA Mabena, N Siyotula, II Zimmerman,

JW Alderslade (alternate)

WEB ADDRESS

www.cmh.co.za