## Condensed segment information

For the Year Ended 28 February 2013

<table>
<thead>
<tr>
<th>Segment Information</th>
<th>Audited 2013</th>
<th>Audited 2012</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>R'000</td>
<td>R'000</td>
<td>%</td>
</tr>
<tr>
<td>External revenue</td>
<td>8 971 811</td>
<td>8 293 728</td>
<td>100</td>
</tr>
<tr>
<td>Operating profit</td>
<td>293 734</td>
<td>217 124</td>
<td>100</td>
</tr>
<tr>
<td>Profit after taxation</td>
<td>269 607</td>
<td>198 014</td>
<td>100</td>
</tr>
</tbody>
</table>

Total assets: 2 733 997 (1 243 139)

Total liabilities: 1 943 159 (1 181 897)

Net finance costs: 45 687 (49 964)

## Group financial results

For the Year Ended 28 February 2013

### ASSETS

- Non-current assets: 848 992 (516 616)
  - Plant and equipment: 68 803 (58 537)
  - Goodwill: 74 972 (89 972)
  - Investments: 233 613 (204 500)
  - Deferred taxation: 45 707 (49 964)

### Current assets

- Investments: 1 000 (3 000)
- Car hire fleet vehicles: 520 162 (467 376)
- Inventory: 1 184 968 (1 001 472)

Other receivables: 2 613 (2 136)

Tax paid in advance: (42)

Cash and cash equivalents: 340 675 (356 407)

### Total liabilities

- Operating profit: 25 131 (5 896)
- Profit before taxation: 7 039 (550 624)
- Share-based payment reserve: 588 572 (2 563)

### Equity and liabilities

- Share capital: 3 144 (3 085)
- Share-based payment reserve: 46 (46 513)
- Non-controlling interest: (15 232)

Non-current liabilities: 1 184 968 (1 001 472)

### Reconciliation of headline earnings

- Profit before taxation: 230 927 (144 146)
- Non-controlling interest: 17 528 (12 849)
- Total profit and comprehensive income: 230 927 (144 146)

- Profit attributable to: 186 399 (131 297)
  - Equity holders of the Company: 186 399 (131 297)

- Non-controlling interest: (15 000)

- Earnings per share (cents):
  - Basic: 171 121 (121 030)
  - Diluted: 183 121 (121 030)

**Restatement of statement of cash flows**

Dividend income receivable not yet received by the Group was reflected in the statement of cash flows for the year ended 29 February 2012 both as cash inflows, and as an increase in investments. Further, the line item 'Cash paid to suppliers and employees' also included an entry recording dividends accrued.

The 2012 condensed statement of cash flows has been adjusted to remove the effect of these items, as follows:

- Cash generated from operations: 288 337 (271 108)
- Cash from investing activities: 230 927 (144 146)
- Cash from financing activities: 141 771 (271 108)
- Net cash movement from operating activities: (16 984) (164 620)
- Net cash movement from investing activities: (37 077) (26 410)
- Net cash movement from financing activities: 1 079 (1 004)
- Net movement in cash and cash equivalents: 219 469 (144 146)

**Cash and cash equivalents at end of year:**

- Restated: 395 408 (312 588)
- Audited: 219 469 (144 146)

**Cash and cash equivalents at beginning of year:**

- Restated: 395 408 (312 588)
- Audited: 219 469 (144 146)
The year was characterised by uncertain global and local economic conditions, and only moderate growth in the industry segment in which the Group competes. During the year a number of the strategies and structures implemented in 2010 and 2011 bore fruit, and the outcome was a remarkable result during an unremarkable economic period.

FINANCIAL OVERVIEW

Improved gross margins and a tight control over selling and administrative expenses resulted in the increase in revenue converting into a 33.3% improvement in operating profit. The operating profit margin, before impairment of goodwill, has improved from 2.6% to a pleasing 3.4%, well ahead of the industry average. Net finance charges increased by 26% off a low base, and the tax rate reduced from 27% to 24%, principally because of the abolishment of secondary tax on companies and a higher content of tax-exempt dividend income. The net result, after accounting for minority interests, was a 51.5% increase in headline earnings per share. This represents a 25.4% return on shareholders’ funds, compared with a 20.8% return last year. Included in this figure is a once-off receipt of dividend income in the sum of R21.2 million. This amount accrued as a result of the change in the taxation of dividends and will not be repeated in future years.

The Group has been questioned in the past for having what is described as a “lazy” balance sheet, with a too high level of cash resources. During the year under review the Group has used a portion of its cash resources to reduce the level of interest-bearing trade liabilities in the retail motor (860 million) and car hire (620 million) segments. It must be borne in mind that the Group has a substantial level of interest-bearing trade debt and, with increasing pressure from motor manufacturers to raise inventory levels, a conservative approach to cash management provides a shield against potential interest-rate hikes.

The Group’s statement of financial position remains sound and liquid. Working capital levels have increased, as expected, in line with increased activity levels. The current ratio and assset- to-liability ratio remain comfortable.

OPERATIONAL OVERVIEW

Retail motor

The 9% increase in national new vehicle sales belies the true state of the industry from a retailer’s perspective. A high proportion of the unit sales increase stems from the highly competitive entry level segment where trading margins are low. The increase has come at the expense of the used car market.

The Group’s new vehicle unit sales level matched the national increase of 9%, and used vehicle volumes rose 4%. The latter was disappointing, but compares with an estimated decline of 2% in national volumes of one- to five-year-old vehicles, the segment in which the Group competes. Overall, selling margins improved and, with a pleasing increase in the marketing of after-sales products, both departments made significantly higher profit contributions.

The Group’s parts and service departments continued to provide a valuable and dependable base, and recorded a pleasing increase in revenue and profit.

Internet-based and social network marketing has become increasingly popular. Public awareness of the Group’s brand, “Carshop, powered by the CMH Group” has grown and now generates more than 50% of sales leads. I expect that national new vehicle sales will grow 3 – 5% next year. Much will depend on the economic climate, the degree to which anticipated further hikes in rates and utility costs reduce disposable spending, and the appetite of the banks to continue growing their lending books. One ongoing positive is that, because the country has no effective public transport system, the purchase of a vehicle is, for many, a necessity rather than a luxury. Although the average finance and replacement cycle has increased from 28 to 44 months in recent years, the longer period does provide workshop and replacement parts opportunities.

Car hire

First Car Rental achieved excellent results in a very competitive market. Rental days increased by 11%, against an industry average of 6%. Vehicle write-off and damage costs were reduced following a focus on quality business rather than chasing volume, and the fleet utilisation rate improved. A key component of the profit model is the price at which retired fleet vehicles can be sold. The policy of deploying vehicles which are different to those used by competitors means that the division is able to sell the vehicles into niche markets rather than competing in a market oversupplied by retired fleets. First Car Rental’s focus on customer service, the face of stiff competition from well-established industry players, it was awarded Gold – 1st Place in the South African Service Awards. The division’s web-based booking system is world class and its popular “Show and Go” loyalty card has proved to be a valuable time-saver for customers.

Financial services

This division comprises three insurance companies, providing long and short-term 1 2 and two car finance companies. The vehicle financing operations in partnership with major finance houses. Profit from the insurance companies declined by 22% as the result of a higher than usual claims ratio. Being a relatively small portfolio, it is sensitive to movements in claims. On the positive side, the 50% increase in premium collections reflects the growth in policies written and augurs well for the income stream over the next three to five years. Prior year losses in the joint venture finance operations have been eliminated and these operations will show significant profit in the year ahead.

Marine and leisure

Disappointing results from this division reflect the extent to which the leisure market is still suffering from the depressed economic conditions which have prevailed for the past three years. The Group has taken a decision to focus on the wholesale side of the business and to offload its two retail outlets. To this end the Cape Town branch was sold during December 2012, and negotiations are in progress to sell the Randburg outlet. This will reduce the division’s cost base and working capital investment.

The results of the Group for the year ended 28 February 2013 have been prepared in accordance with IAS 34 Interim Financial Reporting, International Financial Reporting Standards, the SAICA Financial Reporting Guidelines, as issued by the Accounting Practices Committee, Financial Pronouncements, as issued by the Accounting Standards Committee, Financial Reporting Standards Council, the JSE Limited Listings Requirements 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 29 February 2012.

PROSPECTS

Forecasts of expectations for the year ahead produce mixed signals. Customers are experiencing a good deal more stress exacerbated by lower-than-inflation salary increase expectations and exorbitant increases in the cost of basic utilities, food and petrol. Recent instances of illegal and violent strikes have reduced business confidence for both local and offshore investors. The motor industry wage negotiations begin in June and, if not quickly resolved, may result in supply disruptions. In Gauteng, the ill-conceived toll road system will be both a financial burden for motorists and an administrative challenge for local and international businesses. The car hire division will need to recoup toll fees from hirees but will not have timeous access to information from SANRAL.

On the positive side, the consensus opinion is that national new vehicle sales will increase 3 – 5% off a relatively high base. Whilst the weakening of the rand will feed through to vehicle price inflation, it is expected that an increased gap between new and used car prices will give a much needed boost to the used car market.

I believe that the year ahead will be one of slow economic recovery. However, the Group is in a strong position to continue its recent earnings trend and achieve its growth budgets.

Dividend

A dividend of 50 cents per share will be paid on Tuesday 18 June 2013 to members reflected in the share register of the Company at the close of business on the record date, Friday, 14 June 2013. Last day to trade cum-dividend is Friday, 7 June 2013. First day to trade ex-dividend is Monday, 10 June 2013. Share certificates may not be dematerialised or rematerialised from Monday, 10 June 2013 to Friday, 14 June 2013, both days inclusive.

The number of ordinary shares in issue at the date of the declaration is 108 825 000. Consequently, the gross dividend payable is R54 413 000 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%, with 8% deducted in a net dividend of 42.5c per share for those shareholders who are not exempt in terms of section 64F of the Income Tax Act.

Basis of preparation

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