

COMBINED MOTOR HOLDINGS LIMITED
Registration no. 1965/000270/06

FINANCIAL STATEMENTS
for the year ended 28 February 2019

COMBINED MOTOR HOLDINGS LIMITED

FINANCIAL STATEMENTS for the year ended 28 February 2019

COMPANY INFORMATION

Registration number:

Registered address:

1 Wilton Crescent
Umhlanga Ridge
4319

Postal address:

PO Box 1033
Umhlanga Rocks
4320

Independent auditor:

PricewaterhouseCoopers Inc.
Durban

Bankers:

First National Bank Limited

These financial statements have been audited by our external auditor PricewaterhouseCoopers Inc. in compliance with the applicable requirements of the Companies Act, 2008. The financial statements were prepared by K Fonseca CA(SA) under the supervision of SK Jackson CA(SA).

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COMBINED MOTOR HOLDINGS LIMITED

REPORT OF THE AUDIT AND RISK ASSESSMENT COMMITTEE for the year ended 28 February 2019

This report has been compiled in compliance with section 94(7)(f) of the Companies Act 2008.

The audit and risk assessment committee of Combined Motor Holdings Limited and its subsidiaries ('the Group') was appointed by the shareholders in respect of the year ended 28 February 2019. All members are independent non-executive directors of Combined Motor Holdings Limited ('the Company'). The committee has adopted formal terms of reference agreed by the Board. These have been embodied in a charter and work plan which align with the Companies Act 2008, the King IV Code on Corporate Governance, and the JSE Listings Requirements.

The committee meets biannually. The chief executive officer, financial director, external auditor and chief audit executive of the Company are required to attend committee meetings, and the chairman attends by invitation.

The role and functions of the committee, the manner in which it has discharged its responsibilities, and the key areas of focus for the year, are as follows:

Oversee integrated reporting

- evaluate significant judgements and reporting decisions made by management, including changes in accounting policies and decisions requiring a significant element of judgement;
- be informed of any monitoring or enforcement actions and involved in management's response thereto;
- consider any evidence that comes to its attention that brings into question any previously-published Company information;
- review forward-looking statements of financial or sustainable information to ensure their credibility;
- review and comment on the annual and interim financial statements, accounting practices and internal financial controls; and
- review management's statement regarding the going-concern status of the Company.

The committee has discharged this function by:

- taking appropriate steps to ensure that the financial statements are prepared in accordance with International Financial Reporting Standards, the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee, the Financial Pronouncements, as issued by the Financial Reporting Standards Council, and the Companies Act 2008, and that the financial reporting procedures are operating effectively;
- considering and, when appropriate, making recommendations on the effectiveness of the internal financial controls;
- dealing with concerns or complaints relating to accounting policies, internal audit and internal financial controls;
- considering any whistle-blowing complaints;
- reviewing the report of the external auditor and the key audit matters; and
- recommending to the Board that the financial statements and integrated report be approved, and that the Company's status as a going concern be confirmed.

Ensure that a combined assurance model is applied to promote a co-ordinated approach to assurance activities

The committee has satisfied itself that the combined assurance provided by internal and external assurance providers and management is sufficient to address risk areas within the Company and to ensure that suitable controls exist to mitigate and reduce these significant risks.

Satisfy itself of the expertise, resources and experience of the Company's finance function

The committee has evaluated and satisfied itself of the suitability of the expertise and experience of the financial director, SK Jackson, and the adequacy of resources and expertise of the finance department and its senior management.

COMBINED MOTOR HOLDINGS LIMITED

REPORT OF THE AUDIT AND RISK ASSESSMENT COMMITTEE for the year ended 28 February 2019

Accept responsibility for overseeing of internal audit

The committee has satisfied itself that the Company's internal audit function is independent and has the necessary resources, budget, standing and authority within the Company to discharge its duties. The internal audit plan has been considered and approved, and areas of overlap between internal and external audit identified so as to optimise the combined assurance model. There is regular communication between the committee chairman and the chief audit executive who also reports on its activities for the period at each committee meeting. The committee meets with the internal auditors annually without management's presence.

Accept responsibility for the Company's risk management function

Details of the committee's role and function in this area are provided in the integrated annual report of the Company. In discharging its responsibility, the committee focused on financial reporting risks, internal financial controls and fraud and information technology risks in relation to financial reporting. The committee is satisfied that these areas have been appropriately addressed.

Oversee the appointment of the external auditor and the external audit process

- recommend to shareholders the appointment, reappointment and removal of the external auditor and designated partner, after ensuring that the external auditor is accredited by the JSE Limited and the designated partner is suitably qualified and eligible to fulfil the position;
- approve the external auditor's terms of engagement and remuneration;
- review, monitor and report on the external auditor's independence and objectivity;
- discuss the external audit process without management's presence;
- define, for Board approval, a policy addressing the nature, extent and terms under which the external auditor may perform non-audit services and ensure compliance therewith; and
- develop a process in terms of which the committee receives, and communicates to the Board, any notices of reportable irregularities reported by the external auditor.

The committee reviewed and approved the external audit plan, the external auditor's terms of engagement and proposed remuneration. It is satisfied that, despite the fact that the external auditor has been the auditor of the Company for the past 43 years, it is independent of the Company, and able to express an objective opinion. The re-appointment of PricewaterhouseCoopers Inc, and appointment of lead partner, R Klute, were considered and are recommended for approval by shareholders at the forthcoming annual general meeting.

The committee is satisfied that, in respect of the financial year ended 28 February 2019, it has performed all of the functions required to be performed by an audit committee.



ME Jones
Chairman
Audit and Risk Assessment Committee
16 April 2019

COMBINED MOTOR HOLDINGS LIMITED

REPORT OF THE SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE for the year ended 28 February 2019

This report has been compiled on behalf of the Board in compliance with Regulation 43(5)(c) of the Companies Act Regulations 2011.

The social, ethics and transformation committee is a statutory committee established in compliance with the Companies Act. The Committee has adopted formal terms of reference agreed by the Board. These have been embodied in its charter which aligns with the Companies Act Regulations 2011, the King IV Code on Corporate Governance, and the JSE Listings Requirements.

The purpose of the Committee is to:

- assist the Board in ensuring that the Company is and remains a committed socially responsible corporate citizen;
- review policies, plans and processes aimed at facilitating transformation in the Company; and
- supplement, support, advise and provide guidance on the effectiveness or otherwise of management's efforts in respect of sustainable development, ethics and transformation.

To fulfil this purpose, the associated responsibilities of the Committee are to:

- monitor the Company's activities, having regard to relevant legislation, other legal requirements or prevailing codes of best practice, with regard to matters relating to:
 - social and economic development;
 - good corporate citizenship;
 - the environment, health and public safety, including the impact of the Company's activities and of its products and services;
 - consumer relationships; and
 - labour and employment
- ensure that the Company's transformation strategy and goals align with its business objectives and strategies;
- approve, review and monitor progress toward achievement of B-BBEE scorecard targets;
- approve, review and monitor progress toward achievement of Employment Equity targets and transformation objectives; and
- approve, review and monitor progress toward achievement of skills development targets.

The Committee's main areas of focus during the reporting period were oversight of initiatives to improve the B-BBEE scorecard rating and actions to achieve employment equity targets. These will continue to be key focus areas going forward, with particular emphasis on identifying initiatives that will allow the Company and its subsidiaries to meet the minimum criteria on all priority elements of the scorecard, such that its BEE rating is not discounted by one level. An additional focus area in the coming year will be to review and approve the new Employment Equity Plan ensuring it is in line with the Company's transformation strategy.

The Committee has satisfied itself that the Company's activities have regard to relevant legislation and prevailing codes of best practice in each of the relevant areas.

The Board is satisfied that the Committee has performed all the functions required to be performed by it as set out in Regulation 43(5) of the Companies Act Regulations, 2011.



LCZ Cele
Chairman
Social, Ethics and Transformation Committee
16 April 2019

COMBINED MOTOR HOLDINGS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITY
for the year ended 28 February 2019

The directors are responsible for the preparation, integrity and fair presentation of the financial statements of the Company. The financial statements presented on pages 10 to 24 have been prepared in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa and include amounts based on judgements and estimates made by management.

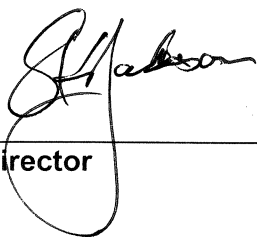
The directors consider that in preparing the financial statements they have used the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all International Financial Reporting Standards that they consider to be applicable have been followed. The directors are satisfied that the information contained in the financial statements fairly presents the results of operations for the year and the financial position of the Company at year-end.

The directors have responsibility for ensuring that accounting records are kept. The accounting records should disclose with reasonable accuracy the financial position of the Company to enable the directors to ensure that the financial statements comply with the relevant legislation.

The Company operated in a well-established control environment, which is well documented and regularly reviewed. This incorporates risk management and internal control procedures, which are designed to provide reasonable, but not absolute, assurance that assets are safeguarded and the risks facing the business are being controlled.

The going concern basis has been adopted in preparing the financial statements. The directors have no reason to believe that the Company will not be a going concern in the foreseeable future, based on forecasts and available cash resources.

The financial statements were approved by the board of directors on 16 April 2019 and are signed on its behalf by:



Director



Director

CERTIFICATION BY THE COMPANY SECRETARY

In my capacity as company secretary, I hereby confirm that, for the year ended 28 February 2019, the Company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Companies Act, 2008, and that all such returns are true, correct and up to date.



K Fonseca
Company secretary
16 April 2019

COMBINED MOTOR HOLDINGS LIMITED

DIRECTORS' REPORT for the year ended 28 February 2019

The directors have pleasure in presenting their report on the activities of the Company for the year ended 28 February 2019.

Nature of business

The Company's business is that of an investment holding company, its principal assets being its investment in, and loan to, CMH Holdings Proprietary Limited, and a preference share investment in Main Street 445 Proprietary Limited.

The Company is listed in the "General Retailers" sector of the JSE Limited.

General review

Full details of the operating results of the Company are set out in the attached financial statements.

Share capital

The authorised and issued share capital of the Company are presented in note 7 to the attached financial statements.

Directors

The following served as directors during the year under review:

JS Dixon (independent non-executive chairman) (appointed chairman effective 31 May 2018)
JD McIntosh (chief executive officer)
BWJ Barritt (executive)
LCZ Cele (independent non-executive)
SK Jackson (executive)
ME Jones (independent non-executive)
JA Mabena (independent non-executive)
MR Nkadimeng (independent non-executive).
JTM Edwards (independent non-executive chairman) (retired 31 May 2018)

Dividends

Dividends of R131 650 288 (2018: R120 430 296) were declared and paid during the year. Details thereof are presented in note 14.

Secretary

The business and postal addresses of the secretary, K Fonseca, are:

Business	Postal
1 Wilton Crescent Umhlanga Ridge 4319	PO Box 1033 Umhlanga Rocks 4320

Independent auditor

PricewaterhouseCoopers Inc. will continue in office in accordance with the Companies Act, 2008.

COMBINED MOTOR HOLDINGS LIMITED

DIRECTORS' REPORT for the year ended 28 February 2019

Directors' shareholding

Details of the directors' direct and indirect shareholdings in the Company are reflected on page 24.

There has been no change in directors' shareholdings between the financial year-end and the date of this report.

Subsidiaries

Details of the Company's direct and indirect subsidiaries are set out on page 21.

The results of the direct and indirect subsidiaries comprise aggregate income for the year, after taxation, of R214 326 000 (2018: R285 504 000).

Corporate Governance

During the year the Company applied the principles and the appropriate best business practices as recorded in the King IV Report on Corporate Governance ("King IV"). The Board recognizes that King IV seeks to instil a greater level of transparency and integrated thinking in its deliberations, and to consider not just financial gain, but the larger triple context, including social and environmental considerations. A report on the Company's corporate governance is recorded in the integrated annual report 2019. This should be read in conjunction with its practices in respect of the principles which are detailed on the Company's website www.cmh.co.za.

Subsequent events

Other than as recorded in note 18, no events material to an appreciation of the financial statements have occurred between the financial year-end and the date of this report.

Umhlanga Ridge
16 April 2019

Independent auditor's report

To the Shareholders of Combined Motor Holdings Limited

Report on the audit of the separate financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Combined Motor Holdings Limited (the Company) standing alone as at 28 February 2019, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Combined Motor Holdings Limited's financial statements set out on pages 10 to 24 comprise:

- the statement of financial position of the Company standing alone as at 28 February 2019;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the Independent Regulatory Board for Auditors *Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B).

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the *Combined Motor Holdings Limited Company Financial Statements* which includes the Directors' Report, the Report of the Audit and Risk Assessment Committee and the Certification by the Company Secretary as required by the Companies Act of South Africa. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether it is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern; and
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.


We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Combined Motor Holdings Limited for 43 years.



PricewaterhouseCoopers Inc.
Director: RD Klute
Registered Auditor
Durban
16 April 2019

COMBINED MOTOR HOLDINGS LIMITED**STATEMENT OF FINANCIAL POSITION
as at 28 February 2019**

	Notes	2019 R	2018 R
ASSETS			
Non-current assets			
Investment	4	-	17 513 279
Investment in subsidiary		850	850
Advance to subsidiary	5	458 522 090	300 000 000
		<u>458 522 940</u>	<u>317 514 129</u>
Current assets			
Investment	4	17 424 159	40 319 000
Other receivables		1 165 893	1 209 291
Cash and cash equivalents	6	225 398 695	237 718 777
		<u>243 988 747</u>	<u>279 247 068</u>
Total assets		<u>702 511 687</u>	<u>596 761 197</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	7	38 090 836	38 090 836
Retained earnings		662 488 215	557 234 278
Total equity		<u>700 579 051</u>	<u>595 325 114</u>
LIABILITIES			
Current liabilities			
Other payables		1 014 369	876 992
Current tax liabilities		918 267	559 091
Total liabilities		<u>1 932 636</u>	<u>1 436 083</u>
Total equity and liabilities		<u>702 511 687</u>	<u>596 761 197</u>

COMBINED MOTOR HOLDINGS LIMITED

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 28 February 2019

	Notes	2019 R	2018 R
Dividend income	8	204 591 880	206 843 913
Finance income	9	45 343 558	28 035 858
Revenue		249 935 438	234 879 771
Selling and administration expenses	10	(352 946)	(331 061)
Profit before taxation		249 582 492	234 548 710
Tax expense	11	(12 678 267)	(7 839 091)
Total profit and other comprehensive income for the year attributable to equity holders of the Company		236 904 225	226 709 619

STATEMENT OF CHANGES IN EQUITY
for the year ended 28 February 2019

	Attributable to equity holders of the Company		
	Share capital R	Retained earnings R	Total R
Total at 28 February 2017	38 090 836	450 954 955	489 045 791
Total profit and comprehensive income	-	226 709 619	226 709 619
Dividends paid	-	(120 430 296)	(120 430 296)
Total at 28 February 2018	38 090 836	557 234 278	595 325 114
Total profit and comprehensive income	-	236 904 225	236 904 225
Dividends paid	-	(131 650 288)	(131 650 288)
Total at 28 February 2019	38 090 836	662 488 215	700 579 051

COMBINED MOTOR HOLDINGS LIMITED**STATEMENT OF CASH FLOWS**
for the year ended 28 February 2019

	Notes	2019 R	2018 R
Cash flows from operating activities			
Cash generated from operations	12	45 171 387	27 839 941
Taxation paid	13	(12 319 091)	(7 443 493)
Net cash movement from operating activities		<u>32 852 296</u>	<u>20 396 448</u>
Cash flows from investing activities			
Investment – capital repayment and dividends		45 000 000	50 000 000
Advance to subsidiary		41 477 910	37 533 875
Net cash movement from investing activities		<u>86 477 910</u>	<u>87 533 875</u>
Cash flows from financing activities			
Dividends paid	14	(131 650 288)	(120 430 296)
Net cash movement from financing activities		<u>(131 650 288)</u>	<u>(120 430 296)</u>
Net movement in cash and cash equivalents			
Cash and cash equivalents at beginning of year		(12 320 082)	(12 499 973)
Cash and cash equivalents at end of year	6	<u>237 718 777</u>	<u>250 218 750</u>
		<u>225 398 695</u>	<u>237 718 777</u>

COMBINED MOTOR HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 28 February 2019

1. Summary of Significant Accounting Policies

1.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and in the manner required by the Companies Act, 2008. The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below. The policies set out below have been consistently applied to all the years presented unless otherwise stated.

Standards, amendments and interpretations effective in 2019 or early adopted by the Company

The Company has applied IFRS 9 Financial Instruments for the first time in respect of the year ended 28 February 2019. IFRS 9 replaces the provisions of IAS 39 that related to the classification and measurement of financial instruments, and introduces an expected credit loss model, as opposed to an incurred credit loss model when determining the impairment of financial assets. IFRS 9 was implemented retrospectively. The implementation resulted in additional disclosure being made in the statement of financial position in respect of certain financial assets, but has not resulted in any changes to the classification and measurement of the Company’s financial instruments nor has it had an impact on amounts reported in prior years and accordingly management has not restated any comparative amounts.

The Company also considered the effects of IFRS 15: Revenue from Contracts with Customers, which became effective in the current year. As the Company does not earn revenue from contracts with customers, the standard had no impact.

1.2 Investments and other financial assets

In the prior year, in compliance with IAS 27: Separate Financial Statements, amounts advanced to the subsidiary were included in Investment in Subsidiary in the statement of financial position. With the adoption of IFRS 9: Financial Instruments, the advance is required to be disclosed as a separate financial asset.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent amendments. Cost also includes direct attributable costs of investment.

Financial assets include cash and cash equivalents, investments and advances to subsidiaries which the Company classifies as loans and receivables. The classification depends on the purpose for which the financial assets were acquired and is determined at initial recognition. Financial assets are initially measured at fair value plus transaction costs. Thereafter they are measured at amortised cost using the effective-interest-rate method, less impairment losses, which are recognised in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred, and the Company has transferred substantially all the risks and rewards of ownership.

In the prior year, the impairment of financial assets was assessed based on the incurred loss model and calculated only when there was objective evidence that a financial asset or group of financial assets was impaired. Under IFRS 9 it is no longer necessary for a credit event to have occurred before financial assets are impaired. Accordingly, from 1 March 2018, the Company assesses, on a forward-looking basis, the expected credit losses associated with its financial assets. The amount of the impairment is recognised in the statement of comprehensive income within “Selling and administration expenses”.

COMBINED MOTOR HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 28 February 2019

Cash and cash equivalents

Cash and cash equivalents comprise deposits held at call with banks, net of bank overdrafts. Bank overdrafts are reflected under current liabilities except where they are held at the same bank and branch as favourable balances and there is a legal right of set-off.

1.3 Taxation

The tax expense for the year comprises current income tax. Tax is recognised in the statement of comprehensive income. The income tax expense is calculated on the basis of the tax laws enacted or substantially enacted at year-end.

1.4 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

1.5 Financial liabilities

The Company's financial liabilities comprise other payables. Other payables are initially measured at fair value less transaction costs and subsequently stated at amortised cost. Short-term payables are measured at original invoice amount which approximates fair value.

Financial liabilities are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled, or expires.

1.6 Revenue recognition

As the Company is an investment holding company, its revenue comprises dividend and interest income on investments. Interest income is recognised as it accrues, taking into account the effective yield on the asset. Dividend income is recognised when the right to receive payment is established.

1.7 Dividends paid

Dividends paid are recorded in the financial statements during the period in which they are approved by the board of directors.

2. Financial risk management

The Company's activities expose it to a variety of financial risks. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. Risk management is carried out by the chief executive officer and financial director under policies approved by the board of directors.

2.1 Interest rate risk

Interest rate exposures are reviewed regularly. The Company is exposed to interest rate risk on its investments, investments in subsidiaries and cash and cash equivalents, all of which are linked to the prime overdraft rate.

Had interest rates for the year been 0,5 percentage point higher or lower and been applied to the interest-bearing assets, the net profit before taxation for the year would have been higher or lower by R3 419 604 (2018: R2 688 600).

COMBINED MOTOR HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 28 February 2019

2.2 Credit risk

The Company's credit risk lies in its advance to subsidiary and cash and cash equivalents. The advance to subsidiary has been considered for impairment applying the expected credit loss model set out in note 1.2. Despite the subsidiary company having limited cash and cash equivalents, it is in a position to obtain sufficient cash flows from its operating subsidiaries by way of dividend income should the advance need to be settled. Accordingly no credit losses are expected to be incurred on the advance and no impairment has been raised.

Cash and cash equivalents are placed only with major financial institutions with a long-term credit rating of Baa3.

2.3 Equity price risk

The Company has no direct exposure to any equity price risk.

2.4 Foreign currency risk

The Company has no foreign currency risk.

2.5 Liquidity risk

The Company manages its liquidity risk by regularly monitoring its projected cash flow requirements against its cash resources and unutilised borrowing facilities.

In terms of its memorandum of incorporation the Company has unlimited borrowing powers.

The Company has no significant financial liabilities.

2.6 Capital risk

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders or return capital to shareholders.

3. Significant accounting judgements and estimates

There are no estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities.

COMBINED MOTOR HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 28 February 2019

2019
R

2018
R

4. Investment

Main Street 445 Proprietary Limited

Cost at acquisition	124 387 000	124 387 000
Less: capital repayments received	(107 305 214)	(85 000 000)
	17 081 786	39 387 000
Dividends accrued	342 373	18 445 279
Cost at end of year	17 424 159	57 832 279
Less: current portion	(17 424 159)	(40 319 000)
Non-current portion	-	17 513 279

The investment in Main Street 445 Proprietary Limited ("Main Street") comprises 124 387 'C' redeemable cumulative preference shares of R0,00001 each issued at a premium of R999,99999 each. The preference shares accrue a semi-annual dividend providing a dividend yield to the holder on the unredeemed capital and accrued dividends equivalent to the prime overdraft rate. Main Street is wholly-owned by Thebe Investment Corporation ("TIC"). This investment was made in support of the BEE transaction concluded with TIC in October 2006.

5. Advance to subsidiary

Advance to subsidiary	458 522 090	300 000 000
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This advance is unsecured and earns interest at 1% above the prime overdraft rate. The advance has no fixed repayment terms and accordingly is not considered past due.

6. Cash and cash equivalents

Bank balances	225 398 695	237 718 777
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The effective interest rate earned on bank balances was 6.9% (2018: 6.5%).

Bank balances are held at a financial institution with a long-term credit rating of Baa3.

COMBINED MOTOR HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 28 February 2019

	2019 R	2018 R
7. Share capital		
7.1 Preference share capital		
Authorised		
1 032 400 7,5% 'C' redeemable cumulative preference shares of R1 each		
Issued		
Nil shares		
7.2 Ordinary share capital		
Authorised		
143 590 560 ordinary shares of no par value		
Issued		
At beginning and end of year – 74 801 998 shares	<u>38 090 836</u>	<u>38 090 836</u>
8. Dividend income		
Investment	4 591 880	9 310 038
Subsidiary	<u>200 000 000</u>	<u>197 533 875</u>
	<u>204 591 880</u>	<u>206 843 913</u>
9. Finance income		
Bank	14 262 728	15 486 476
Subsidiary	<u>31 080 830</u>	<u>12 549 382</u>
	<u>45 343 558</u>	<u>28 035 858</u>
10. Expenses by nature		
Selling and administration expenses comprise the following charges:		
- Auditor's remuneration		
- current year	78 200	73 872
- Other expenses	<u>274 746</u>	<u>257 189</u>
	<u>352 946</u>	<u>331 061</u>

COMBINED MOTOR HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 28 February 2019

	2019 R	2018 R
11. Tax expense		
South African normal taxation - current	12 678 267	7 839 091
The tax on the Company's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:		
Profit before taxation	249 582 492	234 548 710
Tax calculated at a rate of 28%	69 883 098	65 673 639
Exempt income and allowances	(57 285 726)	(57 916 295)
Non-deductible and capital expenditure	80 895	81 747
Tax expense	12 678 267	7 839 091
Exempt income comprises dividends received.		
12. Cash generated from operations		
Profit before taxation	249 582 492	234 548 710
Adjustment for non-cash item: Dividends accrued	(204 591 880)	(206 843 913)
Working capital changes: Other receivables	43 398	37 712
Trade and other payables	137 377	97 432
Cash generated from operations	45 171 387	27 839 941
13. Taxation paid		
Taxation paid is reconciled to the amounts disclosed in the statement of comprehensive income as follows:		
Amounts unpaid at beginning of year	(559 091)	(163 493)
Amounts charged to statement of comprehensive income	(12 678 267)	(7 839 091)
Amounts unpaid at end of year	918 267	559 091
Amount paid	(12 319 091)	(7 443 493)
14. Dividends paid		
Number 61: 61 cents, declared 11 October 2018	45 628 298	-
Number 60: 115 cents, declared 12 April 2018	86 021 990	-
Number 59: 61 cents, declared 12 October 2017	-	45 628 298
Number 58: 100 cents, declared 13 April 2017	-	74 801 998
	131 650 288	120 430 296

COMBINED MOTOR HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 28 February 2019

	2019 R	2018 R
15. Related party transactions		
Transactions conducted with related companies during the year were as follows:		
Dividends received		
- Main Street 445 Proprietary Limited	4 591 880	9 310 038
- Subsidiary	200 000 000	197 533 875
Finance income		
- Subsidiary	31 080 830	12 549 382
Year end balances		
- Investment in Main Street 445 Proprietary Limited	17 424 159	57 832 279
- Advance to subsidiary	458 522 090	300 000 000
- Investment in subsidiary	850	850

16. Share-based payment reserve

Share appreciation rights scheme 2010

On 1 June 2010, the Combined Motor Holdings Limited Group (“the Group”) introduced the Combined Motor Holdings Limited Share Appreciation Rights Scheme 2010 (“the scheme”). Under the scheme, participating employees are awarded the right to receive shares equal in value to the difference between the exercise price and the grant price. The employee therefore participates in the share price appreciation of the Company. The vesting of the right is conditional on the achievement of compound real growth in headline earnings per share over the performance period.

	2019 R'000	2018 R'000
The amounts recognised in the Group’s consolidated financial statements for these share-based payment transactions are as follows:		
Balance at beginning of year	8 873	6 981
Charged as “selling and administration expenses” during year	5 214	4 241
Released during year following exercise of share appreciation rights	(3 160)	(2 349)
Balance at end of year	10 927	8 873

A reconciliation of the movement in the number of rights granted to employees is as follows:

Balance at beginning of year	('000 rights)	4 737	4 322
Granted during year	('000 rights)	1 075	1 175
Exercised/forfeited during year	('000 rights)	(887)	(760)
Balance at end of year	('000 rights)	4 925	4 737

The directors have determined that employee entitlements in terms of the scheme will be settled by the issue of shares purchased in the open market. Hence there will be no fresh issue of shares.

COMBINED MOTOR HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 28 February 2019

17. New standards and amendments to existing standards and interpretations that are not yet effective

The following new standard has been published that is mandatory for the Company's future accounting periods, but that the Company has not early adopted:

- IFRS 16 Leases (effective for periods beginning on or after 1 January 2019)

This standards is not expected to have an impact on the Company's future financial statements.

18. Subsequent event – dividend declaration

A dividend (dividend number 62) of 115 cents per share will be paid on Tuesday, 18 June 2019 to members reflected in the share register of the Company at the close of business on the record date, Friday, 14 June 2019. Last day to trade cum dividend is Tuesday, 11 June 2019. First day to trade ex dividend is Wednesday, 12 June 2019. Share certificates may not be dematerialised or rematerialised from Wednesday, 12 June 2019 to Friday, 14 June 2019, 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 R86 022 298 and will be distributed from income reserves. The dividend will be subject to dividend withholding tax at a rate of 20%, which will result in a net dividend of 92 cents to those shareholders who are not exempt in terms of section 64F of the Income Tax Act.

COMBINED MOTOR HOLDINGS LIMITED

SUBSIDIARIES

for the year ended 28 February 2019

Subsidiaries

The Company's direct and indirect interest in subsidiaries is as follows:

Name of company	Effective holding		Activity
	2019 %	2018 %	
Direct holding			
CMH Holdings	100	100	3
Indirect effective holding			
CMH Car Hire	48	48	2
CMH Car Hire Fleet	85	85	2
CMH Green Machine	85	85	3
Datcentre Motors	85	85	1
Kempster Sedgwick	85	85	1
CMH Management (previously Mandarin Motors)	85	85	3
Mandarin Motors Three	85	85	1
Pipemakers	60	60	3
Whitehouse Motors	85	85	1

Notes:

1. All subsidiaries are Proprietary Limited companies incorporated in South Africa.
2. Activity index:
 - 1 retail motor
 - 2 car hire
 - 3 other
3. No business of a subsidiary was managed by a third party during the year under review.
4. Although the Company does not own any of the issued ordinary share capital of Main Street 445 Proprietary Limited ("Main Street"), an agreement entered into with the shareholders of Main Street enables the Company to control the activities of Main Street. Consequently Main Street has been consolidated in the financial statements of the Company and its subsidiaries.
5. With effect from 1 December 2018, the Group concluded a black economic empowerment transaction with Azepha Proprietary Limited ("Azepha"), a company owned by Company director, LCZ Cele and her family. In terms of the transaction, Azepha acquired a 43% equity interest in the restructured CMH Car Hire Proprietary Limited. The purchase price was funded by the Group, and will be repaid from future dividends. The terms and nature of the transaction are such that it does not meet the requirements of IAS 39 in terms of the transfer of risks and rewards of ownership to the subscriber. Consequently the issue of shares to Azepha has not been recognised in the financial statements.

COMBINED MOTOR HOLDINGS LIMITED

DIRECTORS' EMOLUMENTS

for the year ended 28 February 2019

	Total R'000	BWJ Barritt R'000	SK Jackson R'000	JD McIntosh R'000
Executive directors				
2019				
Salary	14 310	3 816	4 579	5 915
Performance-related payments	5 420	1 370	1 500	2 550
Share-based payment award	917	564	353	-
Other benefits	952	140	406	406
Contributions to pension and medical aid funds	1 617	431	525	661
	23 216	6 321	7 363	9 532
2018				
Salary	13 680	3 780	4 320	5 580
Performance-related payments	7 920	2 020	2 200	3 700
Share-based payment award	824	460	364	-
Other benefits	859	113	373	373
Contributions to pension and medical aid funds	1 471	369	491	611
	24 754	6 742	7 748	10 264

	2019 R'000	2018 R'000
Non-executive directors' fees		
LCZ Cele	269	251
JS Dixon	662	372
JTM Edwards	189	693
ME Jones	360	217
JA Mabena	279	211
MR Nkadimeng	236	217
Total	1 995	1 961

Notes:

1. All remuneration paid by subsidiary companies.
2. "Share-based payment award" represents the cost to the Company, determined in accordance with the Black-Scholes model, of share appreciation rights granted.

COMBINED MOTOR HOLDINGS LIMITED
**DIRECTORS' SHARE APPRECIATION RIGHTS
for the year ended 28 February 2019**

Rights of directors held subject to the terms and conditions of the Combined Motor Holdings Share Appreciation Rights Scheme 2010

('000 rights)	Total	Granted June 2013 at R13,70	Granted June 2015 at R17,75	Granted June 2016 at R17,15	Granted June 2017 at R21,97	Granted June 2018 at R33,00
At 28 February 2018						
- BWJ Barritt	541	41	150	200	150	-
- SK Jackson	425	-	150	150	125	-
	966	41	300	350	275	-
Movements during the year						
- rights granted						
- BWJ Barritt	100	-	-	-	-	100
- rights exercised at R33,00						
- BWJ Barritt	(91)	(41)	(50)	-	-	-
- SK Jackson	(50)	-	(50)	-	-	-
	(41)	(41)	(100)	-	-	100
At 28 February 2019						
- BWJ Barritt	550	-	100	200	150	100
- SK Jackson	375	-	100	150	125	-
	925	-	200	350	275	100
The rights may be exercised as follows:						
- June 2019	217	-	100	117	-	-
- June 2020	309	-	100	117	92	-
- June 2021	242	-	-	116	92	34
- June 2022	124	-	-	-	91	33
- June 2023	33	-	-	-	-	33
	925	-	200	350	275	100

COMBINED MOTOR HOLDINGS LIMITED

DIRECTORS' SHAREHOLDING
for the year ended 28 February 2019

('000 shares)	Total	BWJ Barritt	JTM Edwards	SK Jackson	JD McIntosh
Beneficial shareholding at 28 February 2018					
- direct	333	239	7	87	-
- indirect	32 042	184	-	5 788	26 070
	32 375	423	7	5 875	26 070
Shares acquired during the year					
- direct	71	71	-	-	-
- indirect	111	111	-	-	-
	182	182	-	-	-
Retirement of director	(7)	-	(7)	-	-
Beneficial shareholding at 28 February 2019					
- direct	397	310	-	87	-
- indirect	32 153	295	-	5 788	26 070
	32 550	605	-	5 875	26 070