CMH GROUP

2023

INTEGRATED ANNUAL REPORT

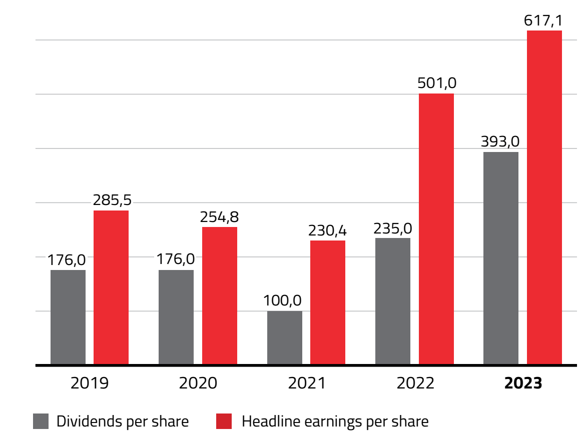
COMBINED MOTOR HOLDINGS

CONTENTS

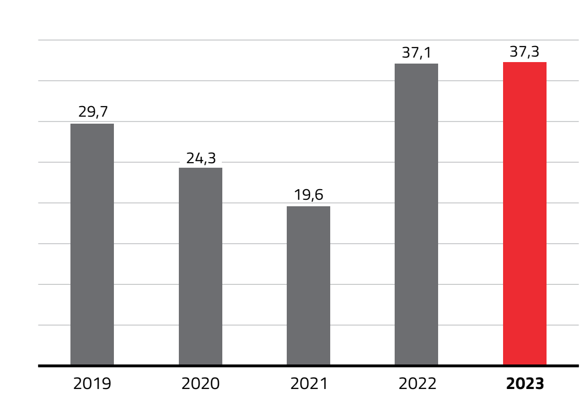
GROUP FINANCIAL HIGHLIGHTS

		2023	2022	% change
Total assets	(R'000)	**4 976 881**	3 778 740	31,7
Cash resources	(R'000)	**761 876**	817 739	(6,8)
Net asset value per share	(cents)	**1 690**	1 484	13,9
Revenue	(R'000)	**12 434 375**	11 167 798	11,3
Operating profit	(R'000)	**773 412**	606 146	27,6
Total profit and comprehensive income	(R'000)	**443 461**	374 887	18,3
Return on shareholders' funds	(%)	**37,3**	37,1	0,5
Basic earnings per share	(cents)	**592,8**	501,2	18,3
Headline earnings per share	(cents)	**617,1**	501,0	23,2
Dividends paid per share	(cents)	**393,0**	235,0	67,2
Dividend declared – payable June 2023	(cents)	**240,0**	225,0	6,7

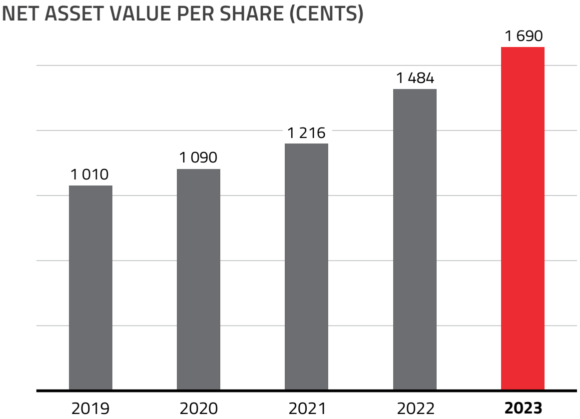
HEADLINE EARNINGS AND DIVIDENDS PER SHARE (CENTS)



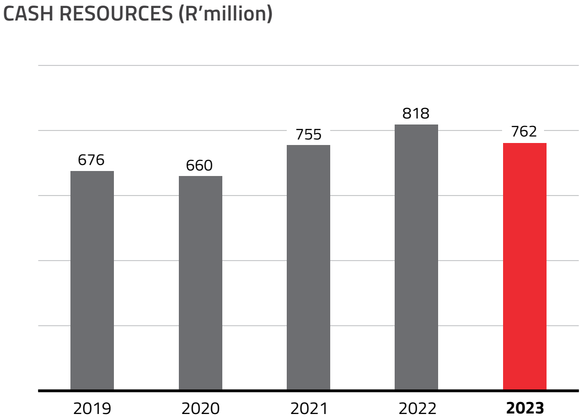
RETURN ON SHAREHOLDERS' FUNDS (%)



NET ASSET VALUE PER SHARE (CENTS)



CASH RESOURCES (R'million)



ABOUT THIS REPORT

SCOPE

This Integrated Annual Report ("Report") is a holistic and integrated representation of the CMH Group's ("the Group") performance, in terms of both finances and sustainability, for the year ended 28 February 2023. The Report contains information about the operations of the Group and the opportunities, risks and other material issues it faces in the normal course of business. It is intended to provide insight into issues identified as the most relevant and material to the Group and its stakeholders that could potentially impact the Group as a going concern. The materiality of information, both financial and non-financial, is considered when deciding what to include in the Report.

REPORTING FRAMEWORKS

This Report has been compiled on behalf of the board of directors ("the Board") of Combined Motor Holdings Limited ("CMH" or "the Company") and contains information recommended or required by the following:

- International Financial Reporting Standards ("IFRS");
- the JSE Limited Listings Requirements ("JSE Listings Requirements");
- the South African Companies Act 71 of 2008 ("the Companies Act, 2008");
- the King IV Code on Corporate Governance ("King IV"); and
- the IFRS Foundation's Integrated Reporting Framework.

ASSURANCE

This Report, as a whole, has not been independently assured. It may contain certain forward-looking statements concerning the Group's strategy, financial conditions, growth plans and expectations. Such views involve both known and unknown risks, assumptions, uncertainties and important factors that could materially influence the actual performance of the Group. No assurance can therefore be given that these views will prove to be correct and no representation nor warranty expressed or implied is given as to the accuracy or completeness of such views. The Consolidated and Company Financial Statements included in this report have been audited by KPMG Inc. and their unqualified report can be found on page 36.

APPROVAL

The Board acknowledges its responsibility to ensure the integrity of the Report. The Board has approved the Report and is of the opinion that it is a complete, timely, relevant and accurate disclosure of information on a basis comparable with that of previous years.

OUR MISSION

Customers

to provide a total commitment to customer satisfaction in all aspects of business, and to ensure that our customers are treated fairly and equitably by a motivated, well-trained team of specialists.

Suppliers

to conduct our relations in an ethical and supportive manner conducive to the achievement of mutual long-term profit and market share objectives.

Employees

to provide a stable and challenging work environment in which employees are treated on an equal opportunity basis with open lines of communication, are encouraged to participate to the maximum of their ability and are rewarded commensurately with their achievement.

Shareholders

to produce a consistent, meaningful growth in earnings and dividends, commensurate with the risks involved, after making adequate provision for future expansion and financial sustainability.

In doing so, to become a valued, respected and committed contributor to the society in which we all coexist.

CMH AT A GLANCE

The Group comprises CMH and its subsidiaries (recorded on page 82), operating in the motor retail and distribution, car hire and financial services segments. The Group operates only in South Africa, employing 2 586 people.

SEGMENTS

Motor retail and distribution

This segment comprises:

- 43 motor retail dealerships representing 29 brands sold through operations in Gauteng, KwaZulu-Natal and Western Cape. Each dealership has a new and used vehicle sales department, supported by customer finance and insurance specialists, workshop and parts department. In some instances, two or more brands are represented at the same premises. The brands cover a mix of passenger, light commercial and heavy commercial vehicles, in both the volume and luxury categories;
- Mandarin Parts Distributors which imports aftermarket vehicle parts. These goods are sold through a large in-house retail outlet near Pretoria, and through a network of 28 independent franchisees around the country; and
- Proton SA is an importer and distributor in South Africa of the Proton and Saga range of passenger vehicles and related parts and accessories. Products are retailed through in-house and independent franchisees around the country.

The segment employs 1 999 people.

Details of the Group's dealerships are reflected on page 6.

Car hire

First Car Rental is a proudly South African car rental company that has been in business for over 20 years. The car hire fleet comprises an impressive range of well-maintained vehicles ranging from no-frills models to top-of-the-range luxury cars that are available for short- and long-term hire. First Car Rental operates with a fleet of in excess of 7 500 vehicles throughout South Africa from a network of 50 branches and employs 495 people. It partners with SIXT Rent a Car, one of Europe's largest car hire companies, to provide international car hire in over 100 countries and 4 500 locations.

Financial services

This segment provides insurance underwriting facilities in respect of products sold in tandem with the sale of new and used vehicles. Risks covered include death, disability, dread disease and retrenchment of customers, and vehicle and component warranties. The segment also provides vehicle financing in terms of joint ventures with two major finance houses. Both divisions are managed by external financial service providers. Administration of the services is outsourced.

Corporate services and other

The Group operates other divisions which are not yet large enough for separate disclosure. These include the corporate services division and the supply and installation of workshop lifting, lubrication and diagnostic equipment, waterless car wash systems and office consumables. The other divisions employ 92 people.

CMH AT A GLANCE CONTINUED

PEDIGREE AND PASSION

The Group commenced trading operations in 1976 following the merger of various retail motor dealerships in South Africa. In 1987 the holding company, Combined Motor Holdings Limited, listed on the Johannesburg Stock Exchange. The chief executive officer and finance director have remained unchanged since the listing and are passionate and committed to the Group.

EXPERIENCED AND SKILLED MANAGEMENT TEAM

The highly experienced and entrepreneurial management team has deep industry knowledge and a proven track record with years of collective experience. The results for the past three years demonstrate its ability to respond with speed and agility to unanticipated events such as Covid-19 and the KwaZulu-Natal riots of July 2021. The average length of service of executive committee members (excluding the executive directors) is 21 years, and dealer principals, 11 years.

PROVEN FINANCIAL TRACK RECORD

The financial focus is on generating growth, shareholder returns and strong free cash flow, supported by a strong statement of financial position and sound capital management. The Group provides a meaningful return to shareholders through consistent profitability and regular dividend payments.

HEAD OFFICE OVERSIGHT

Whilst day-to-day operational control is devolved to the management team at dealership level, the Group executive committee maintains keen oversight, with a hands-on involvement in internal controls, operating costs and working capital management.

LEADING DIGITAL MARKETING CAPABILITIES AND EXCEPTIONAL CUSTOMER SERVICE

The Group strives to keep abreast of digital marketing and mobility trends. This passion has become a business imperative. Ongoing digital analysis allows the monitoring and management of customer service, identification of weaknesses and facilitates continuous improvement to ensure high levels of customer satisfaction. The goal is to deliver everything needed to ensure an enjoyable vehicle ownership experience from beginning to end.

LONG-TERM RELATIONSHIPS WITH TRUSTED SUPPLIERS

The Group has long-standing partnerships with motor manufacturers representing some of the world's most recognisable brands, and the country's leading finance houses. First Car Rental has built strong alliances with leading brands in the tourism industry, such as SIXT and FlySafair. These relationships with loyal suppliers have enabled the Group to deliver exceptional results even in a depressed business and tourism travel market.

STRONG B-BBEE CREDENTIALS

Group – Level 4: 59% black ownership, 15% black female ownership.

First Car Rental and motor retail fleet divisions – Level 2: 79% black ownership, 52% black female ownership.

The Group is constantly looking for empowerment partners that share the same vision in order to establish mutually-beneficial relations that will empower previously-disadvantaged individuals and increase black ownership of the Group.

GROUP OPERATIONS

Motor retail dealerships

FRANCHISE	LOCATIONS
NISSAN	Ballito, Durban, Hillcrest, Midrand, Pietermaritzburg, Pinetown, Sandton
RENAULT	Ballito, Midrand
Ford	Ballito, Durban, Durban South, Hatfield, Pretoria, Pretoria North, Randburg, Umhlanga
Honda	The Glen, Hatfield, Menlyn, Pinetown, Umhlanga
HAVAL Global Intelligent SUV Expert	Cape Town, Pinetown, Pretoria East, West Rand
MITSUBISHI MOTORS	Ballito, The Glen, Hatfield, Menlyn, Midrand, Pinetown, West Rand
EICHER GO PRO	Cornubia, Pietermaritzburg, Pinetown
GWM	Cape Town, Pinetown, Pretoria East, West Rand
Mahindra Rise.	Durban, Pinetown
FIAT	Cape Town, Umhlanga
Jeep	Cape Town, Umhlanga
Alfa Romeo	Cape Town, Umhlanga
CMH FLEET SOLUTIONS mobility through partnership	Durban, Gauteng
PROTON	Ballito, Boksburg, Cape Town, Durban, The Glen, Hatfield, Menlyn, Pietermaritzburg, Pinetown, Pretoria North, Sandton, Umhlanga

FRANCHISE	LOCATIONS
mazda	Durban, Hatfield, Menlyn, Randburg, Umhlanga
TOYOTA	Alberton, Umhlanga
LEXUS	Umhlanga
SUZUKI	Ballito, Hillcrest, Pinetown, Pretoria East, Umhlanga
LAND ROVER	Pretoria, Umhlanga
JAGUAR	Pretoria, Umhlanga
ISUZU	Boksburg, Umhlanga
VOLVO	Bryanston, Cape Town, Hatfield, Pretoria East, Umhlanga, West Rand
OPEL	Boksburg, Umhlanga
PEUGEOT	Boksburg, Cape Town, Durban, Pretoria East, Umhlanga
CITROËN	Boksburg, Cape Town, Durban, Pretoria East, Umhlanga
SUBARU	Boksburg
UD TRUCKS	Cornubia, Pietermaritzburg, Pinetown
CHERY	Bryanston/Fourways, Hatfield, West Rand
JAC MOTORS	Hatfield

Car hire

FRANCHISE	LOCATIONS
First Car Rental	**Airports** OR Tambo (Johannesburg), King Shaka International (Durban), Gqeberha, East London, George, Cape Town, Bloemfontein, Nelspruit, Kimberley, Upington, Richards Bay, Lanseria, Polokwane, Pietermaritzburg, Mthatha **Other** Bellville, Cape Town, Centurion, Durban, Klerksdorp, Margate, Midrand, Pinetown, Pomona, Pretoria, Rondebosch, Roodepoort, Rustenburg, Sandton, Stellenbosch, Umhlanga, Vereeniging, Witbank

Marketing and distribution

FRANCHISE	LOCATIONS
Rokkit digital agency	**Rokkit Digital Agency** Countrywide
NWE National Workshop Equipment	**National Workshop Equipment** Countrywide
Mandarin parts distributors	**Mandarin Parts Distributors** Countrywide
PROTON Distribution	**Proton SA** Tshwane

GROUP FIVE-YEAR FINANCIAL REVIEW

STATEMENT OF FINANCIAL POSITION	2023 R'000	2022 R'000	2021 R'000	2020 R'000	2019 R'000
ASSETS					
Right-of-use assets	**504 679**	450 565	417 523	466 094	468 126
Car hire fleet vehicles	**1 247 595**	828 375	555 746	713 315	813 102
Goodwill	**39 625**	57 296	42 578	31 828	8 078
Other non-current assets	**219 988**	196 917	157 891	187 964	159 906
Current assets	**2 964 994**	2 245 587	2 028 265	2 251 100	2 141 864
Asset held for sale	**–**	–	72 000	–	–
Total assets	**4 976 881**	3 778 740	3 274 003	3 650 301	3 591 076
EQUITY AND LIABILITIES					
Total equity	**1 264 285**	1 110 393	909 253	815 121	755 455
Car hire fleet liability	**1 202 731**	753 367	540 864	695 066	801 613
Lease liabilities	**663 830**	597 903	548 962	584 439	567 945
Other liabilities	**1 846 035**	1 317 077	1 274 924	1 555 675	1 466 063
Total equity and liabilities	**4 976 881**	3 778 740	3 274 003	3 650 301	3 591 076

STATEMENT OF COMPREHENSIVE INCOME		2023 R'000	2022 R'000	2021 R'000	2020 R'000	2019 R'000
Revenue		**12 434 375**	11 167 798	8 579 558	11 156 167	11 154 757
Operating profit to revenue	(%)	**6,2**	5,4	4,0	3,7	4,0
Operating profit		**773 412**	606 146	345 045	417 280	449 384
Net finance costs		**(152 972)**	(95 792)	(110 725)	(154 500)	(157 951)
Profit before taxation		**620 440**	510 354	234 320	262 780	291 433
Tax expense		**(176 979)**	(135 467)	(65 557)	(72 405)	(77 787)
Total profit		**443 461**	374 887	168 763	190 375	213 646
Non-controlling interest		**–**	–	–	144	(273)
Attributable profit		**443 461**	374 887	168 763	190 519	213 373
Dividends		**(293 972)**	(175 785)	(74 802)	(131 651)	(131 651)
Attributable profit after dividends		**149 489**	199 102	93 961	58 868	81 722

GROUP FIVE-YEAR STATISTICAL REVIEW

STATEMENT OF FINANCIAL POSITION		2023	2022	2021	2020	2019
Car hire fleet liability to total assets	(%)	**24,2**	19,9	16,5	19,0	22,3
Car hire fleet liability to total equity	(%)	**95,1**	67,9	59,5	85,3	106,1
Current ratio	(ratio)	**1,0**	1,1	1,2	1,0	1,0
Current ratio, including car hire fleet and attendant liability	(ratio)	**1,3**	1,4	1,4	1,3	1,3
Net asset value per share	(cents)	**1 690**	1 484	1 216	1 090	1 010
Total assets per employee	(R'000)	**1 925**	1 599	1 485	1 293	1 302

STATEMENT OF COMPREHENSIVE INCOME		2023	2022	2021	2020	2019
Weighted average number of shares in issue	('000)	**74 802**	74 802	74 802	74 802	74 802
Headline earnings per share	(cents)	**617,1**	501,0	230,4	254,8	285,5
Basic earnings per share	(cents)	**592,8**	501,2	225,6	254,7	285,3
Dividends per share	(cents)	**393,0**	235,0	100,0	176,0	176,0
Dividend cover	(times)	**1,6**	2,1	2,3	1,4	1,6
Net interest cover	(times)	**5,1**	6,3	3,1	2,7	2,8
Number of employees		**2 586**	2 363	2 204	2 823	2 759
Revenue per employee	(R'000)	**4 808**	4 726	3 893	3 952	4 043
Operating profit on average total equity	(%)	**65,1**	60,0	40,0	53,1	62,5
Return on shareholders' funds	(%)	**37,3**	37,1	19,6	24,3	29,7

Basic earnings per share
Total profit attributable to equity holders divided by the weighted average number of shares in issue.

Current ratio
Current assets plus property held for sale, divided by current liabilities.

Current ratio, including car hire fleet and attendant liability
Net book value of car hire fleet plus current assets and property held for sale, divided by car hire fleet liability plus other current liabilities.

This ratio is recorded to recognise the correlation that exists between the value of the car hire fleet and the attendant liability. As the fleet is recorded as a non-current asset, the impression may be that the long-term asset is being financed primarily by short-term borrowings. In practice, however, the fleet value and the level of borrowings are linked. The borrowings level can be reduced at short notice by a sale of surplus fleet vehicles, or by utilisation of Group cash resources.

Dividend cover
Headline earnings per share divided by dividends paid per share.

Net interest cover
Operating profit before net finance costs divided by net finance costs.

Headline earnings per share
Total profit attributable to equity holders after excluding the impact, net of taxation, of goodwill impaired and profit/losses on disposal of plant and equipment and business operations, divided by the weighted average number of shares in issue.

Net asset value per share
Total equity divided by the number of shares in issue at year-end.

Return on shareholders' funds
Total profit attributable to equity holders of the Company divided by the average ordinary shareholders' equity during the year.

Weighted average number of shares in issue
The number of shares in issue at the beginning of the year adjusted for shares issued during the year weighted on a time basis for the period during which the shares are in issue.

BOARD OF DIRECTORS

JAMES DIXON 71

CA (SA)

Independent non-executive chairman

Board appointment: 2010

JEBB MCINTOSH 77

CA (SA)

Chief executive officer

Board appointment: 1976

STUART JACKSON 70

BCom (Hons) (Tax Law), CA (SA)

Financial director

Board appointment: 1986

MIKE JONES 70

CA (SA)

Independent non-executive

Board appointment: 2015

TUMISHO KOMANE 38

CA (SA)

Independent non-executive

Board appointment: 2021

REFILOE NKADIMENG 41

CA (SA)

Independent non-executive

Board appointment: 2015

BRUCE BARRITT 64

Executive
Board appointment: 2016
Managing Director: First Car Rental Division

JERRY MABENA 53

BCom
Independent non-executive
Board appointment: 2014

YONDIE METU 38

CA (SA)
Independent non-executive
Board appointment: 2021

KEY TO COMMITTEES

- Remuneration committee
- Nominations committee
- Social, ethics and transformation committee
- Audit and risk assessment committee
- Chairman

REPORT OF THE CHIEF EXECUTIVE OFFICER

Jebb McIntosh

Coming off a 117% increase in the prior financial year, and in the face of a challenging economic environment, I believe these record results are outstanding.

The Group achieved a 23% increase in headline earnings and ended the year with a sound balance sheet supported by strong cash flow. Coming off a 117% increase in the prior financial year, and in the face of a challenging economic environment, I believe these record results are outstanding. The momentum which the Group has achieved post-Covid continued as the country faced severe and well documented challenges in the form of rising interest rates and fuel prices, worsening power cuts, continued poor governance and lack of decisive leadership.

Notwithstanding a significant investment in its new Proton vehicle import and distribution venture, the Group closed the year with cash resources of R762 million, only marginally down on the previous year. Dividends of 393 cents per share were paid during the year, and a further payout of 240 cents has been proposed for payment in June 2023.

GROUP OVERVIEW

Group revenue was up 11,3%, driven principally by a mix of higher new vehicle volume sales and price increases, and car hire's improved contribution. Gross profit climbed 15,8%, and the gross margin rose to a record 19,3% from 18,5%. On a 15,8% increase in gross profit, selling and operating costs rose 10,2%. This increase in costs was in line with the revenue increase, and was led by dealership upgrades in conformance with manufacturer standards, fuel prices, electricity-replacement costs, and disruptions resulting from load-shedding. The result was a 27,6% improvement in operating profit, with the operating profit margin improving from 5,4% to a new high of 6,4%, excluding the impairment of goodwill. Contributing to this was the exceptional results from car hire and, to a lesser extent, financial services, both of which achieve higher margins than motor retail/distribution. Goodwill in respect of a struggling dealership has been fully impaired, and the outlet has been bolstered by the introduction of additional franchises to increase revenue. Higher net finance costs reflected the rise in interest rates and the Group's increased new vehicle inventory and car hire fleet levels. The effective tax rate increased marginally as the result of the non-deductibility of the cost of impairment of goodwill. The net profit represents an exceptional 37% return on shareholders' funds.

The statement of financial position remains sound. The growth in the value of car hire fleet vehicles is matched by the attendant level of borrowings. The increase in new vehicle inventory has been financed in part by vehicle floorplan creditors and, in respect of the Proton vehicles, by utilisation of the Group's financial resources.

The Group has a B-BBEE recognition level 4 rating and the car hire division a level 2 rating.

Motor retail/distribution

The Group's strategy of multi-franchising has proven beneficial, with increased revenue achieved and little impact on fixed overheads. At manufacturer level, local producers are coming under increased pressure from Chinese and

Indian brands. Several have changed their product range and/or operating strategy. Ford has discontinued the production of its traditional passenger range to focus on light commercials and SUV/crossovers. Jaguar/Land Rover has introduced an agency supply system in terms of which ownership of unsold product is retained by the manufacturer as opposed to being passed to the dealers.

National new vehicle passenger and light commercial sales grew by 10,8%, and the dealer sales component by 7,8%. Against this, the Group's sales increased 12,4%.

I have, in previous reports, highlighted the sometimes volatile nature of the retail motor industry, and the agility needed by management to react swiftly to changing circumstances. This was clearly evident during the year under review. During the first seven months the low supply of new vehicle stock continued, caused by the Covid-driven shortage of some component parts, and exacerbated by the Toyota shut-down following the April/May 2022 floods. Whilst good margins were made on the low volumes sold, the shortage caused an increase in demand for used vehicles. Car hire and large transport operators were unable to refresh their fleets, and a traditional source of 18-24-month-old vehicles dried up. Prices soared well above the guide levels. However, from October/November new stock began arriving, Toyota was back in full production, and within a matter of weeks the used vehicle market collapsed by 15-18%, leaving many operators stranded with overvalued inventory and fewer customers. A rapid change in strategy enabled the Group to realign its inventory and achieve a low proportion of overage stock by year end.

Over the past two years the Group has tested a strategy of developing a chain of standalone used vehicle outlets. The new operations experienced difficulty in sourcing quality stock and, with reduced supply from the car hire segment, proved unprofitable and were closed. Focus has returned to the traditional used car departments forming part of each dealership and, with the aim of selling up to 80% of car hire's monthly de-fleeted vehicles, an improved trading year is expected.

Parts and service departments improved ±10%, although parts supply was hampered by an ongoing shortage of crucial components. The impact of parts and servicing of new brands is growing, but it will be another year or two before a meaningful contribution is achieved.

Head count increased marginally with the expansion of the sales force. I am pleased that the number of learnerships offered by the Group has grown by 40%, and now represents 4,7% of total staff. It is rewarding to be able to reduce the Group's shortage of skilled staff at lower levels and, at the same time, offer opportunities to the youth.

Mandarin Parts Distributors, with its independent network of 28 franchisees, enjoyed a steady year. Some supply difficulties were experienced from areas of China that were still under Covid restrictions.

Rokkit, the digital marketing division, ensured that the Group stayed abreast with the latest developments in sales, lead generation and customer communication. Applications developed are made available outside the Group, generating revenue at little additional cost.

The introduction of the Malaysian-sourced Proton range of vehicles had a slow start, but is gaining momentum. Unfortunately, the product launch coincided with the depreciation of the currency, and this created pressure on the need to price the vehicles competitively. Since the launch, the price of alternate vehicles has increased, and sales programmes have been introduced to close the gap. During March 2023 a range of well-priced Saga saloon vehicles was launched, and represents one of few models available for less than R200 000. These vehicles have been well received by the likes of Uber, and are ideally positioned as entry level competitors in the car hire field. The Group has a network of 12 internal and 12 independent dealers, with a further six independent dealers in the process of being appointed. The Group is testing the water with the introduction of a range of electric carrier bikes and a small pick-up van. Both are being evaluated by logistics companies and major retail chains.

Car hire

This segment continued the outstanding run it has enjoyed since the recommencement of business following the Covid lockdown. The principal drivers of the business, *viz* daily hire rate compared with fleet holding cost, utilisation rate, volume increases through improved market penetration, a buoyant used car market to dispose of the retired fleet, and containment of the cost structure, were all favourably aligned. The daily hire rate improved 16% which compared positively with the 12% increase in the fleet holding cost. A number of competitors in the industry have restructured and downsized since Covid, and this, together with aggressive, but selective, marketing, has created opportunities for growth. The average fleet size increased 50% during the year, and the number of rental agreements rose 58%. The Group's marketing alliance with FlySafair has proven mutually-beneficial as the airline dominates the domestic market. The continued shortage of replacement new vehicles hampered the policy of management to refresh the fleet, and forced the retention of vehicles past the standard retirement parameters. The offset was that vehicles which were de-fleeted had been depreciated for longer than the target period, and were offloaded at favourable margins in a strong used car environment.

Looking forward, the interest rate, which has reached its highest level in 14 years, coupled with new car price inflation, will place severe pressure on the daily hire rate: fleet holding cost ratio. In addition, the collapse in the used car market, experienced over the past 4-5 months, could negatively impact the margins obtained on the fleet vehicles which are retired in the new year.

REPORT OF THE CHIEF EXECUTIVE OFFICER
CONTINUED

Financial services

Financial services comprises the Group's finance joint ventures and various insurance underwriting entities.

Improved results from the finance joint ventures resulted from a higher level of financeable business generated, a higher interest rate margin, and a further relaxation of the stringent doubtful debt provisions raised during the Covid era.

The underwriting cells recorded marginally higher premium income, and benefitted from a lower claims and reserving ratio. Investment income improved from higher cash deposit rates.

The combined result of the two divisions was a 30% increase in profit before taxation.

DIVIDENDS

In December 2022 the Group paid a dividend of 168 cents per share. Now, following a year of continued strong cash flow generation, the directors have proposed a dividend of 240 cents per share payable in June 2023. This brings the total in respect of the year under review to 408 cents, up 22% on last year. In both years the dividend is covered 1,5 times by headline earnings.

AUDITOR

Last year's Annual Report recorded that PriceWaterhouseCoopers Inc. would be retiring from office following legislation regarding the enforcement of mandatory rotation of auditors. The appointment of KPMG Inc. as auditors was recommended for approval at the June 2022 annual general meeting and the firm was duly elected in respect of the current year.

DIRECTORATE

The resignation of Zee Cele as a non-executive director was announced in last year's integrated annual report. Since then there have been no changes to the Board. The composition of the sub-committees of the Board is recorded in the Corporate Governance Report.

PROSPECTS

The year ahead is likely to be tough. The socio-economic environment will be driven by a continued combination of power outages, infrastructure failure, violent crime, and high youth unemployment. Corruption remains endemic, with little evidence of Government's pledge to root it out and hold the perpetrators accountable. On the economic front, nine interest rate hikes and a weakened currency have placed severe strain on households, where the rising cost of housing and transport is now exacerbated by the need to invest in costly electricity-replacement equipment. Consequently, it is likely that both business and consumer confidence will remain subdued.

NAAMSA predicts that the local new vehicle market will remain resilient, and sees a single digit increase in national sales during the 2023 calendar year. If achieved, sales level will return to pre-pandemic levels. I expect Toyota may regain the market share lost during the flood disruption.

It is likely that margins in the car hire industry will come under pressure. However, given the high price of fleet vehicles and the current interest rate, it is unlikely that the competitors will be chasing market share at any cost.

The Group has a strong management team, disciplines and processes, and positive cash flows. It has consistently shown compound growth in a cyclical market, and is poised to take advantage of the few opportunities which the year ahead may present.

APPRECIATION

The Group has emerged intact, and stronger, after a year peppered with challenges. The management team met the challenges head on, and has been resilient and steadfast in sticking to sound and ethical business practices. The results are a testament to them and their teams.

The Group has, once again, received outstanding support from the motor manufacturers and other suppliers, motor finance houses, banks and insurers, I am grateful for their contribution.

I thank my co-executive directors and congratulate them on a fine set of results. My appreciation is extended to the Group's non-executive directors whose expertise, experience and diversity have guided our deliberations and ensured that good governance remains a constant despite difficult trading conditions.

JD McIntosh
Chief executive officer

CORPORATE GOVERNANCE REPORT

BACKGROUND

King IV sets out the philosophy, principles, practices and outcomes which serve as the benchmark for corporate governance in South Africa. Corporate governance is defined as the exercise of ethical and effective leadership by the Board towards the achievement of the following governance outcomes:

- an ethical culture;
- good performance;
- effective control; and
- legitimacy.

The Board is fully committed to business integrity, fairness, transparency and accountability in all its activities. To this end the Board subscribes to high standards of corporate governance in all aspects of the business and to the ongoing development and implementation of best business practices. Whilst the principles of King IV are of universal application, the practices are recognised as not being appropriate for all organisations. King IV envisages that practices are to be scaled in accordance with the size of the business and its workforce, its resources, and the extent and complexity of its activities. The Group's directors recognise that the ultimate compliance officers are the various stakeholders. They will, by their continued support, or lack thereof, let the Board know whether they believe that acceptable standards have been achieved.

This Report should be read in conjunction with the Group's practices in respect of the principles contained in King IV, which are recorded on the Group's web site, www.cmh.co.za. (References thereto are described hereafter as "King IV Code: Principle ...").

BOARD OF DIRECTORS

Composition

The Board assumes responsibility for its composition by setting the direction and approving the processes for it to attain the appropriate balance of skills, experience, diversity and independence in order to effectively discharge its governance role and responsibilities.

The Board regularly considers whether the size and composition of the current Board is appropriate, having regard for the CMH Group Diversity Policy. In doing so, the Board considers whether there are any targets or aspects of the policy that have not been addressed and, as a consequence, have a negative impact on the efficacy of the Board.

The Board is satisfied that its composition reflects the right mix and promotes accountability, constructive debate, and effective decision-making, while meeting the necessary regulatory requirements and those of the Memorandum of Incorporation of the Company. Details of each director are recorded on pages 10 and 11.

The Board comprises six independent non-executive, and three executive directors. The independent non-executive directors:

- come from diverse backgrounds in commerce and industry;
- collectively are well qualified and have a wide range of experience, insight and judgement on issues of strategy, performance, risk, resources, marketing, and standards of conduct;
- are an average of 52 years old;
- have served on the Board an average of seven years;
- comprise two White, and four African members, which exceeds the Board's race diversity policy target of 45%-50% of independent non-executives, and 25%-35% of the total Board, being from previously-disadvantaged races;
- comprise four males and two females, which exceeds the Board's gender diversity policy target of 30%-40% of independent non-executives, and 20%-25% of the total Board, being female; and
- are of sufficient number to serve on committees without overburdening members.

The executive directors comprise the Group chief executive officer, Group chief financial officer, and the chief executive officer of the car hire division. The Board has a succession plan for both the non-executive and executive directors.

Nomination, election and appointment of Board members

The Board has a formal and transparent process for the nomination, screening, and appointment of members, and the nomination for re-election of existing members. Appointments and re-election proposals are made after consideration of:

- the collective knowledge, skills and experience of the Board members;
- the diversity of members in terms of gender, race and culture;
- whether the candidate meets appropriate fit and proper criteria, including an independent background check and qualifications verification, if deemed necessary;
- details of the professional commitments of the candidate, and a statement that he/she has sufficient time available to fulfil the responsibilities required of a member; and
- prior attendance and performance at meetings, in respect of re-elected members.

The role and responsibilities of the Board are recorded in a charter which has been adopted by each member. Where new members are not familiar with the Group, they are given an induction programme to enable them to make the maximum contribution within the shortest possible time.

Board changes during the year ended 28 February 2023

LCZ Cele resigned from the Board on 7 June 2022. As a result of her retirement the composition of various committees was amended. The composition of the committees is recorded below.

Independence and conflicts

At the commencement of meetings of the Board and its committees, members are required to declare whether any of them has any conflict of interest in respect of any matters on the agenda. If such conflict is noted, the relevant member may be involved in debate regarding the conflicted matter, but may, at the discretion of the chairman, be excluded from voting thereon.

Classification

Non-executive directors may be classified as independent if the Board is of the opinion that there is no interest, position, relationship, or association which, when judged from the perspective of a reasonable and informed third party, is likely to influence unduly or cause bias in that director's decision-making. In reaching its decision, the Board takes a holistic, substance-over-form view, after consideration of whether the member:

- is a significant provider of financial capital to the Group, or is a representative of such provider;
- participates in a share-based incentive scheme offered by the Group, or is entitled to remuneration based on the performance of the Group;
- owns shares in the Group, the value of which is material to his/her personal wealth;
- has been in the employ of the Group in an executive position during the past three financial years;
- has been the designated external auditor of the Group, or a key member of the audit team, during the past three financial years;
- is a significant or ongoing professional adviser to the Group; or
- is a member of the governing body of a significant customer, supplier, competitor or related party of the Group.

The Board examined the status of the non-executive directors and is of the opinion that:

- RT Komane and AY Metu meet the independence criteria despite them being nominees of the Group's empowerment partner, Thebe Investment Corporation (Pty) Ltd ("TIC"). TIC does not have the ability to control nor significantly influence the Board, and the CMH investment does not constitute a significant proportion of its portfolio. Consequently, the CMH impact on the value of TIC's shares is not material in value to their respective wealth;
- JS Dixon meets the independence criteria despite having served on the Board for twelve years. The Board has concluded that his long association with the Group has not impaired his objective judgement, and there is no interest, position, association nor relationship which, when viewed from the perspective of a reasonable and informed third party, is likely to unduly influence or cause bias in his decision-making; and
- ME Jones, JA Mabena and MR Nkadimeng meet the independence criteria.

Chairman of the Board

The Board has elected independent non-executive director, JS Dixon, to chair the Board in its objective and effective discharge of its governance role and responsibilities. The chairman is elected annually after the annual general meeting of shareholders. His role and responsibilities are documented in the Board Charter and are separate from those of the Group chief executive officer. It has not been considered necessary to appoint a lead independent director, as the board has determined that the chairman is independent.

When determining which of the committees the chairman may serve on, the Board is mindful of the potential negative impact on the concentration and balance of power. It is recorded that the chairman of the Board:

- is not a member of the Audit and risk assessment committee;
- is one of three members of the Remuneration committee, but not its chairman;
- is one of five members of the Social, ethics and transformation committee; and
- is the chairman and one of three members of the Nominations committee.

On occasions when his input is sought, he may attend meetings of committees of which he is not a member, but is not permitted to vote thereat.

Appointment and tenure of non-executive directors

Newly-appointed directors hold office until the next annual general meeting, at which time they retire and become eligible for re-election. Each year, one third of the directors is required to retire and may offer themselves for re-election which is subject to approval by shareholders.

Board meetings

The Board has three scheduled meetings each year, and these are augmented, when necessary, with meetings held at short notice. Proceedings at meetings are directed by a formal agenda. The proposed agenda is circulated prior to the meeting to allow Board members sufficient opportunity to request additional agenda items.

In addition, a comprehensive board pack is distributed to all directors in advance of meetings to ensure they are properly informed and to enable them to undertake meaningful discussion and effectively discharge their duties. These packs typically include:

- agenda;
- previous meeting minutes;
- disclosure of directors' conflicts of interest;
- documentation in support of all matters on the agenda;
- update on matters arising since the last Board meeting; and
- governance updates to assist directors in remaining abreast of relevant legislation.

Attendance at meetings of the Board during the year under review is recorded below.

Subsidiary boards of directors

When deliberating on matters pertaining to CMH, the Board is always mindful of the impact that decisions may have on subsidiaries. The Board recognises the fiduciary duties of the directors of subsidiaries who are not directors of CMH.

Directors' share dealings

The Board complies with the JSE Listings Requirements in relation to restrictions on the trading of CMH's shares by directors and executive committee ("Exco") members during the defined closed periods. Restrictions may also be placed on share dealings at other times if the Group is involved in corporate activity or sensitive negotiations. The company secretary notifies all directors and Exco members prior to the commencement of the closed trading periods, which commence 15 days before the half-year and year-end, and end on the date the respective results are published.

There is a process in place in terms of the JSE Listings Requirements for directors to obtain prior clearance before dealing in CMH's shares. All transactions are conducted at the ruling market price on the JSE Limited. Details of directors' share dealings are communicated through the JSE Limited's electronic news service, SENS. No infringements were reported during the year.

COMPANY SECRETARY

The company secretary is appointed by the Board in compliance with the Companies Act 2008 and the JSE Listings Requirements. Refer to King IV Code: Principle 10.

Kerrianne Fonseca CA(SA) is the Group company secretary. She joined the Group in 2006 and was appointed company secretary in 2010. The Board conducts an annual evaluation of the company secretary. In respect of the year under review, the Board is satisfied as to her effectiveness, qualification and experience and concluded that she has executed her responsibilities with the required level of competency and maintained an arms-length relationship with the Board. The Certification by the Company Secretary is recorded on page 33.

BOARD COMMITTEES

Subject to its ultimate accountability, the Board has delegated specific functions to Board committees, each with its own charter that defines its powers and duties. On a biennial basis, the Board reviews and approves the terms of reference of each committee and completes an assessment of its performance. Refer to King IV Code: Principle 8. The Board is satisfied that the committees have discharged their duties in terms of their respective charters, in respect of the year under review.

The retirement of LCZ Cele in June 2022 resulted in changes to the composition of the committees. The composition of the committees at year-end is reflected on page 18. Attendance at committee meetings is recorded below.

ATTENDANCE AT MEETINGS DURING THE YEAR UNDER REVIEW

Director	Full Board	Audit and risk assessment committee	Remuneration committee	Social, ethics and transformation committee	Nominations committee
BWJ Barritt	3/3			2/2	
LCZ Cele	1/1		1/1	1/1	1/1
JS Dixon	3/3	2/2*	2/2	2/2	1/1
SK Jackson	3/3	2/2*	2/2*		1/1*
ME Jones	3/3	2/2	1/1		
RT Komane	3/3			2/2	
JA Mabena	3/3		2/2	2/2	1/1
JD McIntosh	3/3		2/2*	2/2	1/1*
AY Metu	3/3	2/2			
MR Nkadimeng	3/3	2/2			

** By invitation*

Remuneration committee

Members:

- JA Mabena (independent non-executive) – chairman
- JS Dixon (independent non-executive)
- ME Jones (independent non-executive)

Nominations committee

Members:

- JS Dixon (independent non-executive) – chairman
- ME Jones (independent non-executive)
- JA Mabena (independent non-executive)

The Report of the Remuneration and Nominations committees is recorded on page 26.

Audit and risk assessment committee

Members:

- ME Jones (independent non-executive) – chairman
- AY Metu (independent non-executive)
- MR Nkadimeng (independent non-executive)

The Report of the Audit and risk assessment committee is recorded on page 24.

Social, ethics and transformation committee

Members:

- JA Mabena (independent non-executive) – chairman
- BWJ Barritt (executive)
- JS Dixon (independent non-executive)
- RT Komane (independent non-executive)
- JD McIntosh (chief executive officer)

The Report of the Social, ethics and transformation committee is recorded on page 31.

Executive committee ("Exco")

Assisting the CEO in the discharge of his overall responsibility for the day-to-day management of the Group and the implementation and execution of approved strategy and policy is the Exco.

The Exco members represent the key management of the Group. Their wide range of complementary skills, together with their years of experience in their particular fields of expertise, justify their selection to Exco. None of the members of Exco (other than the executive directors) has the individual authority to exercise executive control over and management of the whole, or a significant portion, of the business and activities of the Group. Consequently the Board considers that they do not meet the Companies Act definition of "prescribed officers" and their remuneration is not individually recorded in this report. The Board confirms that no Exco member earns in excess of the executive directors.

THE GOVERNANCE OF RISK

Combined assurance

The Board recognises the critical role of risk management in the Group and accepts responsibility for the governance of risk through formal processes which include the total system and process of risk management set out in the combined assurance framework. The combined assurance framework promotes accountability and consistency and is intended to ensure that, through a co-ordinated effort, all material risks are identified, managed and mitigated to within acceptable levels, to provide comfort to the relevant stakeholders and to enable sustainable growth of the Group.

Subject to its ultimate accountability, the Board has delegated the responsibility for risk management to the Audit and risk assessment committee. Details of the Group's exposure to a variety of financial risks are disclosed on page 52. Details of other risks faced by the Group are recorded in the King IV Code: Principle 11.

Internal audit

The Board is satisfied that the internal audit department has provided independent and relevant assurance during the year under review, in respect of the effectiveness of governance, risk management and control processes. Refer King IV Code: Principle 15.

Compliance with laws and regulations, codes and standards

The Group is committed to compliance with applicable laws and regulations, codes and standards. Areas of focus include the Companies Act, JSE Listings Requirements, labour laws, taxation legislation, health and safety regulations and other laws and statutes in respect of the various businesses and their operations. Day-to-day responsibility for compliance with legislation relevant to the Group has been delegated by the Board to management. The Board has not received notice of any material instances of non-compliance with applicable legislation during the year under review and the Group did not incur any material penalty, fine nor sanction for contravention or non-compliance with its statutory obligations. Refer King IV Code: Principle 13.

GOVERNING STAKEHOLDER RELATIONSHIPS

The Board recognises the important role it plays as the ultimate custodian of the corporate reputation of the Group and its relationships with stakeholders. Full details in this regard are recorded in the King IV Code: Principle 16.

SUSTAINABILITY REPORT

Integrated reporting means a holistic and integrated representation of performance encompassing financial, environmental and social dimensions. Key to the Group's long-term success is providing deliverables to all stakeholders. The starting point is a sustainable return to shareholders. A profitable and cash-generating business is the foundation which underpins the Group's interactions with other stakeholders.

Sustainability implies conducting business in such a manner as to meet present needs without compromising the ability of future generations to meet their own needs.

This Report provides an overview of the principal focus areas which determine the Group's sustainability programme.

CONTRIBUTING POSITIVELY TO THE ECONOMY

The Group aims to contribute positively to the economy by providing stable employment, generating business for local suppliers, paying taxes and supplying quality goods and services at value-driven, competitive prices.

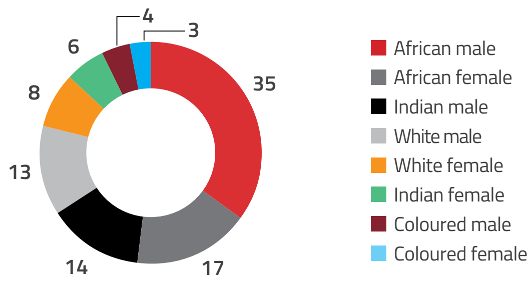
Details of the Group's financial results are addressed throughout this report. A summary of pertinent information is contained in the table below.

KEY SUSTAINABILITY ISSUES AT A GLANCE		2023	2022
Financial			
Revenue	(R'000)	**12 434 375**	11 167 798
Operating profit	(R'000)	**773 412**	606 146
Headline earnings per share	(cents)	**617,1**	501,0
Dividends paid per share	(cents)	**393,0**	235,0
Return on shareholders' funds	(%)	**37,3**	37,1
Income tax paid	(R'000)	**184 827**	133 910
Tax expense as percentage of profit before taxation	(%)	**28,5**	26,5
Value added tax paid	(R'000)	**168 960**	182 439
Employment			
Number of employees		**2 586**	2 363
Total employee costs	(R'000)	**927 122**	830 480
PAYE collected from employees on behalf of government	(R'000)	**181 802**	163 734
UIF and SDL contributions to government in respect of employees	(R'000)	**17 175**	15 243

EMPLOYEES

At year-end the Group employed 2 586 (2022: 2 363) permanent employees. The Group does not employ temporary staff. The Board recognises that employees are the major contributor towards the Group's success by ensuring that its competitiveness and service levels remain high and the Board strives to maintain the right balance between maximising profits, optimising employee numbers and rewarding employees commensurate with their performance.

EMPLOYEE PROFILE BY RACE AND GENDER AT FINANCIAL YEAR-END (%)



TRANSFORMATION AND EMPLOYMENT EQUITY

The Board remains committed to transformation. The Social, ethics and transformation committee is tasked with ensuring that an appropriate strategy exists that aligns with the Broad-based Black Economic Empowerment Act and the Employment Equity Act ("the EE Act"), and that the Group complies with the principles embodied in the Skills Development Act. The Board believes that development of initiatives in these areas will generate long-term benefits for the Group and the country as a whole.

The Group's Employment Equity Plan ("the Plan") has been developed on the principles of transformation, equity, equality, diversity and empowerment. The Plan's core principles underlie the Group's commitment to, gradually and reasonably, achieve a representative work force, as prescribed by the EE Act. Employment equity policies have been implemented to create an environment in which employees from previously-disadvantaged backgrounds are trained, instructed, promoted and rewarded according to their initiative, performance, loyalty and work ethic.

The table below is a summary of the employment equity report submitted in terms of Section 22 of the EE Act showing the employee profile of the Group.

The Group continues to focus on its numerous initiatives in place to accelerate transformation within the workplace. These focus on recruitment, retention, promotion and skills development of previously-disadvantaged individuals.

Recruitment: The recruitment process aims to recruit based on skill and experience, but with a bias towards those race and gender groups that are under-represented when compared with the national economically active population statistics used by the Department of Employment and Labour as employment equity benchmarks. New candidates are sourced by the branch requiring the resource, but each appointment is vetted by either the Group employment equity and transformation manager or the chief executive officer to ensure employment equity objectives are achieved.

The Group offers short-term internships for students who are in their final year of tertiary education at technical colleges. These internships provide the students with real-world business exposure that extends beyond their academic knowledge and affords them an opportunity to interact with experienced individuals in the areas in which they are studying and to learn business and life skills. Interns are assessed and rated at the conclusion of their internship and the Group draws on this pool of talent when vacancies arise.

Retention and promotion: Board's philosophy regarding promotions and, in particular, the appointment of management has been based on the concept of "merit with bias". Where there are a number of candidates who merit promotion to a particular position, bias will be shown towards those from a disadvantaged background. It is not considered wise to promote managers, from whatever background, beyond their level of competency and training.

Key to staff retention, at any level, is recognition and promotion from within. The Group encourages promotion rather than recruitment as this not only provides a clear path to greater compensation and responsibility, but also helps employees feel that they are valued and a crucial part of the Group's success.

EXTRACT FROM REPORT IN TERMS OF SECTION 21 OF THE EMPLOYMENT EQUITY ACT:

	Male				Female				Foreign nationals		
Occupational levels	African	Coloured	Indian	White	African	Coloured	Indian	White	Male	Female	Total
Top management	3		6	51	4	3	1	12	1		81
Senior management	31	10	68	94	30	5	36	74	1	1	350
Professionally qualified and experienced specialists	260	31	161	168	114	15	34	57	2		842
Skilled technical and academically qualified	100	13	28	12	75	14	47	36	1		326
Semi-skilled	338	27	99	31	108	18	30	37	2	1	691
Unskilled	109	3	5	3	87	1	1	3	2	1	215
Total August 2022	**841**	**84**	**367**	**359**	**418**	**56**	**149**	**219**	**9**	**3**	**2 505**
Total August 2021	741	68	357	341	392	52	143	221	11	1	2 327

Skills development

The retail motor industry continues to experience a shortage of suitably skilled manpower at management level and in the technical departments. As there is no formal training programme for dealership managers, the Group has developed internal manager programmes. These focus on grooming existing employees for the role of manager within each of the departments within a motor dealership. Candidates are sourced internally, with a bias towards staff from previously disadvantaged backgrounds, and are selected based on past performance and achievements, and potential demonstrated on the job. The Group runs various management development programmes, as part of its succession planning and talent management process. The aim is to ensure that there is a constant pool of middle management talent available should a vacancy arise. The management programmes focus on building managerial skills and incorporate a mix of formal and informal training, on-the-job development, mentoring and coaching.

To address the shortage of skills in the technical departments, the Group recruits recent matriculants into a National Qualification Framework ("NQF") level 5 apprenticeship programme. The programme allows the candidates to qualify as artisan technicians over a period of 2-3 years. The Group currently has 46 apprentices employed on this programme and historically retains between 60% and 80% of those that qualify as permanent employees within the Group.

The Group also runs 70, 12-month learnerships, aligned towards the development of administration, workshop, parts, sales and marketing, finance and insurance and First Car Rental front-line personnel. The learnerships are aimed at unemployed and first-time employees from previously disadvantaged backgrounds, with a particular focus on African learners and learners with a disability. The learnerships allow individuals with little or no previous work experience the opportunity to gain general work experience and select areas in which they would like to specialise. On completion of the learnership, the learners obtain an NQF level 4 accreditation.

The Group believes that ongoing training is critical for employee development and progression. Each year, a large number of sales and technical staff attend mandatory training programmes required by the motor manufacturers. Employees and their managers are also encouraged to identify training that could lead to the progression of the employee and, if suitably motivated, the cost thereof is subsidised by the Group.

During the year, approximately R19.3 million was spent on training employees, involving a total of 6 046 training initiatives. Of this, approximately 43% was spent on training African employees and 72% spent on training African, Coloured and Indian employees collectively. The Group has timeously submitted its report in terms of Section 21 of the EE Act and, as a result, has recouped the maximum amount of Skills Development Levy.

Staff with a disability

The Group has a disability awareness and support policy that actively encourages staff to declare their disabilities without fear of intimidation or discrimination. When a disability is declared, management is encouraged to make reasonable accommodation to create an inclusive workplace environment. The Group's recruitment policy, for permanent positions and learners, actively encourages bias towards previously disadvantaged individuals with disabilities.

DISABLED STAFF AS RECORDED IN THE REPORT IN TERMS OF SECTION 21 OF THE EMPLOYMENT EQUITY ACT:

	Male				Female				Foreign nationals		
Occupational levels	**African**	**Coloured**	**Indian**	**White**	**African**	**Coloured**	**Indian**	**White**	**Male**	**Female**	**Total**
Top management				1	1		1				3
Senior management	1	1	1		1						4
Professionally qualified and experienced specialists			2	2				1			5
Skilled technical and academically qualified								1			1
Semi-skilled	3		1		1	1		1			7
Unskilled	3		2	2	1		1	2			11
Total August 2022	**7**	**1**	**6**	**5**	**4**	**1**	**2**	**5**	**0**	**0**	**31**
Total August 2021	8	1	6	7	3		2	4			31

BROAD-BASED BLACK ECONOMIC EMPOWERMENT ("B-BBEE")

The aim of the Board is to achieve sustainable empowerment through alignment with the five elements of the B-BBEE codes, being: ownership, management control, skills development, enterprise and supplier development and socio-economic development. The Board recognises that failure to achieve accelerated transformation targets set out in the B-BBEE codes may impact competitiveness and sustainability as well as the retention of existing contracts.

Despite the Group's ongoing commitment to direct more spend to black-owned businesses, its ability to increase the points earned in the enterprise and supplier development element is limited. Approximately 70% of Group procurement spend is related to motor manufacturers, none of which meets the criteria to be classified as an exempt micro entity, a qualifying small enterprise or a black-owned entity. The points that the Group can achieve in respect of the remaining 30% are limited, and this adversely impacts the B-BBEE scorecard level attainable.

The scorecards for the year ended 28 February 2022 were independently audited during the current year. The Group as a whole was verified using the generic codes and First Car Rental using the tourism sector codes. The audited scorecard ratings are recorded in the table below. The Group aims to retain these levels at the next audit.

B-BBEE SCORECARD RATINGS	Max	Result 2022
Total Group		
Ownership	25	25
Management control	19	9
Skills development	20	9
Enterprise and supplier development	42	32
Socio-economic development	5	5
	111	80
B-BBEE recognition level contributor		**4**
Car hire and fleet division		
Ownership	27	27
Management control	19	14
Skills development	20	15
Enterprise and supplier development	40	37
Socio-economic development	5	5
	111	98
B-BBEE recognition level contributor		**2**

HEALTH AND SAFETY

The health and safety of employees and customers is key to business success. The directors acknowledge their responsibility to remain compliant with occupational health and safety standards.

The Group's health and safety policies are regularly reviewed and adjusted in accordance with changing Government legislation. These policies provide the core framework for standard processes. CMH believes incidents are preventable. Its policies seek to minimise potential hazards in operations to eliminate risk and provide a safe and healthy working environment. Comprehensive health and safety risk assessments have taken place across all Group operations, and systems have been implemented to manage identified risks and ensure compliance with government regulations.

Safety is the priority and responsibility of all employees. The dealer principal is the main individual responsible for health and safety matters at each dealership, with the chief executive officer assuming ultimate responsibility for the Group. Each site has a health and safety representative and a first aid officer. These representatives and officers receive external training to ensure that they are familiar with the legislative requirements and are equipped to discharge their responsibilities in this regard. Dealer principals are supported by an independent specialist who conducts monthly site inspections and quarterly compliance audits across all operating sites controlled by the Group. Reports are provided to the relevant levels of management who are obliged to undertake any required remedial actions within agreed time frames. The audit results and improvement recommendations are reported to the Social, ethics and transformation committee.

Reportable incidents are critically analysed by safety experts to understand the root cause. Where possible, improvements in operating procedures are introduced to prevent recurrence. The Group is pleased to report that it has once again recorded no fatalities nor serious safety incidents in the workplace. The Group had seven reportable incidents during the year.

ENVIRONMENTAL ISSUES

The retail motor and car hire business sectors are not generally regarded as high environmental impact sectors and the Group is a relatively low consumer of basic utilities such as water and electricity, and consequently has a small carbon footprint. It does, however, continue to focus on environmentally-friendly business practices. Taking into consideration the nature of the business, the most significant opportunities for minimising its environmental impact are:

Reducing the consumption of water

The biggest potential impact on the environment is the water used to wash vehicles on showroom floors, in workshops and at rental depots. Management recognises that responsible use of water is critical. The Group rents the "CMH Green" waterless car wash system to third party customers and uses the system in all operations. At its larger car hire outlets, where car washing and water usage is high, the Group has installed water filtration and recycling plants together with rain water capture facilities to reduce water consumption.

Reducing electricity consumption

Management has continued to focus on reducing energy consumption, given the negative impact which the above-inflationary increases in electricity have had on Group profitability and the ongoing supply concerns facing South Africa. The ongoing and intensified occurrences of load-shedding have forced dealerships to invest in expensive, inefficient and environmentally-damaging back-up generators. In order to minimise their use, the Group has invested substantial amounts in energy-efficient lighting and automated timing devices in the vehicle dealerships. It has also invested R7,5 million in solar power systems across 12 sites. These investments have a return-on-investment period of approximately three years. In new properties that have been developed by third parties for use by the Group, management has ensured that similar initiatives are put in place by the owners of the properties.

The safe disposal of hazardous and non-hazardous waste

Within the aftersales departments, the Group adheres to the relevant regulations concerning waste. Policies promote processes and procedures which, so far as is reasonably practicable, avoid or minimise the contamination of water, air or the ground and manage responsibly the by-products of activities, such as noise, waste packaging and waste substances. The following programmes are in place to minimise or recycle waste wherever possible:

- **Paper:** The Group has embarked on an ongoing drive to reduce paper consumption through reduction in printing, double-sided printing and recycling the majority of office paper waste. First Car Rental uses electronic vouchers and online invoice retrieval, complemented by its corporate Show&Go mobile checkout. Its Customer Services division is also a paperless environment;
- **Tyres:** Used tyres that are no longer required are collected by registered agents of Recycling and Economic Development Initiative of South Africa;
- **Glass:** Most glass replacements are contracted out to specialist fitment centres. Where replacements are done on site, the old glass is removed by the contracted company and recycled in an approved manner;
- **Used motor oil and batteries:** The Group uses accredited waste oil service providers and disposes of batteries in accordance with applicable local regulations; and
- **Hazardous waste:** Hazardous waste material is removed by accredited waste removal companies and, where required, waste removal and disposal certificates are obtained in line with the Waste Management Act.

The Group has not incurred any environment-related fines nor penalties.

SOCIAL ISSUES

Whilst appreciating that long-term financial success is an essential component of stakeholder confidence, the directors remain committed to supporting the communities in which the Group operates. Corporate Social Investment relates to financial and non-financial investment in socially-responsible initiatives. The Group supports a wide range of charitable projects with a focus on education and youth, particularly those with disabilities. The Group has long-term relationships with numerous beneficiaries that meet these criteria and contributes by way of donations of cash, resources and long- and short-term free use of motor vehicles. The primary beneficiaries during the year under review were:

- the disabled unit of the University of the Orange Free State
- Fulton School for the Deaf
- CHOC Childhood Cancer Foundation
- the Domino Foundation
- Sphethamandla Preschool (through Chic Mamas Do Care-Durban)

REPORT OF THE AUDIT AND RISK ASSESSMENT COMMITTEE

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

The Audit and risk assessment committee was appointed by shareholders in respect of the year ended 28 February 2023.

All members are independent non-executive directors of the Company. The committee has adopted formal terms of reference agreed by the Board. These have been embodied in its charter and work plan which aligns with the Companies Act 2008, the King IV Code on Corporate Governance, and the JSE Listings Requirements.

The committee meets biannually. Attendance details are recorded on page 17. The financial director, external auditor and chief audit executive of the Company are required to attend committee meetings and the Company 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 Group 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 and the Group.

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;
- taking appropriate steps to ensure that all entities included in the consolidated financial statements have established appropriate financial reporting procedures to allow the effective preparation of the financial statements, and that those 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 Group'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 significant risk areas within the Group and to ensure that suitable controls exist to mitigate and reduce these risks. Details of the Group's combined assurance model are set out in the King IV Code: Principle 15 on the Group's web site, www.cmh.co.za

SATISFY ITSELF OF THE EXPERTISE, RESOURCES AND EXPERIENCE OF THE GROUP'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.

ACCEPT RESPONSIBILITY FOR OVERSEEING OF INTERNAL AUDIT

The committee has satisfied itself that the Group's internal audit function is independent and has the necessary resources, budget, standing and authority within the Group to discharge its duties. Details of the Group's internal audit function are set out in the King IV Code: Principle 15 on the Group's web site, www.cmh.co.za. 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 chairman meets with the chief audit executive annually without management's presence.

ACCEPT RESPONSIBILITY FOR THE GROUP'S RISK MANAGEMENT FUNCTION

Details of the committee's role and function in this area are provided on page 24. 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.

In respect of the 2023 financial year-end, the committee reviewed and approved the external audit plan, the external auditor's terms of engagement and proposed remuneration. It is satisfied that KPMG Inc. is independent of the Group, and able to express an objective opinion. The re-appointment of KPMG Inc. and lead partner, D Read, have been 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 2023, it has performed all of the functions required to be performed by an audit committee.

ME Jones
Chairman, Audit and risk assessment committee

26 April 2023

REPORT OF THE REMUNERATION AND NOMINATIONS COMMITTEES

This Report has been compiled on behalf of the Board in compliance with the Companies Act 2008, the JSE Listings Requirements, and the King IV Code on Corporate Governance.

The Board has delegated to the Remuneration committee ("Remco") and Nominations committee ("Nomco") the responsibility for ensuring statutory compliance under the direction of the Board. Each committee has its own charter, approved biennially by the Board, and meets independently. The committees comprise three independent non-executive directors elected annually by the Board, and provides feedback, through the chairman, at the next Board meeting. A summary of minutes of meetings is circulated to the Board, and all directors are given the opportunity to raise questions or concerns arising therefrom.

The Remco and Nomco chairmen and committee members in office during the year under review, together with their attendance at meetings, are recorded on pages 17 and 18. Where their input is sought, the Group CEO and CFO are requested to attend Remco and Nomco meetings, but are required to recuse themselves when their remuneration is discussed.

REMUNERATION POLICY

The Board assumes responsibility for the governance of remuneration by setting the direction for how remuneration should be determined within the Group in a fair, responsible and transparent manner. The remuneration policy has been designed to achieve the following objectives:

- the attraction, motivation, reward and retention of the best human resources within each level of the sectors in which the Group operates;
- the achievement of positive outcomes in pursuit of the Group's strategic objectives;
- alignment with stakeholder interests; and
- the promotion of an ethical and responsible culture.

The policy aims to ensure that:

- the remuneration of executive management is fair and responsible in the context of overall Group employee remuneration;
- employees are incentivised to meet targets that align with stakeholder objectives;
- new engagements, and promotion opportunities, give consideration to transformation goals;
- due consideration is given to legislated minimum remuneration levels; and
- there is equal pay for equal value outcomes, with no discrimination based on gender or race.

The elements of remuneration offered within the Group are recorded in the table below:

	Purpose, and link to Group strategy	Earnings opportunity
GUARANTEED		
Base salary	Market-related level of remuneration commensurate with job function and CPI. Reviewed annually after consideration of personal performance and responsibilities measured against objectives, and individual behaviour in line with Group culture.	Market-related. In respect of executive directors and executive committee members collectively, the base salary has, over the past three years, comprised 55% to 69% of total remuneration.
Pension, medical, other benefits	Benefits and allowances, both legislated and voluntary, which are appropriate to the job function. Benefits include: ▪ retirement funding ▪ health care ▪ UIF contributions ▪ use of Group-owned vehicles	Generally, benefit values align with base salaries. In respect of executive directors and executive committee members collectively, the value of benefits has, over the past three years, comprised 10% to 12% of total remuneration. In respect of health care and retirement funding, the cost is shared between the Group and employees.

	Purpose, and link to Group strategy	Earnings opportunity
SHORT TERM		
Commission and profit-share	To motivate employees to achieve short term strategic financial objectives. Criteria vary according to job function and level of responsibility, and include: ▪ product sales volume, market penetration and gross profit levels ▪ achievement of manufacturer sales and customer satisfaction targets ▪ working capital management ▪ department profit ▪ branch/dealership/franchise profit ▪ transformation targets ▪ Group headline earnings per share ▪ Group return on shareholders' funds	Target levels are set monthly, quarterly or annually, depending on the nature of the incentive scheme. No upper limits apply, other than in respect of executive directors (refer to Implementation Report on page 28 for details on executive directors). In respect of executive directors and executive committee members collectively, the value of short term benefits has comprised 18%-31% of total remuneration over the past three years.
MEDIUM TERM		
Profit-share	To motivate senior employees to achieve medium term strategic financial objectives, and to provide an element of alignment with shareholder interests. Creates an element of key-employee retention as rewards are dependent on both sustainability of achieved levels, and continued employment. Applied to dealer principals, the performance award is based on dealership net profit earned in excess of agreed targets. The incentive is paid over three years provided profitability is sustained.	No limit applies. The value of this medium-term benefit comprises between 0% and 5% of dealer principals' total remuneration.
LONG TERM		
Share incentive scheme	To motivate senior employees to achieve long-term strategic financial objectives, aligned with shareholder interests. Participation in the Group Share Appreciation Rights Scheme is limited primarily to executive directors, executive committee members, regional accountants, and regional finance and insurance managers. Employees are encouraged, but not forced, to retain the shares awarded. In terms of the Scheme, participants are given conditional rights to receive CMH shares, the number of which is determined with reference to the rise in the CMH share price over three to five years.	No limit applies to the value which may be earned. In respect of executive directors and executive committee members collectively, the value of this long term benefit has traditionally comprised 3% to 15% of total remuneration but no payments have been made in the past three years. During the year under review, no vesting benefits accrued to participants. Details of awards made during the current and prior years are recorded in 14 to the consolidated financial statements.

REPORT OF THE REMUNERATION AND NOMINATIONS COMMITTEES CONTINUED

IMPLEMENTATION REPORT

Background statement

Remco's key area of focus during the year continued to be the setting of fair, but challenging, incentive schemes which recognised the exceptional trading conditions, the need to retain and motivate key management, and the expectations of stakeholders. Remco recognises that the Group competes for a limited pool of talent in a competitive market sector. Attention was also given to those employees on lower pay rates to ensure that they were treated fairly and responsibly.

The Remco did not consult with independent remuneration consultants during the year, but was guided by national remuneration trends reports in respect of companies of similar size and complexity, and competitor offerings.

The Board is satisfied with Remco's assessment that the remuneration policy achieved the desired outcomes during the year under review, and that it has fulfilled its responsibilities in accordance with its terms of reference.

Overview of executive director remuneration

A policy of Remco is to ensure that the executive directors are fairly rewarded for their individual contributions to the Group's overall performance, and to provide a competitive remuneration package commensurate with their management of the Group in the long-term interests of all stakeholders. To this end, Remco believes that a meaningful proportion of executive directors' remuneration should be performance-driven, a feature which is common in the motor retail sector.

Executive directors' employment contracts are terminable after six months' notice, with no additional benefits accruing on termination.

During a year made difficult by continued new vehicle supply shortages, intensified periods of load shedding, and a slew of interest rate hikes, the Group results ended in the range between "on-target" and "maximum". Car hire, as a standalone unit, achieved in excess of the "maximum" prediction.

It was accepted that the assumptions made in compiling the budget were unlikely to hold true in all instances. In the event that an unforeseen change in assumptions had a positive or negative impact on the outcomes, Remco reserved the right to amend the targets so as to preserve the concept of "fair reward aligned to stakeholder interests". Following the outstanding results achieved during the first half of the current year, the targets were tightened for the second half.

Full details of the remuneration are recorded on page 83 and except in the case of BWJ Barritt, were aligned with the guidelines recorded in last year's report. Because of the exceptional results achieved by the car hire division, he was awarded an additional R500 000.

The year ahead

The executive directors believe that the year ahead will see tough trading conditions. The Group has achieved record growth in headline earnings post-Covid, but directors believe that this rate of improvement is unlikely to be sustained. The budget has been structured around a modest increase in new vehicle sales, flat used vehicle sales levels and steady parts, service and financial services contributions. Car hire is expected to face pressure from margin squeeze caused by rising interest rates and vehicle prices.

Remco has confirmed that the basic salaries of executive directors will be increased by 6% in respect of the year ahead. The performance-related earnings have been aligned with the anticipated financial results of the Group in the areas of:

- headline earnings per share;
- return on shareholders' funds; and
- cash flow generation

and the following non-financial key performance indicators:

- ensuring the Group's effective risk management and reporting processes are maintained;
- continuing the mutually-beneficial relationships with manufacturers, customer finance houses and financiers;
- improving, or at least maintaining, the Group's and car hire's black economic scorecard rating, employment equity statistics, and skills development training; and
- developing Group strategy and a growth platform.

The on-target structure records a guaranteed remuneration of 57-67% of the total package, with the balance being variable. Of the variable portion, 76-83% relates to financial issues, and the balance to key non-financial issues.

In respect of BWJ Barritt, a lesser emphasis was placed on Group financial results, and a higher weighting on car hire's profitability.

Remco, once again, reserves the right to amend the targets in the event that an unforeseen change in circumstances has a material positive or negative effect on outcomes.

The table below indicates the components of remuneration that will be paid to each executive director under minimum, on-target, and maximum performance outcomes. The values exclude the expected vesting outcomes of long-term share appreciation rights awarded to BWJ Barritt.

	Minimum R'000	On-target R'000	Maximum R'000
BWJ Barritt			
– guaranteed basic salary and benefits	5 180	5 180	5 180
– annual performance-related	–	3 910	5 250
	5 180	9 090	10 430
Ratio	57	100	115
SK Jackson			
– guaranteed basic salary and benefits	6 450	6 450	6 450
– annual performance-related	–	3 150	4 300
	6 450	9 600	10 750
Ratio	67	100	112
JD McIntosh			
– guaranteed basic salary and benefits	8 260	8 260	8 260
– annual performance-related	–	5 300	7 350
	8 260	13 560	15 610
Ratio	61	100	115

Non-executive directors' fees

The fees of the non-executive directors comprise an annual retainer component and attendance fee for scheduled meetings. Non-executive directors do not receive short-term incentives nor do they participate in any long-term incentive schemes. The fees of the non-executive directors in respect of the year ended 28 February 2023 are recorded on page 83. A 5% increase in fees was approved at the annual general meeting held in June 2022.

A 6% increase in fees has been proposed for the year ahead. Full details of the proposed fee structure are recorded in the Notice of Annual General Meeting, on page 89.

Voting on remuneration

In terms of the Companies Act requirements, the fees of non-executive directors for their services as directors must be approved by special resolution of shareholders. The proposed resolutions are contained in the Notice of Annual General Meeting, on page 89. At the 2022 annual general meeting 100% of voting shareholders approved the resolutions for non-executive directors' fees.

In terms of the JSE Listings Requirements and King IV, each of the above Remuneration Policy and Implementation Report should be tabled before shareholders for a separate non-binding advisory vote of approval. The Notice of Annual General Meeting, on page 88, records the proposed resolutions. At the 2022 annual general meeting both the Remuneration Policy and Implementation Report were endorsed by 93% of voting shareholders.

REPORT OF THE REMUNERATION AND NOMINATIONS COMMITTEES CONTINUED

Remco undertakes that, in the event that either the Remuneration Policy or the Implementation Report, or both, are voted against by 25% or more of the voting rights exercised at the annual general meeting, it will, in good faith, and using its best reasonable efforts:

- disclose in the voting results announcement, which will be issued on the day after the annual general meeting, an invitation for dissenting shareholders to engage with management;
- detail the manner and timing of such engagement;
- engage with dissenting voters to ascertain the reasons for the dissenting votes;
- appropriately address legitimate and reasonable objections and concerns raised;
- amend the Remuneration Policy and/or Implementation Report, if necessary; and
- record in next year's Report of the Remuneration Committee, the details and results of such engagements, and the steps taken to address legitimate and reasonable objections and concerns.

JA Mabena
Chairman, Remuneration committee

JS Dixon
Chairman, Nominations committee

26 April 2023

REPORT OF THE SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE

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 2008. 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 composition of the committee is set out on page 18 and the qualifications of the committee members are disclosed on pages 10 and 11.

The committee meets biannually. Attendance details are recorded on page 17.

The purpose of the social, ethics and transformation committee is to:

- assist the Board in ensuring that the Group is and remains a committed socially responsible corporate citizen;
- review policies, plans and processes aimed at facilitating transformation in the Group; 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 Group'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 environmental impact of the Group's activities and of its products and services;
  - the health and public safety of the Group's employees and customers;
  - consumer relationships; and
  - labour and employment
- ensure that the Group'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 strategies in place to ensure that the Group maintains a level 4 B-BBEE scorecard rating and black ownership in excess of 51%;
- review of progress towards the achievement of the Employment Equity Plan; and
- revising the Group's code of ethics with particular focus on the Group's policies relating to the acceptance of gifts and updating the Code to have regard for the Code of Good Practice on the Prevention and Elimination of Harassment in the Workplace released during the year.

The focus areas in the coming year are expected to be:

- continued focus on maintaining the current B-BBEE ratings, with particular emphasis on meeting the minimum criteria on each of the priority elements, and maintaining greater than 51% black ownership qualification;
- review and approval of the targets and goals to be set out in the new Employment Equity Plan. This will include specific focus on skills development which is key to achieving transformation; and
- continued monitoring of the Group's ethics performance and management's strategy for entrenching ethics throughout the business.

The committee has satisfied itself that the Group's activities have regard to relevant legislation and prevailing codes of best practice in each of the relevant areas and that there are no instances of material non-compliance to disclose.

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

JA Mabena
Chairman, Social, ethics and transformation committee

26 April 2023

EXECUTIVE DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

FOR THE YEAR ENDED 28 FEBRUARY 2023

We, the directors whose names are stated below, report with reference to both the Company and the Group and hereby confirm that:

- the financial statements set out on pages 40 to 87, fairly present, in all material respects, the financial position, financial performance and cash flows of the Company and the Group in terms of IFRS;
- no facts have been omitted or untrue statements made that would make the financial statements false or misleading;
- internal financial controls have been put in place to ensure that material information relating to both the Company and its consolidated subsidiaries has been provided to effectively prepare the financial statements of the Company and Group; and
- the internal financial controls are adequate and effective and can be relied upon in compiling the financial statements, having fulfilled their role and function within the combined assurance model pursuant to principle 15 of the King Code. Where we are not satisfied, we have disclosed, to the Audit and risk assessment committee and the external auditor, the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors, and have taken the necessary remedial action.

Stuart Jackson
Finance director

Jebb McIntosh
Chief executive officer

26 April 2023

DIRECTORS' APPROVAL OF FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2023

The Board of directors reports with reference to both the Company and the Group.

The directors are responsible for the preparation, integrity and fair presentation of the financial statements. The financial statements presented on pages 40 to 87 have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Standards"), the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee, Financial Pronouncements, as issued by the Financial Reporting Standards Council, and in the manner required by the Companies Act, 2008, 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 IFRSs 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 and the Group at year-end. The directors also prepared the other information included in the integrated annual report and are responsible for both its accuracy and its consistency with the financial statements.

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 and the Group to enable the directors to ensure that the financial statements comply with the relevant legislation.

The Company and the Group 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 controlled.

The Company and the Group operated in compliance with the provisions of the Companies Act, 2008 and their memoranda of incorporation.

The going-concern basis has been adopted in preparing the financial statements of the Company and the Group. The directors believe that the Company and the Group are in a sound financial position and will be going concerns in the foreseeable future, based on forecasts and available cash resources. These financial statements support the viability of the Company and the Group.

The Code of Corporate Practices and Conduct has been adhered to.

The financial statements were prepared by SK Jackson, CA (SA). They have been audited by the Group's external auditor, KPMG Inc., in compliance with the requirements of the Companies Act, 2008. The financial statements were approved by the board of directors and are signed on its behalf by:

Jebb McIntosh
Chief executive officer

James Dixon
Chairman

26 April 2023

CERTIFICATION BY THE COMPANY SECRETARY

In my capacity as company secretary, I hereby confirm that, for the year ended 28 February 2023, 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.

Kerrianne Fonseca
Company secretary

26 April 2023

DIRECTORS' REPORT

FOR THE YEAR ENDED 28 FEBRUARY 2023

Your directors have pleasure in submitting their report on the affairs of the Company and the Group during the year ended 28 February 2023.

NATURE OF BUSINESS

Combined Motor Holdings Limited ("the Company") is an investment holding company with subsidiaries owning significant interests in retail motor, car hire and financial services. The Company is listed in the "General Retailers" sector of the JSE Limited. The Company does not trade and all of its activities are undertaken through its subsidiaries. Further details of the Group's operations appear on pages 6 and 7.

OPERATING RESULTS

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

SHARE CAPITAL

Details of the authorised and issued share capital are set out in the attached financial statements.

DIVIDENDS

The following dividends were declared during the year under review:

	2023 R'000	2022 R'000
Dividend number 68: 168 cents, declared 18 October 2022	**125 667**	–
Dividend number 67: 225 cents, declared 28 April 2022	**168 305**	–
Dividend number 66: 110 cents, declared 14 October 2021	**–**	82 282
Dividend number 65: 125 cents, declared 30 April 2021	**–**	93 503
	293 972	175 785

RESOLUTIONS

At the annual general meeting of shareholders held on 7 June 2022, the following special resolutions were passed:

- Authorisation of the directors in terms of section 45(3) of the Companies Act, 2008, to bind the Company in the provision of direct or indirect financial assistance to a related company;
- Approval of the fees of non-executive directors for their services as directors.

DIRECTORS AND SECRETARY

The directors in office at the date of this report are:

JS Dixon (independent non-executive chairman)

JD McIntosh (chief executive officer)

BWJ Barritt (executive)

SK Jackson (executive)

ME Jones (independent non-executive)

RT Komane (independent non-executive)

JA Mabena (independent non-executive)

AY Metu (independent non-executive)

MR Nkadimeng (independent non-executive)

LCZ Cele retired from the Board on 7 June 2022.

In terms of the Company's memorandum of incorporation ("MOI"), each non-executive director serves for a maximum period of 40 months from the date of his/her election. In addition, the MOI provides that at least one third of the non-executive directors in office must retire each year and the directors to retire will be those who have been longest in office since last re-election. Accordingly, JS Dixon and ME Jones will retire at the forthcoming annual general meeting but, being eligible, offer themselves for re-election. A brief curriculum vitae of each of these directors appears in the Notice of Annual General Meeting on page 88.

The executive directors, together with the members of the executive committee, represent the key management of the Group.

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

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

DIRECTORS' SHAREHOLDING

Details of the directors' direct and indirect shareholding in the Company are reflected on page 85.

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

SUBSIDIARIES

Full details of the Company's subsidiaries are set out on page 82.

The results of the subsidiaries, so far as concerns the Company, comprise aggregate income and losses for the year, after taxation, of R451 935 000 (2022: R364 642 000) and R8 474 000 (2022: R3 625 000) respectively.

AUDITOR

At the annual general meeting, shareholders will be requested to approve the Board's proposal to re-appoint KPMG Inc. and designated partner D Read, as auditor of the Company and its subsidiaries for the financial year ending 29 February 2024.

PENDING LITIGATION

The Group is not involved in any material legal or arbitration proceedings or legal actions, nor are the directors aware of any proceedings that are pending or threatened, that may have, or have had, in the 12-month period preceding the date of this Integrated Annual Report, a material adverse effect on the Group's financial position.

SUBSEQUENT EVENTS

Other than that recorded in note 36 to the attached financial statements, no fact or circumstance material to an appreciation of these financial statements has occurred between the financial year-end and the date of this report.

Umhlanga Ridge
26 April 2023

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF COMBINED MOTOR HOLDINGS LIMITED

Report on the audit of the consolidated and separate financial statements

OPINION

We have audited the consolidated and separate financial statements of Combined Motor Holdings Limited (the Company) and its subsidiaries (together the Group) set out on pages 40 to 85 which comprise the consolidated and company statements of financial position as at 28 February 2023, and the consolidated and company statements of other comprehensive income, consolidated and company statements of changes in equity and consolidated and company statements of cash flows and segment information for the year then ended, and notes to the consolidated and company financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Company and the Group as at 28 February 2023, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Standards) and the requirements of the Companies Act of South Africa.

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 consolidated and separate financial statements section of our report. We are independent of the Group and 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 corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

A key audit matter is that which, in our professional judgement, was of most significance in our audit of the consolidated and separate financial statements of the current year. This matter was addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

We have determined that there are no key audit matters to communicate in our audit report with regards to the separate financial statements of the Company.

Car hire fleet vehicles

Refer to notes 1.4 Plant and equipment and car hire fleet vehicles, 3.1 Carrying value of car hire fleet vehicles and 6 Car hire fleet vehicles

Key audit matter	How the matter was addressed in our audit
As at 28 February 2023, the carrying value of the Group's car hire fleet vehicles amounted to R 1 247,6 million. Which represents 25% of the total assets of the Group. Based on the accounting policy, the car hire fleet vehicles are recorded at historical cost less accumulated depreciation and impairment. The recoverable amount of individual assets is assessed annually, and they are written down if the carrying value exceeds the estimated recoverable amount. The following inputs are taken into account : ▪ condition of each vehicle, ▪ the kilometres travelled, ▪ the number of similar vehicles expected to be retired within a short time frame, ▪ the impact that high sales volumes may have on resale values, and ▪ the current prices in the market for comparable models. Management has the option to shorten or lengthen the actual life of fleet vehicles, so as to optimise the relationship between the carrying value and the resale value. There is inherent uncertainty regarding the future useful lives and selling prices which requires management to exercise judgement. Given the degree of judgement and estimation uncertainty involved in determining the inputs into the carrying value of the car hire fleet vehicles, the determination of the carrying value of car hire fleet vehicles was considered a key audit matter.	Our audit procedures included the following: ▪ We obtained the latest third-party automotive industry media publications to understand the prevailing market conditions and to evaluate the Group's residual value judgements against industry forecasts; ▪ We performed an assessment of the Group's residual values determined based on the current year judgements and compared these to the residual values recovered on disposals in the current and previous five years; ▪ For a sample of car hire fleet vehicles at year end, we performed a physical asset verification and inspected whether the vehicles were serviceable and in use. ▪ For the car hire fleet vehicles on hand at year end we compared the carrying values of the car hire fleet vehicles to a reliable external guide as well as the Group's sales listings for similar vehicles in the event that it was more conservative. ▪ For a sample of car hire fleet vehicles sold after year end, we agreed the sales prices achieved per invoices to the sales prices per the Group's sales listing for similar vehicles to ensure that the sales prices per the listing were comparable; ▪ For a sample of car hire fleet vehicles, we verified the age of the vehicles disposed of during the current year, and considered whether their average age was in line with the useful life assessments applied by the Group for car hire fleet vehicles; and ▪ We assessed the appropriateness of the disclosures in the consolidated financial statements in relation to the guidance set out in IAS 16, Property, plant and equipment.

OTHER MATTER

The consolidated and separate financial statements of the Group and Company as at and for the year ended 28 February 2022, were audited by another auditor who expressed an unmodified opinion on those consolidated and separate financial statements on 28 April 2022.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the document titled "CMH Group 2023 Integrated Annual Report Combined Motor Holdings Limited ", which includes the Directors' report, Report of the audit and risk assessment committee, and the Certification by the company secretary as required by the Companies Act of South Africa. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether it is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, 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 CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS 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 consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's and 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 Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 consolidated and separate 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 consolidated and separate 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 Group's and 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 Group and 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 consolidated and separate 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 Group and/or the Company to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate 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 KPMG Inc. has been the auditor of Combined Motor Holdings Limited for 1 year.

KPMG Inc.
Registered Auditor

Per David Read
Chartered Accountant (SA)
Registered Auditor
Director

28 April 2023

KPMG
6 Nokwe Avenue
Umhlanga Ridge
Durban

SEGMENT INFORMATION

FOR THE YEAR ENDED 28 FEBRUARY 2023

	Total		Motor retail/ distribution		Car hire		Financial services		Corporate services/Other	
2023	R'000	%	R'000	%	R'000	%	R'000	%	R'000	%
External revenue	12 434 375	100	11 370 522	92	849 994	7	153 503	1	60 356	–
Inter-segment revenue	37 821	100	–	–	621	2	–	–	37 200	98
Segment revenue	12 472 196	100	11 370 522	91	850 615	7	153 503	1	97 556	1
Operating profit/(loss)	773 412	100	392 813	51	339 531	44	64 062	8	(22 994)	(3)
Finance income	39 792	100	–	–	–	–	8 984	23	30 808	77
Finance costs	(192 764)	100	(119 024)	62	(70 944)	37	–	–	(2 796)	1
Profit before taxation	620 440	100	273 789	44	268 587	43	73 046	12	5 018	1
After charging										
– impairment of goodwill	(17 671)	100	(17 671)	100	–	–	–	–	–	–
– short-term lease charges	122 007	100	64 868	53	55 517	46	–	–	1 622	1
– employee costs	927 122	100	746 264	80	109 391	12	–	–	71 467	8
– depreciation										
– plant and equipment	33 340	100	25 842	78	1 710	5	–	–	5 788	17
– car hire fleet vehicles	192 551	100	–	–	192 551	100	–	–	–	–
– right-of-use assets	116 243	100	110 157	95	3 839	3	–	–	2 247	2
Total assets	4 976 881	100	2 792 555	56	1 352 707	27	28 527	1	803 092	16
Total liabilities	3 712 596	100	2 316 859	63	1 310 347	35	–	–	85 390	2
Goodwill at year-end	39 625	100	39 625	100	–	–	–	–	–	–

	Total		Motor retail		Car hire		Financial services		Corporate services/Other	
2022	R'000	%	R'000	%	R'000	%	R'000	%	R'000	%
External revenue	11 167 798	100	10 502 191	95	466 212	4	146 307	1	53 088	–
Inter-segment revenue	30 129	100	–	–	324	1	–	–	29 805	99
Segment revenue	11 197 927	100	10 502 191	94	466 536	4	146 307	1	82 893	1
Operating profit/(loss)	606 146	100	426 355	70	146 307	24	50 114	8	(16 630)	(2)
Finance income	28 313	100	136	–	–	–	6 045	21	22 132	79
Finance costs	(124 105)	100	(90 422)	74	(30 362)	24	–	–	(3 321)	2
Profit before taxation	510 354	100	336 069	66	115 945	23	56 159	11	2 181	–
After charging		–								
– employee costs	830 480	100	684 308	82	86 322	11	–	–	59 850	7
– depreciation										
– plant and equipment	29 809	100	23 478	79	2 410	8	–	–	3 921	13
– car hire fleet vehicles	95 800	100	–	–	95 800	100	–	–	–	–
– right-of-use assets	114 403	100	107 296	94	5 105	4	–	–	2 002	2
Total assets	3 778 740	100	1 939 896	52	914 729	24	44 631	1	879 484	23
Total liabilities	2 668 347	100	1 740 190	65	847 889	32	–	–	80 268	3
Goodwill at year-end	57 296	100	57 296	100	–	–	–	–	–	–

The Group's accounting policy for segment reporting is recorded in note 1.17 to the attached financial statements. Further information regarding what is included in the segments can be found on page 3.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 28 FEBRUARY 2023

	Notes	2023 R'000	2022 R'000
ASSETS			
Non-current assets			
Plant and equipment	4	**98 104**	67 432
Right-of-use assets	5	**504 679**	450 565
Car hire fleet vehicles	6	**1 247 595**	828 375
Goodwill	7	**39 625**	57 296
Insurance receivable	8	**28 527**	44 631
Deferred taxation	9	**93 357**	84 854
		2 011 887	1 533 153
Current assets			
Inventories	10	**1 865 244**	1 150 218
Trade and other receivables	11	**337 655**	276 307
Current tax receivable		**219**	1 323
Cash and cash equivalents	12	**761 876**	817 739
		2 964 994	2 245 587
Total assets		**4 976 881**	3 778 740
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	13	**38 091**	38 091
Share-based payment reserve	14	**7 970**	3 567
Retained earnings		**1 218 224**	1 068 735
Total equity		**1 264 285**	1 110 393
Non-current liabilities			
Car hire fleet liability	15	**266 425**	148 002
Lease liabilities	16	**551 548**	496 069
Contract liabilities	17	**3 424**	–
		821 397	644 071
Current liabilities			
Trade and other payables	18	**1 834 172**	1 305 850
Car hire fleet liability	15	**936 306**	605 365
Lease liabilities	16	**112 282**	101 834
Contract liabilities	17	**1 464**	–
Current tax liabilities		**6 975**	11 227
		2 891 199	2 024 276
Total liabilities		**3 712 596**	2 668 347
Total equity and liabilities		**4 976 881**	3 778 740

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 28 FEBRUARY 2023

	Notes	2023 R'000	2022 R'000
Revenue	19	**12 434 375**	11 167 798
Cost of sales	21	**(10 037 459)**	(9 097 650)
Gross profit		**2 396 916**	2 070 148
Other income	20	**26 094**	16 963
Impairment of goodwill	7	**(17 671)**	–
Selling and administration expenses	21	**(1 631 927)**	(1 480 965)
Operating profit		**773 412**	606 146
Finance income	22	**39 792**	28 313
Finance costs	23	**(192 764)**	(124 105)
Profit before taxation		**620 440**	510 354
Tax expense	24	**(176 979)**	(135 467)
Total profit and comprehensive income attributable to equity holders of the company		**443 461**	374 887
EARNINGS PER SHARE	25		
Basic	(cents)	**592,8**	501,2
Diluted basic	(cents)	**574,8**	487,6

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 28 FEBRUARY 2023

	Share capital R'000	Share-based payment reserve R'000	Retained earnings R'000	Total equity R'000
Balance at 28 February 2021	38 091	1 529	869 633	909 253
Total profit and comprehensive income			374 887	374 887
Share-based payment charge		2 038		2 038
Dividends paid			(175 785)	(175 785)
Balance at 28 February 2022	**38 091**	**3 567**	**1 068 735**	**1 110 393**
Total profit and comprehensive income			**443 461**	**443 461**
Share-based payment charge		**4 403**		**4 403**
Dividends paid			**(293 972)**	**(293 972)**
Balance at 28 February 2023	**38 091**	**7 970**	**1 218 224**	**1 264 285**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 28 FEBRUARY 2023

	Notes	2023 R'000	2022 R'000
Cash flows from operating activities			
Cash generated from operations	26	**727 190**	527 907
Taxation paid	27	**(184 827)**	(133 910)
Net cash movement from operating activities		**542 363**	393 997
Cash flows from investing activities			
Purchase of plant and equipment		**(67 238)**	(32 176)
Disposal of property		**–**	72 000
Proceeds on disposal of plant and equipment		**2 596**	3 544
Finance income received*	28	**30 808**	–
Investment in special purpose entities conducting insurance underwriting activities	8	**(250)**	(3 750)
Dividend received from special purpose entities conducting insurance underwriting activities	8	**27 024**	9 950
Acquisition of business	32	**–**	(4 691)
Net cash movement from investing activities		**(7 060)**	44 877
Cash flows from financing activities			
Finance income received	28	**–**	22 268
Finance costs paid	23	**(192 764)**	(124 105)
Principal element of lease liability repayments	29	**(104 430)**	(98 338)
Dividends paid	30	**(293 972)**	(175 785)
Net cash movement from financing activities		**(591 166)**	(375 960)
Net movement in cash and cash equivalents		**(55 863)**	62 914
Cash and cash equivalents at beginning of year		**817 739**	754 825
Cash and cash equivalents at end of year	12	**761 876**	817 739

* *Finance income received has been included in "Cash flows from investing activities" in the current year as it forms part of the Group's return on investment. This was included in "Cash flows from financing activities" in the prior year. The consolidated statement of cash flows has not been restated as the amount reclassified is immaterial.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Standards"), the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee, Financial Pronouncements, as issued by the Financial Reporting Standards Council, and in the manner required by the Companies Act, 2008 (the "Act"). The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below. The financial statements are for the Group consisting of Combined Motor Holdings Limited and its subsidiaries as disclosed on page 82.

The policies set out below have been consistently applied to all the years presented unless otherwise stated.

New and revised standards and interpretations in issue and effective which are applicable to the Group

There are no standards, amendments or interpretations that became effective during the year that are relevant to the Group and no standards, amendments or interpretations not yet effective have been early adopted by the Group.

1.2 Basis of consolidation

Subsidiaries are those entities over which the Group has control. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are included until the date on which control ceases.

Inter-company transactions, balances and unrealised gains and losses on transactions amongst Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

1.3 Business combinations

The acquisition of a business is accounted for under the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of the exchange, of assets received and liabilities incurred or assumed. Acquisition-related costs are recognised in profit or loss as incurred. Goodwill arising on acquisition is recognised at cost in accordance with note 1.6.

1.4 Plant and equipment and car hire fleet vehicles

Plant and equipment and car hire fleet vehicles are recorded at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred. Depreciation is provided using the straight-line method to write off the cost of the assets to their estimated residual values over their estimated useful lives as follows:

Plant and machinery	4 to 5 years
Furniture and office equipment	3 to 10 years
Car hire fleet vehicles	12 to 24 months
Other motor vehicles	4 to 5 years
Leasehold improvements	the period of the lease

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each financial year-end.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Profits and losses on disposal of plant and equipment are recognised in the statement of comprehensive income. Profits are included within "Other income" and losses within "Selling and administration expenses".

Car hire fleet vehicles are reclassified to inventories at the end of their useful lives and their disposal is recognised in the statement of comprehensive income within "Revenue" and "Cost of sales".

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

1.5 Leases

The Group leases the properties from which it operates. At inception of a contract the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group determines that it has the right to control the use of an identified asset when it has the right to obtain substantially all of the economic benefits from the use of the asset or where it has the right to direct the use of the asset, for the period of the agreement.

Initial lease periods vary from 12 months to 14 years. Lease terms are negotiated on an individual basis and contain a range of different terms and conditions. Lease rentals payable escalate at a fixed rate as set out in the lease agreements and there are no variable lease payments based on sales or any other index. The lease agreements do not impose any covenants on the Group. Leased assets may not be used as security for borrowing purposes.

Right-of-use assets

Right-of-use assets are initially measured at cost comprising the amount of the initial measurement of the lease liability.

The right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment. Depreciation is provided using the straight-line method over the shorter of each asset's useful life and the lease term.

Lease liabilities

The lease liabilities are initially measured at the present value of the contractual lease payments that are unpaid at the commencement date, calculated using the Group's incremental borrowing rate at the lease commencement date.

The incremental borrowing rate is the estimated rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions. To determine the incremental borrowing rate, the Group uses recent third-party financing received and applies adjustments specific to the lease, such as term and security, and to reflect changes in financing conditions since third party financing was last received.

Lease payments included in the measurement of the lease liability comprise fixed contractual payments, including those to be made under reasonably certain extension options.

The lease liability is subsequently increased by the finance cost on the liability, calculated using the effective-interest-rate method, and decreased by repayments made, such that the remaining liability at the end of each reporting period is the present value of the remaining lease payments. The finance cost is charged to profit or loss over the lease period.

Lease modifications

Where leases are renegotiated, either in terms of rental amount, lease term, or both, the lease liability is remeasured based on the new terms at an appropriate incremental borrowing rate. The difference between the previous value of the lease liability and the revised value is then adjusted to the lease liability as well as to the right-of-use asset. The revised lease liability is amortised over the updated remaining lease term and the right-of-use asset is depreciated over the updated useful life.

Early termination of lease agreements

Where leases are terminated earlier than the contractual terms, the remaining right-of-use asset and the related lease liability are derecognised, and the difference between these two values, plus any termination costs, is recognised in profit or loss.

Extension options

Certain lease agreements contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension options. If so, the lease liability on commencement date will include the present value of rentals payable under the extended period.

The Group has concluded that it is not reasonably certain to exercise any of the options available to it at year-end. In the event that the Group does decide to exercise an option, the lease liability will be recalculated having regard for the lease payments in respect of the extended period. The value of the right-of-use asset will be adjusted accordingly and the resultant asset depreciated over the extended lease period or the remaining useful life of the asset, whichever is the shorter.

1.5 Leases continued

Sub-leases

The Group acts as a lessor where it sub-leases some of its leased properties on a short-term basis. These sub-leases are classified as operating leases and the lease income is included in "Other income" in the statement of comprehensive income on a straight-line basis.

Short-term leases and leases of low-value assets

Short-term leases are those where the Group has an unconditional right of use for a period not exceeding 12 months. Low-value assets comprise primarily office equipment. Payments made under short-term leases and leases of low-value assets are charged to the statement of comprehensive income when incurred.

1.6 Goodwill

Goodwill represents the future economic benefits arising from assets that are not capable of being individually identified and separately recognised in a business combination and is determined as the excess of the cost of acquisition over the fair value of the Group's share of net identifiable assets in the business combination at the date of acquisition.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. Goodwill is recognised as an asset and initially reflected at its original cost. Goodwill is not amortised but is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying value, an impairment is recognised. Impairment losses on goodwill are not reversed.

Gains and losses on the disposal of an entity include the carrying value of goodwill relating to the entity sold.

1.7 Financial assets

Financial assets comprise "Trade receivables" and "Cash and cash equivalents" which the Group classifies as those to be measured at amortised cost. The classification depends on the Group's business model for managing the asset, and the cash flow characteristics of the asset. Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal debt, are classified as those to be measured at amortised cost. The classification is determined at initial recognition. These financial assets are initially measured at fair value plus transaction costs. Thereafter they are measured at amortised cost using the effective-interest-rate method, after deducting expected losses. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred, and the Group has transferred substantially all the risks and rewards of ownership.

The expected credit loss allowance in respect of financial assets is determined by assessing, on a forward-looking basis, the expected credit losses associated with its financial assets. The amount of the expected credit loss is recognised in the statement of comprehensive income within "Selling and administration expenses".

Trade receivables

The Group holds trade receivables with the objective of collecting the contractual cash flows, and therefore classifies them as those to be measured at amortised cost.

The expected credit loss allowance in respect of trade receivables is determined using the simplified approach permitted by IFRS 9. This requires expected credit losses from all possible default events over the expected life of the trade receivables to be recognised on inception.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, a failure to make contractual payments for a period of greater than 90 days after initial recognition and the failure of a debtor to engage in a repayment plan with the Group. Subsequent recoveries of amounts previously written off are credited against "Selling and administration expenses".

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

1.8 Current and deferred taxation

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

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred taxation is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred taxation is determined using tax rates and laws that have been enacted or substantially enacted at the year-end and are expected to apply when the related deferred taxation asset is realised or the deferred taxation liability is settled.

Deferred tax assets relating to income tax are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

1.9 Inventories

Inventories are stated at the lower of cost and net realisable value, due recognition having been made for slow-moving and redundant items. Movements in the provision are included in "Cost of sales" in the statement of comprehensive income. Net realisable value is the estimate of the selling price of inventory in the ordinary course of business, less applicable variable selling expenses. Cost includes all costs incurred that are necessary to bring the goods to saleable condition and location, and is determined on the following basis:

New vehicles	actual cost
Used and demonstration vehicles	actual cost
Parts and accessories	weighted average cost
Petrol, oils and other inventory	actual cost

Vehicles and parts purchased, which are paid for within the short time periods provided for in the manufacturers' standard franchise agreements, are recognised as inventory when received. This policy is applied despite the fact that certain agreements provide that ownership will remain vested in the manufacturer until the purchase price has been paid in full.

1.10 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.

1.11 Financial liabilities

The Group has the following financial liabilities:

Trade and other payables: these 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; and

Car hire fleet liability: this is measured initially at the fair value of proceeds received, net of transaction costs incurred, when the Group becomes party to the contractual provisions. It is subsequently stated at amortised cost, using the effective-interest-rate method. Any difference between proceeds (net of transaction costs) and the redemption value is recognised as finance cost/income in the statement of comprehensive income over the period of the liability.

Financial liabilities are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the year-end.

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

1.12 Contract liabilities

Contract liabilities relate to the service contracts that are sold with vehicles to cover the cash cost of future expenditure over specified periods. The customer pays upfront in full as part of the cost of the vehicle and this obligation is released over the period of the performance obligations. The associated revenue is long-term in nature (two to five years) and is recognised as the work is performed over the life of the plan (Refer to note 1.14). This means that the revenue is recognised when the vehicle is serviced in terms of the contract. Revenue recognised is the cost of the work done plus the estimated margin which is adjusted to cater for the cost of expected future expenditure based on historical trends and includes forecast inflationary adjustments on an annual basis.

Factors considered when determining the stage-of-completion of the service plan include:

- Vehicle parts, consumables and labour inflation;
- Foreign currency movements in so far as they affect the price of parts to be used; and
- Contract duration and mileage

Contract liabilities are required to cover the contractual costs of service work to be carried out in the future and the unearned margin that will be recognised over the life of the plans. Contracts for which there are insufficient claims history are recognised in profit or loss to the extent of the claims cost incurred without any profits being attributed.

At the end of the plan, any remaining profits are recognised in profit or loss.

1.13 Employee benefits

Pension

The Group provides retirement benefits for its employees through a number of independent defined contribution plans. A defined contribution plan is a pension plan under which the Group pays a fixed contribution to a separate entity and has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to their employment service.

Payments to the retirement contribution plans are charged to the statement of comprehensive income as incurred.

Health care

The Group provides health care benefits for its employees through contributions to various independent medical aid schemes. Payments to the medical aid schemes are charged to the statement of comprehensive income as incurred. The Group has no post-retirement obligations to employees.

Remuneration

The cost of all short-term employee remuneration is recognised during the period in which the employee renders the related service. An accrual is made for employee entitlement to salary, bonuses, profit-share and leave pay based on contractual obligations at current rates of remuneration.

Equity compensation plans

The Group enters into share-based payment transactions in terms of the employee share appreciation rights scheme. Costs incurred in administering the scheme are expensed as incurred. The charge to profit or loss required by IFRS 2: Share-based Payment is accounted for on the basis that the instruments are equity-settled. The total amount to be expensed over the vesting period is determined by reference to the fair value of the rights determined at the grant date using the Black-Scholes valuation model. Non-market vesting conditions are included in assumptions about the number of rights that are expected to become exercisable and the number of shares that the employee will ultimately receive. The amount determined by the model is charged to the statement of comprehensive income over the vesting period, with a corresponding credit to "Share-based payment reserve". The reserve is released proportionately when the rights are exercised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 28 FEBRUARY 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

1.14 Revenue recognition

Revenue recognised under IFRS 15: Revenue from Contracts with Customers

Revenue accounted for using IFRS 15 is recognised when control of the goods or services transfers to the customer, the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the entity. Revenue is measured at the transaction price, after discount, of the sale of goods and services in the ordinary course of business, excluding value-added tax, and after eliminating sales within the Group. Revenue is measured as a fixed fee and has no variability nor recoupment. No significant element of financing is deemed present as the sales are made with a credit term of 30 days or less, which is consistent with market practice.

The Group derives revenue from the sale of the following products and services:

Products and services	Nature, timing of satisfaction of performance obligations and significant payment terms
Sales of motor vehicles, parts and accessories	Revenue on the sale of motor vehicles, parts and accessories is recognised "at a point in time" when the goods have been supplied to the customer. The satisfaction of the performance obligation occurs on delivery or collection of the product. Included in the selling price of certain new vehicles are vehicle manufacturer warranties and/ or service plans. The Group acts as an agent in this regard, and the performance obligations arising therefrom lie with the vehicle manufacturer. When the vehicles are returned to the Group to fulfil the terms of the warranty or service plan, the costs incurred by the Group are reimbursed by the manufacturer. Where an incentive is received from a vehicle manufacturer and is passed onto a customer, the amount of the incentive is taken into account in determining the revenue amount. Where the customer trades in a vehicle immediately prior to purchasing another vehicle, the fair value of the trade-in is applied as non-cash consideration in part-settlement of the customer's obligation in relation to the transaction price. Vehicles are paid for prior to delivery, though the finance houses may take a few days to settle outstanding amounts. Parts are either paid for on delivery or within 30 days, dependent upon whether the customer has pre-approved trade terms. Where the Group acts as an agent for the sale of certain brands of vehicles and is remunerated on a commission basis, the commission is included in "Commission income" and accounted for as set out below.
Service plans	Revenue from vehicle service plans is long-term in nature (two to five years) and is recognised "over the service period" when the vehicle is maintained, serviced or repaired in terms of the contract. Revenue recognised is the cost of the work done plus the estimated margin which is adjusted to cater for the cost of expected future expenditure based on historical trends and includes forecast inflationary adjustments on an annual basis. However, funds for which there are insufficient claims history are recognised in profit or loss to the extent of the claims cost incurred without any profits being attributed. At the end of the plan, any remaining profits are recognised in profit or loss. The balance of the unearned revenue is recognised in profit or loss on termination when the contract expires. Payment for the service and warranty plan is made by the customer in full upfront as part of the cost of the vehicle. Refer to note 1.12 "Contract liabilities".

Products and services	Nature, timing of satisfaction of performance obligations and significant payment terms
Services through the workshop departments	Revenue arising from services provided through the workshop is recognised "at a point in time" upon completion of the service. Where the Group services a customer's vehicle, a job card is maintained for each service keeping track of labour, parts and costs incurred on a particular job. Revenue is recognised upon completion of the service as this is when, in the Group's judgement, the Group has obtained the right to receive payment and the customer has obtained benefits from the service provided. Other than in exceptional circumstances, vehicles are received, serviced and delivered back to the customer on the same day. Consequently this revenue is classified as recognised "at a point in time". The number of vehicles that are serviced over a longer period is immaterial and does not justify alternative recognition classification. Payment of the transaction price in respect of services through workshop is due upon completion of the service or within one month, dependent upon whether the customer has pre-approved trade terms.
Commission income	The Group earns revenue in the form of commission from the facilitation of customer finance, and the sale of certain brands of vehicles, vehicle accessories and short-term insurance policies and extended warranty and service plans. The commission arises where the Group acts as an agent on behalf of various service providers. Commission income is recognised "at a point in time" when the Group's obligation in terms of these transactions is satisfied. This occurs when control of the associated vehicle transfers to the customer, typically on delivery to the customer. Thereafter the Group has no further obligation to the service provider nor to the end customer as all performance obligations relating to these products are underwritten by the service provider. Commission revenue is received within a few days after delivery of the vehicle to the customer.

Other forms of revenue

Revenue relating to car hire services is recognised on a straight-line basis over the hire period applying the principles of IFRS 16: Leases applicable to operating leases.

Premium income on insurance products from underwriting activities (refer note 1.18) is recognised over the contract period, calculated on a time-proportionate basis, applying the principles of IFRS 4: Insurance Contracts.

1.15 Finance income and finance costs

Finance income comprises interest receivable, which is recognised as it accrues, taking into account the effective yield on the asset. Finance income is reflected as an investing activity in the statement of cash flows.

Finance costs comprise interest payable which is recognised as it is incurred. Finance costs are reflected as a financing activity in the statement of cash flows. .

1.16 Dividends

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

1.17 Segment reporting

Operating segments are reported in a manner consistent with that used for internal reporting provided to the chief executive officer, and used for making strategic decisions. The chief executive officer is responsible for allocating resources and assessing performance of the operating segments based on a measure of profit before taxation. This measurement is consistent with the recognition and measurement principles applied within the statement of comprehensive income.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

1.17 Segment reporting continued

The various segments of the Group are each subject to risks and returns that are different to other business segments. The principal business segments identified within the Group are motor retail/distribution, car hire and financial services. The corporate services/other segment contains the Group's treasury function, and CMH Green and National Workshop Equipment which are not large enough for separate disclosure. The motor dealerships, although diverse in terms of product brands and locations, are considered to have a similar reaction to economic conditions and influences. Consequently they have been aggregated as one reportable segment.

Sales amongst segments are carried out on an arm's length basis at competitive market-related prices, and are eliminated on consolidation.

Segment assets, liabilities, revenue and expenditure are those directly attributable to the segment.

The Group operates only in the Republic of South Africa.

1.18 Underwriting activities

Underwriting activities are conducted through special purpose entities, managed by external financial service providers, on commercial terms and conditions and at market rates. Underwriting results are determined on a monthly basis. The principle applied is that the costs of incurred claims, commission and related expenditure are applied against the earned proportion of premiums received, as follows:

- Claims incurred comprise claims and related expenditure paid in the year and changes in the provision for outstanding claims incurred but not reported, and are expensed in the year during which they are incurred.
- Commission paid is expensed in the year during which it is incurred.

Premiums earned relate to business written during the year, adjusted for unearned premiums. Unearned premiums represent that portion of the premiums that relates to unexpired terms of the insurance policy, calculated on a time-proportionate basis.

In accordance with IFRS 4: Insurance Contracts, the activities for the year are included in the statement of comprehensive income on a line-by-line basis.

The value of the Group's investment in the special purpose entities, being its initial share investment plus the net result of the special purposes entities' current and prior years' activities, is presented in the statement of financial position as "Insurance receivable".

The results of these activities are recorded in the segment report in "Financial Services".

2. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the chief executive officer and financial director under policies approved by the board of directors. They identify, evaluate and hedge financial risks in close co-operation with the Group's operating units. The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign currency risk, interest rate risk, credit risk, and the investment of excess liquidity.

2.1 Interest rate risk

Interest rate exposures are reviewed regularly. The Group is exposed to interest rate risk on its cash resources and borrowing facilities, 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 these values at year-end, the profit before taxation for the year would have been lower or higher by R5 851 000 (2022: R2 091 000) on the assumption that all other factors remained constant.

2.2 Credit risk

The Group's credit risk lies principally in its trade receivables, cash and cash equivalents and insurance receivable.

Trade receivables

Trade receivables comprise a number of major banks which finance vehicle sales, together with a large, widespread customer base. Regular credit assessments of customers are conducted taking into account their financial position, past experience and other factors. All trade receivables are subject to the Group's standard credit terms, are due within a period of 1 to 60 days after sale and are therefore classified as current. Credit risk exposures to customers are managed by a monthly review of trade receivables ageing, continuous review of credit limits, and legal action against defaulting customers. There are no significant concentrations of credit risk in respect of any particular customer.

At inception, the expected credit loss allowance is measured at an amount equal to the lifetime expected credit losses. Thereafter, to measure the expected credit losses, trade receivables are grouped based on the days outstanding since initial recognition. When calculating the expected credit loss allowance, the Group first considers those receivables where there are clear indicators that there has been a significant increase in the expected credit loss since initial recognition. The allowance in respect of these receivables is calculated taking into consideration all reasonable and supportable information that is available, and that is relevant for assessing the extent of the increase in credit risk since initial recognition. Having considered those trade receivables, the remainder are categorised based on their ageing profile and an expected credit loss allowance determined using the following provisioning matrix:

		Expected loss rate for ageing profile		
	Terms	0 to 60 days	61 to 90 days	90+ days
Banks with the country's highest long-term credit rating	1 day	0%	–	–
Corporate and fleet customers	30 days	*0%	10%	30%
Individual, parts and workshop customers	1 - 60 days	*0%	10%	30%
Fleet and warranty claims from motor manufacturers	30 days	0%	–	–

* *Rounded down to nearest percentage*

The expected loss rates are based on the historical credit losses experienced on each category of trade receivables over the past 60 months. Where there have been no bad debts, the expected credit loss is 0%. The historical loss rates are adjusted, if necessary, to reflect current and forward-looking information on macro-economic factors affecting the ability of the customers to settle the receivables. The Group has identified the South African lending rate and the national economic growth rate to be the most relevant factors, and accordingly considers the historical loss rates based on expected changes in these factors. The actual credit loss rates recorded by the Group during the year were not materially different from those experienced in the previous year. This is not unexpected given the short-term and widespread nature of the trade receivables. After due consideration, the Group has not deemed it necessary to adjust the loss rates during the current financial year.

The maximum exposure to credit risk at year-end is the carrying amount of each class of financial assets. Further detail on the credit quality of trade receivables is contained in note 11.

Cash and cash equivalents

The expected credit loss on cash and cash equivalents is calculated based on the 12-month expected loss, and reflects the short maturities of the exposures. Cash and cash equivalents are placed only with major financial institutions with the country's highest long-term credit rating. The Group considers that these institutions have a low risk of default and a strong capacity to meet contractual cash flows.

Insurance receivable

The principal component of Insurance receivable is bank balances held within the various insurance cells. These balances are placed only with major financial institutions with the country's highest long-term credit rating.

2.3 Equity price risk

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

2. FINANCIAL RISK MANAGEMENT CONTINUED

2.4 Liquidity risk

The Group 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 contractual undiscounted maturities of the Group's financial and lease liabilities are:

	Total	Less than one year	One to two years	Three to five years	More than five years
2023					
Car hire fleet liability	**1 275 327**	**993 066**	**282 261**	**–**	**–**
Lease liabilities	**862 981**	**163 290**	**152 257**	**331 957**	**215 477**
Trade and other payables*	**1 759 181**	**1 759 181**	**–**	**–**	**–**
	3 897 489	**2 915 537**	**434 518**	**331 957**	**215 477**
2022					
Car hire fleet liability	753 367	605 365	148 002	–	–
Lease liabilities	764 181	150 382	144 998	322 492	146 309
Trade and other payables	1 305 850	1 305 850	–	–	–
	2 823 398	2 061 597	293 000	322 492	146 309

** This figure excludes deposits received in advance and value-added tax as these are not financial liabilities.*

These liabilities are expected to be settled from the proceeds of ongoing operations, and realisation of car hire fleet vehicles and current assets.

2.5 Capital risk

The Group'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.

The capital structure of the Group comprises share capital and retained earnings. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue or repurchase shares, or sell assets to reduce debt. The Group's capital management strategy remained unchanged from the prior year.

2.6 Foreign currency risk

Transactions in foreign currencies are accounted for at rates of exchange ruling on the date of the transactions. Gains and losses arising from the settlement of such transactions are recognised in profit or loss.

Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the reporting date. Unrealised translation differences on such monetary assets and liabilities are recognised in profit or loss in the year in which they occur.

The following balances were outstanding at year end:

	2023 US$	2022 US$
Other receivables	**188 210**	–
Accrued expenses	**(56 580)**	–

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that may affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates will, by definition, rarely equal the actual results achieved. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3.1 Carrying value of car hire fleet vehicles

The Group tests annually whether car hire fleet vehicles are valued at cost less a provision for depreciation calculated to reduce cost to residual value over the estimated useful lives of the vehicles. In doing so recognition is given to the condition of each vehicle, the kilometres travelled, the number of similar vehicles expected to be retired within a short time frame and the impact that high sales volumes may have on resale values, and the current prices in the market for comparable models. Management has the option to shorten or lengthen the actual life of fleet vehicles, so as to optimise the relationship between the carrying value and the resale value. This exercise requires judgement because the estimate of future lives and selling prices carries a level of uncertainty.

3.2 Classification of short-term lease agreements

The Group occupies a number of properties in terms of lease contracts which may be terminated by both the lessor and the lessee, without penalty, after a notice period of 12 months or less. Management has considered the guidance in IFRS 16: Leases, and the IFRIC decision issued in November 2019. It has concluded that, despite the Group having occupied some of the premises for a lengthy period, its right of future occupation is contractually restricted. Consequently the leases have been classified as short-term in terms of IFRS 16: Leases.

4. PLANT AND EQUIPMENT

4.1 Details of plant and equipment

	Total R'000	Leasehold improve-ments R'000	Plant and machinery R'000	Furniture and office equipment R'000	Motor vehicles R'000
At 28 February 2023					
Cost	**285 384**	**14 212**	**72 553**	**192 393**	**6 226**
Accumulated depreciation	**(187 280)**	**(3 383)**	**(47 804)**	**(134 167)**	**(1 926)**
Net book value	**98 104**	**10 829**	**24 749**	**58 226**	**4 300**
At 28 February 2022					
Cost	239 830	5 607	63 149	167 096	3 978
Accumulated depreciation	(172 398)	(2 158)	(43 946)	(125 287)	(1 007)
Net book value	67 432	3 449	19 203	41 809	2 971

4.2 Reconciliation of movement

	Total R'000	Leasehold improve-ments R'000	Plant and machinery R'000	Furniture and office equipment R'000	Motor vehicles R'000
Net book value 28 February 2021	67 068	557	17 566	45 617	3 328
Additions	32 176	3 651	9 430	16 940	2 155
Disposals	(3 328)	–	(1 034)	(529)	(1 765)
Depreciation charge	(29 809)	(759)	(7 826)	(20 477)	(747)
Acquisition of businesses	1 325	–	1 067	258	–
Net book value 28 February 2022	67 432	3 449	19 203	41 809	2 971
Additions	67 238	8 615	15 317	39 400	3 906
Disposals	(3 226)	–	(949)	(972)	(1 305)
Depreciation charge	(33 340)	(1 235)	(8 822)	(22 011)	(1 272)
Net book value 28 February 2023	**98 104**	**10 829**	**24 749**	**58 226**	**4 300**

4.3 The insurance replacement value of plant and equipment is R450 000 000 (2022: R435 000 000).

4.4 Depreciation is recognised in the statement of comprehensive income within "Selling and administration expenses".

	2023 R'000	2022 R'000
5. RIGHT-OF-USE ASSETS		
5.1 Property		
Balance at beginning of year	**450 565**	417 523
Additions	**170 357**	148 617
Derecognition arising on early termination of lease agreements	**–**	(1 172)
Depreciation charge	**(116 243)**	(114 403)
Balance at end of year	**504 679**	450 565

5.2 Depreciation is recognised in the statement of comprehensive income within "Selling and administration expenses".

6. CAR HIRE FLEET VEHICLES

6.1 Details of car hire fleet vehicles

	2023 R'000	2022 R'000
Cost	**1 499 945**	965 986
Accumulated depreciation	**(252 350)**	(137 611)
Net book value	**1 247 595**	828 375

6.2 Reconciliation of movement

	2023 R'000	2022 R'000
Opening net book value	**828 375**	555 746
Additions	**899 569**	613 595
Disposals	**(287 798)**	(245 166)
Depreciation charge	**(192 551)**	(95 800)
Closing net book value	**1 247 595**	828 375

6.3 Car hire fleet vehicles with a cost of R1 499 945 000 (2022: R965 986 000), held under capitalised finance arrangements have been pledged as security for the "Car hire fleet liability" aggregating R1 202 731 000 (2022: R753 367 000) (refer note 15).

6.4 Depreciation is recognised in the statement of comprehensive income within "Cost of sales".

6.5 The movement in car hire fleet vehicles is reflected as an operating activity in the statement of cash flows.

	2023 R'000	2022 R'000
7. GOODWILL		
7.1 Goodwill acquired through business combinations has been attributed to individual cash-generating units ("CGUs").		
Cost and net book value at beginning of year	**57 296**	42 578
Amounts impaired during the year	**(17 671)**	–
Acquisition of business	**–**	14 718
Cost and net book value at end of year	**39 625**	57 296

7.2 Goodwill impairment testing

The carrying value of goodwill is tested annually for impairment. Impairment of goodwill arises when the recoverable amount of the CGUs is less than the carrying value. The recoverable amount is determined using the value-in-use method which requires the use of assumptions. The value-in-use method uses cash flow projections based on financial forecasts for a 5-year period, with an appropriate terminal growth rate. The carrying value is the net asset value of the CGU, including goodwill.

Assumptions

The following tables set out the key assumptions for those CGUs that have significant goodwill allocated to them and the approach used by management to determine the values:

	Motor retail dealerships		Aftermarket parts business	
	2023 (%)	2022 (%)	2023 (%)	2022 (%)
Average annual growth rate in:				
– revenue arising from motor retail departments	**8,0**	2,0		
– revenue arising from after-sales departments	**8,0**	5,0	**10,0**	6,5
– operating expenses	**6,0**	5,0	**3,0**	5,0
Terminal growth rate	**3,0**	1,0	**4,0**	1,0
Pre-tax discount rate	**19,2**	18,1	**16,6**	18,1

7. GOODWILL CONTINUED

7.2 Goodwill impairment testing continued

Assumption	Approach used to determine values
Revenue	Average annual growth rate over the five-year forecast period is based on past performance, adjusted for expected price increases, market share assumptions and management's expectations of future trends in the markets. A conservative and consistent growth rate was applied for the five-year forecast period.
Operating expenses	Average annual growth rate over the five-year forecast period is based on the current cost structure of the business, adjusting for inflationary increases. Variable costs fluctuate in line with revenue. Fixed costs do not vary significantly with sales volumes or prices.
Terminal growth rate	The weighted average growth rate used to forecast cash flows beyond the forecast period. This rate is considered conservative and factors in price increases, exchange rate fluctuations and expected volume growth.
Pre-tax discount rates	Reflect current market assessment of the specific risks relating to each CGU. The rates are derived from the CGU's weighted average cost of capital and take into account the cost of debt, the cost of leases and the cost of equity. Cost of equity is determined using the capital asset pricing model ("the model") which takes into account an equity risk premium and a small stock premium. The model uses market betas of comparable entities in determining the cost of equity. The cost of debt is based on the interest-bearing debt of the Group, and includes the lease liabilities.

Using these assumptions, the carrying value of two CGUs exceeded their recoverable value and the goodwill attributable to those CGUs was impaired in full. For the remaining CGUs, the recoverable amount of each CGU exceeded the carrying value and no impairment was necessary.

Amounts impaired are shown separately in the statement of comprehensive income.

Sensitivity analysis

The estimated recoverable amounts of the CGUs, with the exception of those impaired, exceeded their carrying values with significant headroom. Accordingly, the impairment calculations are not impacted by a 10% adverse variation in management's estimates when comparing the carrying value to the recoverable amount. Management deems 10% to be a reasonable sensitivity analysis of the inputs used and believes this provides relevant and sufficient guidance on the sensitivity of goodwill.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 28 FEBRUARY 2023

8. INSURANCE RECEIVABLE

8.1 Underwriting activities are conducted through special purpose entities ("SPEs"), managed by external financial service providers, on commercial terms and conditions and at market rates.

The Group sells insurance policies to customers who enter into credit agreements in respect of vehicle purchases. The risks covered include life, disability and retrenchment during the period of the credit agreements. The Group also sells extended warranty cover in respect of vehicles and components thereof.

Underwriting reserves held by the Group in respect of these risks are based on independent actuarial calculations.

8.2 The Group has applied IFRS 10: Consolidated Financial Statements in determining whether to consolidate its investment in these SPEs and has determined that the entities do not constitute "deemed separate entities" as envisaged in IFRS 10, and have not been consolidated.

		2023 R'000	2022 R'000
8.3	The activities of the SPEs are included in the statement of comprehensive income on a line-by-line basis. The effect is as follows:		
	Revenue		
	– gross written premium	**133 929**	132 307
	Cost of sales		
	– increase in assurance funds	**(14 135)**	(20 387)
	– claims paid	**(31 332)**	(31 641)
	Selling and administration expenses		
	– other expenses	**(45 973)**	(47 915)
	– marketing fee paid intergroup	**(37 000)**	(8 000)
	Finance income		
	– investment income	**8 984**	6 045
	Profit before taxation	**14 473**	30 409
8.4	Dividends received from the SPEs are reflected in the statement of cash flows as "Dividend received from special purpose entities conducting insurance underwriting activities", and are applied in reduction of "Insurance receivable" in the statement of financial position.		
8.5	The value of the Group's investment in the SPEs, being its initial share investment plus the net result of the SPEs' current and prior years' activities, is presented in the statement of financial position as:		
	– Insurance receivable	**28 527**	44 631
8.6	**Reconciliation of movement**		
	Balance at beginning of year	**44 631**	28 876
	Share investment	**250**	3 750
	Profit after taxation	**10 670**	21 955
	Dividends received	**(27 024)**	(9 950)
	Balance at end of year	**28 527**	44 631

9. DEFERRED TAXATION

9.1 Deferred taxation is calculated on all temporary differences under the liability method using a principal tax rate of 27% (2022: 28%). The movement during the year is as follows:

	2023 R'000	2022 R'000
Balance at beginning of year	**84 854**	61 947
Acquisition of business	**–**	8 141
Temporary differences arising during year	**8 503**	14 766
Balance at end of year	**93 357**	84 854

9.2 Balance at end of year comprises:

	2023 R'000	2022 R'000
Expected credit loss allowance on trade receivables		
– gross	**2 565**	2 335
– less: related taxation allowances	**(1 026)**	(882)
	1 539	1 453
Receipts in advance		
– gross	**18 006**	14 408
– less: related taxation allowances	**(15 459)**	(12 551)
	2 547	1 857
Lease liabilities	**179 234**	167 413
Right-of-use assets	**(136 263)**	(126 158)
Accruals and provisions	**33 385**	28 817
Share-based payment reserve	**13 141**	8 361
Assessed loss	**–**	3 351
Prepayments	**(226)**	(240)
	93 357	84 854

9. DEFERRED TAXATION CONTINUED

9.3 The movement on the deferred taxation account was as follows:

	Closing balance 28 February 2023 R'000	Movement during the year 2023 R'000	Closing balance 28 February 2022 R'000	Acquisition of business during the year 2022 R'000	Movement during the year 2022 R'000	Closing balance 28 February 2021 R'000
Expected credit loss allowance on trade receivables						
– gross	2 565	230	2 335	17	1 068	1 250
– less: related taxation allowances	(1 026)	(144)	(882)	(7)	(399)	(476)
	1 539	86	1 453	10	669	774
Receipts in advance						
– gross	18 006	3 598	14 408	–	3 451	10 957
– less: related taxation allowances	(15 459)	(2 908)	(12 551)	–	(2 806)	(9 745)
	2 547	690	1 857	–	645	1 212
Lease liabilities	179 234	11 821	167 413	–	13 704	153 709
Right-of-use assets	(136 263)	(10 105)	(126 158)	–	(9 252)	(116 906)
Accruals and provisions	33 385	4 568	28 817	285	7 185	21 347
Share-based payment reserve	13 141	4 780	8 361	–	7 228	1 133
Assessed loss	–	(3 351)	3 351	7 846	(6 391)	1 896
Prepayments	(226)	14	(240)	–	978	(1 218)
Total	93 357	8 503	84 854	8 141	14 766	61 947

10. INVENTORIES

	2023 R'000	2022 R'000
10.1 Inventories have been valued as stated in note 1.9 and comprise:		
– new vehicles	**1 119 002**	532 873
– used vehicles	**368 126**	335 272
– demonstration vehicles	**283 406**	196 664
– parts and accessories	**82 284**	74 692
– petrol, oils and other inventory	**12 426**	10 717
	1 865 244	1 150 218

10.2 Inventories of new and demonstration vehicles and parts aggregating R1 212 786 000 (2022: R760 280 000) form security for trade payables aggregating R1 458 672 000 (2022: R964 275 000).

10.3 The cost of inventories sold during the year and the movement in the inventory provisions are recognised as an expense and charged to "Cost of sales" in the statement of comprehensive income.

	2023 R'000	2022 R'000
10.4 Inventories are stated after deduction of the following provisions:		
– new vehicles	**12 251**	–
– used vehicles	**22 799**	25 998
– demonstration vehicles	**6 912**	7 637
– parts and accessories	**18 406**	13 655
	60 368	47 290

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 28 FEBRUARY 2023

	2023 R'000	2022 R'000
11. TRADE AND OTHER RECEIVABLES		
11.1 Trade receivables	**289 025**	237 012
Less: expected credit loss allowance	**(9 500)**	(8 338)
	279 525	228 674
Other receivables	**56 832**	47 633
Value-added taxation	**1 298**	–
	337 655	276 307

11.2 Trade receivables are amounts owed by customers for goods sold or services performed in the ordinary course of business and are primarily in respect of vehicle, car hire, parts and workshop sales. These amounts are subject to the Group's standard credit terms and are due within a period of 60 days after year-end. No interest is charged on these accounts. The Group's accounting policy for determining the expected credit loss allowance and its credit risk policy are outlined in notes 1.7 and 2.2 respectively.

11.3 Other receivables are primarily in respect of incentives from motor manufacturers. They are due within 30 days after year-end, are considered to be recoverable, and the allowance for expected credit losses is not material.

11.4 The carrying value of trade and other receivables approximates their fair value, as the impact of discounting is not significant.

11.5 Trade receivables can be analysed as follows:

	2023 R'000	2022 R'000
0 to 30 days, neither overdue nor impaired	**213 472**	166 487
31 to 60 days, overdue less than 61 days and impaired	**52 686**	44 395
Expected credit loss allowance	**–**	(263)
	52 686	44 132
61 to 90 days, overdue more than 60, less than 91 days and impaired	**7 044**	10 090
Expected credit loss allowance	**(563)**	(839)
	6 481	9 251
91+ days, overdue more than 90 days and impaired	**15 823**	16 040
Expected credit loss allowance	**(8 937)**	(7 236)
	6 886	8 804
	279 525	228 674

11.6 Reconciliation of expected credit loss allowance

	2023 R'000	2022 R'000
At beginning of year	**8 338**	4 463
Utilised during year	**(2 086)**	(966)
Increase in expected credit loss allowance	**3 248**	4 841
At end of year	**9 500**	8 338

11.7 The net movement in the expected credit loss allowance for the year has been included under "Selling and administration expenses" in the statement of comprehensive income.

11.8 Trade receivables can be further analysed as follows:

	2023 R'000	2022 R'000
Banks with the country's highest long-term credit rating	**72 646**	49 168
Corporate and fleet customers and franchisees	**82 056**	80 654
Individual, parts and workshop customers	**97 907**	74 559
Fleet and warranty claims from motor manufacturers	**36 416**	32 631
	289 025	237 012

		2023 R'000	2022 R'000
12. CASH AND CASH EQUIVALENTS			
Bank balances		**761 876**	817 739

Bank balances are held at financial institutions with the country's highest long-term credit rating. The effective interest rate earned on bank balances held at year-end ranged from 4,7% to 7,8% per annum (2022: 2,25% to 4,7%).

13. SHARE CAPITAL

13.1 Preference share capital

Authorised

1 032 400 7,5% 'C' redeemable cumulative preference shares of R1 each

Issued

Nil shares

13.2 Ordinary share capital

Authorised

143 590 560 ordinary shares of no par value

Issued

		2023 R'000	2022 R'000
At beginning and end of year – 74 801 998 shares		**38 091**	38 091

14. SHARE-BASED PAYMENT RESERVE

14.1 Share appreciation rights scheme 2010

On 1 June 2010, 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.

14.2 Measurement of fair value

The fair value for the share appreciation rights has been determined as set out in accounting policy note 1.13. The inputs into the model that were established at the grant dates are as follows:

		2023	2022
Grant date		**1 June 2022**	1 June 2020
Share price at grant date	(cents)	**3 150**	970
Grant price	(cents)	**2 880**	972
Fair value at grant date	(cents)	**2 573**	652
Weighted average share price volatility (over 3 years prior to grant date)	(%)	**44,1**	42,8
Total expected life	(years)	**4,3**	4,3
Dividend yield (over 3 years prior to grant date)	(%)	**8,6**	8,1
Risk-free rate	(%)	**8,5**	7,0

14.3 Movement in share-based payment reserve

		2023 R'000	2022 R'000
Balance at beginning of year		**3 567**	1 529
Charged as "Selling and administration expenses" during year		**4 403**	2 038
Balance at end of year		**7 970**	3 567

14.4 Reconciliation of the movement in the number of rights

		2023	2022
At beginning of year	('000 rights)	**3 575**	3 575
Granted during year	('000 rights)	**1 450**	–
At end of year	('000 rights)	**5 025**	3 575
Exercisable at end of year	('000 rights)	**–**	–

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

		2023 R'000	2022 R'000
15.	**CAR HIRE FLEET LIABILITY**		
15.1	Balance at beginning of year	**753 367**	540 864
	Additions	**899 569**	613 595
	Repayments	**(450 205)**	(401 092)
	Balance at end of year	**1 202 731**	753 367
15.2	Current portion	**936 306**	605 365
	Non-current portion	**266 425**	148 002
		1 202 731	753 367

15.3 This liability is secured by car hire fleet vehicles (refer note 6). The underlying contracts have a maturity of 1 to 18 months after year-end and bear interest at rates varying from prime -1% to prime -1,35% per annum. The carrying amount of the liability approximates its fair value since the interest payable thereon is close to current market rates and the liability is of a relatively short-term nature.

15.4 The movement in the car hire fleet liability is reflected as an operating activity in the statement of cash flows.

		2023 R'000	2022 R'000
16.	**LEASE LIABILITIES**		
16.1	Arising in respect of property leases capitalised in compliance with IFRS 16: Leases		
	Balance at beginning of year	**597 903**	548 962
	Additions	**170 357**	148 617
	Derecognition arising on early termination of lease agreements	**–**	(1 338)
	Finance costs accrued	**56 038**	56 728
	Contractual lease repayments	**(160 468)**	(155 066)
	Balance at end of year	**663 830**	597 903
16.2	Current portion	**112 282**	101 834
	Non-current portion	**551 548**	496 069
		663 830	597 903
17.	**CONTRACT LIABILITIES**		
17.1	**Reconciliation of movement**		
	New business written during the year	**5 249**	–
	Amounts recognised in revenue during the year		
	– from current year contracts	**(361)**	–
		4 888	–
17.2	**Maturity profile**		
	Current portion	**1 464**	–
	Non-current portion expected to be settled:		
	– between 1 and 2 years	**901**	–
	– between 2 and 3 years	**1 297**	–
	– between 3 and 4 years	**1 226**	–
		3 424	–
		4 888	–

		2023 R'000	2022 R'000
18.	**TRADE AND OTHER PAYABLES**		
18.1	Trade payables	**1 520 574**	1 038 218
	Other payables (note 18.4)	**313 598**	267 632
		1 834 172	1 305 850
18.2	Trade and other payables comprise primarily trade payables in respect of the purchase of vehicles and parts. They are payable according to terms varying between 30 and 180 days and as such, the carrying amounts approximate their fair value.		
18.3	All payables are interest-free except those in respect of vehicle purchases which bear interest at rates varying between prime -1,3% and prime per annum for the period they are outstanding in excess of an initial interest-free period.		
18.4	Other payables comprise:		
	Accrued expenses	**234 135**	203 944
	Deposits received in advance	**54 318**	47 497
	Value-added tax	**20 673**	16 191
	Other	**4 472**	–
		313 598	267 632
19.	**REVENUE**		
19.1	Revenue is derived from the various segments of the business as follows:		
	Motor retail and distribution	**11 370 522**	10 502 191
	Car hire	**849 994**	466 212
	Financial services	**153 503**	146 307
	Corporate services/other	**60 356**	53 088
		12 434 375	11 167 798
19.2	**Revenue is recognised as follows**		
	IFRS 15: Revenue from Contracts with Customers	**11 450 453**	10 569 279
	IFRS 16: Leases	**849 994**	466 212
	IFRS 4: Insurance Contracts	**133 928**	132 307
		12 434 375	11 167 798
19.3	**IFRS 15: Revenue from contracts with customers**		
	Revenue from contracts with customers is further disaggregated by segment and timing of revenue recognition as follows:		
	At a point in time		
	Motor retail and distribution		
	New vehicles	**6 440 923**	5 724 934
	Used vehicles	**3 041 586**	3 054 901
	Parts and accessories	**1 104 823**	1 004 226
	Workshop services	**475 797**	433 695
	Commission income	**307 032**	284 436
		11 370 161	10 502 192
	Corporate services/other	**41 692**	35 944
		11 411 853	10 538 136
	Over the service period		
	Motor retail and distribution	**361**	–
	Corporate services/other	**18 664**	17 143
	Financial services	**19 575**	14 000
		38 600	31 143
		11 450 453	11 167 798

19.4 Revenue is earned from a large, widespread customer base, within South Africa, with no one customer contributing a significant portion.

	2023 R'000	2022 R'000
20. OTHER INCOME		
Rental income	2 795	5 970
Profit on sale of plant and equipment	–	216
Recoupment of skills development and training costs	4 588	3 265
Proceeds from insurance claims	5 068	–
Rebates received from suppliers	3 293	–
Gain arising on early termination of lease agreements	–	166
Other	10 350	7 346
	26 094	16 963
21. EXPENSES BY NATURE		
Cost of sales	10 037 459	9 097 650
Selling and administration expenses		
– Employee benefit expense (note 21.1)	855 667	767 338
– Depreciation		
– Plant and equipment (note 4.2)	33 340	29 809
– Right-of-use assets (note 5)	116 243	114 403
– Lease charges		
– Short-term leases	122 007	92 167
– Low-value assets (not classified as short-term leases)	5 831	5 298
– Movement in expected credit loss allowance (note 11.6)	3 248	4 841
– Advertising expenses	53 190	36 696
– Foreign exchange loss	403	–
– Loss on sale of plant and equipment	630	–
– Auditor's remuneration	5 808	6 467
– Other expenses	435 560	423 946
Selling and administration expenses	1 631 927	1 480 965
21.1 Employee benefit expense		
Employee costs – selling and administration	776 183	695 870
– workshop labour	65 575	57 976
Pension fund contributions	47 699	42 906
Medical aid contributions	33 262	31 690
Share-based payment expense	4 403	2 038
Total employee benefit expense	927 122	830 480
Less: portion included in "Cost of sales"	(71 455)	(63 142)
Included in "Selling and administration expenses"	855 667	767 338
21.2 Key management employee benefit expense		
Short-term employee benefits	82 156	79 282
Share-based payment expense	1 802	1 112
	83 958	80 394

These amounts are included in "Employee benefit expense" above.

	2023 R'000	2022 R'000

22. FINANCE INCOME

	2023 R'000	2022 R'000
Bank	**30 808**	22 268
Insurance special purpose entities	**8 984**	6 045
	39 792	28 313

23. FINANCE COSTS

	2023 R'000	2022 R'000
Trade payables	**67 441**	38 881
Lease liabilities	**56 038**	56 728
Car hire fleet liability	**69 285**	28 496
Total interest paid	**192 764**	124 105

24. TAX EXPENSE

24.1 South African normal taxation

	2023 R'000	2022 R'000
– current	**185 482**	150 233
– deferred	**(8 503)**	(14 766)
	176 979	135 467

24.2 Reconciliation of rate of taxation

	2023 %	2022 %
Statutory rate	**28,0**	28,0
Adjusted for:		
Disallowable expenditure		
– depreciation of leasehold improvements	**0,1**	–
– share-based payment expense*	**(0,7)**	(1,3)
– impairment of goodwill	**0,8**	–
– capital expenditure	**–**	0,1
S12H learnership allowance	**(0,2)**	(0,3)
Effect of change in rate of deferred tax	**0,5**	–
Exempt income	**–**	–
Effective rate	**28,5**	26,5

** Differences arising between deferred tax asset balance raised for future costs to be incurred and income tax deduction granted in current year for costs actually incurred on the Share Appreciation Rights Scheme 2010 (refer note 14.1).*

		2023 R'000	2022 R'000

25. EARNINGS PER SHARE

25.1 Basic earnings and headline earnings per share are based on total profit and comprehensive income, and headline earnings attributable to equity holders of the Company respectively, and are calculated using the weighted average of 74 802 000 (2022: 74 802 000) shares in issue during the year. Headline earnings is calculated in accordance with Circular 1/2021 – Headline Earnings, as issued by the South African Institute of Chartered Accountants (SAICA).

25.2 The Group's Share Appreciation Rights Scheme 2010 ("the scheme") is described in note 14.1. In the event that all of the awards are settled by the issue of new shares, earnings and headline earnings per share will be diluted.

The number of shares used to calculate diluted earnings and headline earnings per share is determined by adding to the weighted average number of shares in issue, the number of shares which would be issued to meet the scheme's obligation. This number has been calculated using the volume-weighted average share price of the Company during the year under review, and its appreciation since the grant date.

		2023 R'000	2022 R'000
Weighted average number of shares in issue during year	('000 shares)	**74 802**	74 802
Adjustment for share appreciation rights	('000 shares)	**2 348**	2 084
Weighted average number of shares for dilution calculation		**77 150**	76 886

Past entitlements of employees have been settled by the award to them of shares purchased on the open market. The directors have determined that this practice will continue in respect of future entitlements. On this basis there will be no fresh issue of shares.

25.3 Reconciliation of headline earnings

	2023 R'000	2022 R'000
Total profit and comprehensive income	**443 461**	374 887
Re-measurement items:		
– impairment of goodwill	**17 671**	–
– loss/(profit) on sale of plant and equipment		
– gross	**630**	(216)
– impact of income tax	**(176)**	60
Headline earnings	**461 586**	374 731

25.4 Earnings per share

		2023	2022
Basic	(cents)	**592,8**	501,2
Diluted basic	(cents)	**574,8**	487,6
Headline	(cents)	**617,1**	501,0
Diluted headline	(cents)	**598,3**	487,4

	2023 R'000	2022 R'000
26. CASH GENERATED FROM OPERATIONS		
Operating profit	**773 412**	606 146
Adjustments for non-cash items:		
Movement in share-based payment reserve	**4 403**	2 038
Depreciation		
– Plant and equipment	**33 340**	29 809
– Car hire fleet vehicles	**192 551**	95 800
– Right-of-use assets	**116 243**	114 403
Gain arising on early termination of lease agreements	**–**	(166)
Loss/(profit) on sale of plant and equipment	**630**	(216)
Impairment of goodwill	**17 671**	–
Insurance cell operating activities	**(5 489)**	(24 364)
Profit on sale of car hire fleet vehicles	**(58 833)**	(25 431)
Net movement in contract liabilities	**4 888**	–
Sale of car hire fleet vehicles	**346 631**	270 597
Purchase of car hire fleet vehicles	**(899 569)**	(613 595)
	525 878	455 021
Working capital changes:		
Inventories	**(715 026)**	(100 273)
Trade and other receivables	**(61 348)**	(18 853)
Trade and other payables	**528 322**	(20 491)
Car hire fleet liability	**449 364**	212 503
	201 312	72 886
Cash generated from operations	**727 190**	527 907
27. TAXATION PAID		
Taxation paid is reconciled to the amount disclosed in the statement of comprehensive income as follows:		
Amounts unpaid at beginning of year	**(9 904)**	(2 035)
Amounts charged to the statement of comprehensive income	**(185 482)**	(150 233)
Taxation on insurance underwriting activities not settled in cash	**3 803**	8 454
Amounts unpaid at end of year	**6 756**	9 904
	(184 827)	(133 910)
28. FINANCE INCOME RECEIVED		
Amounts recognised in the statement of comprehensive income	**39 792**	28 313
Accrued on insurance underwriting activities not settled in cash	**(8 984)**	(6 045)
	30 808	22 268

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 28 FEBRUARY 2023

	2023 R'000	2022 R'000
29. PRINCIPAL ELEMENT OF LEASE LIABILITY REPAYMENTS		
Total rentals paid	**(160 468)**	(155 066)
Less: portion classified as finance costs	**56 038**	56 728
	(104 430)	(98 338)
30. DIVIDENDS PAID		
Shareholders of the Company		
Dividend number 68: 168 cents, declared 18 October 2022	**(125 667)**	–
Dividend number 67: 225 cents, declared 28 April 2022	**(168 305)**	–
Dividend number 66: 110 cents, declared 14 October 2021	**–**	(82 282)
Dividend number 65: 125 cents, declared 30 April 2021	**–**	(93 503)
	(293 972)	(175 785)

31. RELATED PARTY TRANSACTIONS

31.1 During the year a number of subsidiary companies occupied properties which are owned directly or indirectly by the executive directors of the Company. Rentals are market-related and revised every 3 to 5 years based on valuations conducted by independent property valuators. The most recent independent valuation was conducted in February 2023.

The lease agreements are for an indefinite period, terminable, without penalties, by either the lessor or the lessee on 12 months' notice.

	2023 R'000	2022 R'000
Rentals paid are disclosed as:		
– lease charges – short-term leases	**67 418**	62 074
– finance costs on lease liability	**1 134**	1 539
– principal element of lease liability repayments	**4 834**	4 012
	73 386	67 625
The contractual undiscounted payments on the leases classified as short-term leases in the next 12 months are as follows:	**67 140**	67 485

31.2 Other transactions conducted and balances with related entities were as follows:

	2023 R'000	2022 R'000
Excel Cars Proprietary Limited ("Excel Cars")		
– purchases included in operating expenses	**10 605**	8 367
– trade payables owing at year-end	**964**	944

Excel Cars is controlled by an executive director of the Company. Purchases from Excel Cars relate to panel-beating services undertaken on damaged vehicles. Transactions are made on normal commercial terms and conditions and at market rates. The year-end balance is payable on the same terms and conditions as other trade payables.

	2023 R'000	2022 R'000
Smallville Properties Proprietary Limited ("Smallville")		
Rental paid is disclosed as:		
– finance costs on lease liability	**650**	889
– principal element of lease liability repayments	**2 235**	2 179

Smallville is controlled by a director of a subsidiary company. The rental agreement is on normal commercial terms and conditions and at market rates.

31.3 The disinterested members of the board have confirmed approval of the above transactions.

32. ACQUISITION OF BUSINESS

32.1 Effective 1 May 2021 the Group acquired 100% of the issued share capital of Ballito Motor Holdings (Proprietary) Limited, a business operating in the motor retail segment. The acquisition was in line with the Group's objective of growing the number of motor retail outlets from which it operates. The goodwill reflected as an asset in the statement of financial position of the acquiree, aligns with the Group's assessment of future profit and cash flow expected to be generated by the business. The goodwill will not be deductible for income tax purposes. The purchase consideration was settled using existing cash resources.

Details of the assets and liabilities recorded in the statement of financial position of the acquiree at the effective date were as follows:

	Total R'000
Plant and equipment	1 325
Inventories	16 940
Trade and other receivables	18 788
Deferred tax	8 141
Goodwill	14 718
Trade payables	(55 221)
Net assets acquired excluding cash resources	4 691
Cash resources of acquiree at date of acquisition	15 426
Purchase consideration	20 117

	2023 R'000	2022 R'000
33. COMMITMENTS		
33.1 Operating lease commitments		
The Group leases properties under various short-term operating lease agreements. The contractual undiscounted payments on these leases in the next 12 months are as follows:	**76 635**	67 912
33.2 Future sub-lease rentals		
The future minimum amount expected to be received under non-cancellable sub-leases in the next 12 months is:	**2 894**	2 072
33.3 Capital commitments		
Approved, not yet contracted – plant and equipment	**35 000**	75 000

All capital commitments will be financed from existing cash resources.

34. EMPLOYEE BENEFIT INFORMATION

34.1 Membership of motor-related union pension funds is compulsory for certain artisans and other employees, whilst membership of the Sygnia Umbrella Pension Fund is available for all other classes of employees.

34.2 The funds operate as defined contribution funds governed by the Pension Funds Act.

34.3 The Group pays a fixed monthly contribution to these separate legal entities and has no legal or constructive obligation to pay further contributions if the funds do not hold sufficient assets to pay all employees the benefits relating to their employment service.

34.4 The Group pays a fixed monthly contribution to various independent medical schemes. It has no post-retirement obligations to employees.

35. GOING CONCERN

The going-concern basis has been adopted in preparing the financial statements of the Company and the Group. The directors believe that the Company and the Group are in a sound financial position and will be going concerns in the foreseeable future, based on management expectations, borrowing facilities and available cash resources. These financial statements support the viability of the Company and the Group.

36. SUBSEQUENT EVENT

Dividend declaration

A dividend (dividend number 69) of 240 cents per share will be paid on Monday, 19 June 2023 to members reflected in the share register of the Company at the close of business on the record date, Thursday, 15 June 2023. Last day to trade *cum* dividend is Monday, 12 June 2023. First day to trade *ex* dividend is Tuesday, 13 June 2023. Share certificates may not be dematerialised or rematerialised from Tuesday, 13 June 2023 to Thursday, 15 June 2023, 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 R179 524 795 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 192 cents to those shareholders who are not exempt in terms of section 64F of the Income Tax Act.

37. NEW STANDARDS AND AMENDMENTS TO EXISTING STANDARDS AND INTERPRETATIONS THAT ARE NOT YET EFFECTIVE

The following new standards and amendments that are effective for periods beginning on or after 1 January 2023, have been published but have not been early adopted. Other than IFRS 17: Insurance Contracts, which is currently being assessed by management, none of these standards or amendments is expected to have a material effect on the Group's future financial statements, although disclosure may be affected.

IFRS 17: Insurance contracts
IFRS 17 will replace IFRS 4: Insurance contracts. IFRS 4 allowed insurers to use different accounting policies to measure similar insurance contracts that they write in different countries. IFRS 17 provides consistent principles for all aspects of accounting for insurance contracts. It removes existing inconsistencies and enables investors, analysts and others to meaningfully compare companies, contracts and industries.

IAS 1: Presentation of financial statements
The amendment clarifies that the classification of liabilities must be based on whether the right to defer settlement by at least twelve months exists at the end of the reporting period and is unaffected by expectation of settlement.

Amendments to IAS 1 – Presentation of Financial Statements and IFRS Practice Statement 2 – Making Materiality Judgements
The amendments provide guidance on the application of materiality judgements when disclosing accounting policies. Through guidance and examples, they aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement to disclose "significant" accounting policies with a requirement to disclose "material" accounting policies, and by adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

Amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors
The amendments include a definition of accounting estimates and clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates.

Amendments to IAS 12 – Income Taxes
The amendments narrow the scope of the initial recognition exception under IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements or to the related asset component. This judgement is important in determining whether any temporary differences exist on the initial recognition of the asset and liability. Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 28 FEBRUARY 2023

	Notes	2023 R'000	2022 R'000
ASSETS			
Non-current assets			
Investment in subsidiary	2	**1**	1
Advance to subsidiary	3	**440 633**	101 108
		440 634	101 109
Current assets			
Other receivables		**4**	946
Current tax receivable		**219**	–
Cash and cash equivalents	4	**306 284**	621 268
		306 507	622 214
Total assets		**747 141**	723 323
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	5	**38 091**	38 091
Retained earnings		**707 804**	683 596
Total equity		**745 895**	721 687
LIABILITIES			
Current liabilities			
Other payables		**1 246**	1 315
Current tax liability		**–**	321
Total liabilities		**1 246**	1 636
Total equity and liabilities		**747 141**	723 323

COMPANY STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 28 FEBRUARY 2023

	Notes	2023 R'000	2022 R'000
Dividend income	6	**300 000**	150 000
Finance income	7	**25 825**	19 816
Revenue		**325 825**	169 816
Selling and administration expenses	8	**(423)**	(412)
Profit before taxation		**325 402**	169 404
Tax expense	9	**(7 222)**	(5 535)
Total profit and other comprehensive income for the year attributable to equity holders of the Company		**318 180**	163 869

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 28 FEBRUARY 2023

	Attributable to equity holders of the Company		
	Share capital R'000	Retained earnings R'000	Total R'000
Total at 28 February 2021	38 091	695 512	733 603
Total profit and comprehensive income	–	163 869	163 869
Dividends paid	–	(175 785)	(175 785)
Total at 28 February 2022	38 091	683 596	721 687
Total profit and comprehensive income	–	318 180	318 180
Dividends paid	–	(293 972)	(293 972)
Total at 28 February 2023	**38 091**	**707 804**	**745 895**

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 28 FEBRUARY 2023

	Notes	2023 R'000	2022 R'000
Cash flows from operating activities			
Cash generated from operations	10	**26 275**	20 065
Taxation paid	11	**(7 762)**	(5 583)
Net cash movement from operating activities		**18 513**	14 482
Cash flows from investing activities			
Advance to subsidiary	3	**(39 525)**	276 480
Net cash movement from investing activities		**(39 525)**	276 480
Cash flows from financing activities			
Dividends paid	12	**(293 972)**	(175 785)
Net cash movement from financing activities		**(293 972)**	(175 785)
Net movement in cash and cash equivalents		**(314 984)**	115 177
Cash and cash equivalents at beginning of year		**621 268**	506 091
Cash and cash equivalents at end of year		**306 284**	621 268

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In addition to the Group accounting policies, the Company applies the following accounting policies:

1.1 Investment in subsidiary

"Investment in subsidiary" is 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.

1.2 Advance to subsidiary

The "Advance to subsidiary" is a financial asset classified as that to be measured at amortised cost. The classification depends on the Company's business model for managing the asset, and the cash flow characteristics of the asset. Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal debt, are classified as those to be measured at amortised cost. The classification is determined at initial recognition. These 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 expected credit 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.

The expected credit loss allowance in respect of financial assets is determined by assessing, on a forward-looking basis, the expected credit losses associated with the financial assets. The amount of the allowance is recognised in the statement of comprehensive income within "Selling and administration expenses".

1.3 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.

	2023 R'000	2022 R'000
2. INVESTMENT IN SUBSIDIARY		
Shares at cost	**1**	1
The investment in CMH Holdings Proprietary Limited comprises 850 "A" class shares of R1 each.		
3. ADVANCE TO SUBSIDIARY		
Balance at beginning of year	**101 108**	227 588
Dividend income	**300 000**	150 000
Loans advanced	**39 525**	–
Loan payments received	**–**	(276 480)
Balance at end of year	**440 633**	101 108
This advance bears no interest and is unsecured with no fixed terms of repayment. The advance has been assessed for recoverability and it has been concluded that the underlying loan can be recovered in cash if required. The provision for expected credit losses is not material.		
4 CASH AND CASH EQUIVALENTS		
Bank balances	**306 284**	**621 268**

Bank balances are held at financial institutions with the country's highest long-term credit rating. The effective interest rate earned on bank balances held at year-end ranged from 4,7% to 7,8% per annum (2022: 2,25% to 4,7%).

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 28 FEBRUARY 2022

	2023 R'000	2022 R'000
5. SHARE CAPITAL		
5.1 Preference share capital		
Authorised		
1 032 400 7,5% 'C' redeemable cumulative preference shares of R1 each		
Issued		
Nil shares		
5.2 Ordinary share capital		
Authorised		
143 590 560 ordinary shares of no par value		
Issued		
At beginning and end of year – 74 801 998 shares	**38 091**	38 091
6. DIVIDEND INCOME		
Subsidiary	**300 000**	150 000
7. FINANCE INCOME		
Bank	**25 773**	19 520
Other	**52**	296
	25 825	19 816
8. SELLING AND ADMINISTRATION EXPENSES		
Selling and administration expenses comprise the following charges:		
– Auditor's remuneration	**77**	84
– Other expenses	**346**	328
	423	412
9. TAX EXPENSE		
9.1 South African normal taxation		
– current	**7 222**	5 535

	%	%
9.2 Reconciliation of rate of taxation		
Statutory rate	**28,0**	28,0
Exempt dividend income	**(25,8)**	(24,7)
Effective rate	**2,2**	3,3

	2023 R'000	2022 R'000
10. CASH GENERATED FROM OPERATIONS		
Profit before taxation	325 402	169 404
Adjustment for non-cash item:		
Dividend income received through loan account	(300 000)	(150 000)
Working capital changes:		
Other receivables	942	428
Trade and other payables	(69)	233
Cash generated from operations	26 275	20 065
11. TAXATION PAID		
Taxation paid is reconciled to the amounts disclosed in the statement of comprehensive income as follows:		
Amounts unpaid at beginning of year	(321)	(369)
Amounts charged to statement of comprehensive income	(7 222)	(5 535)
Amounts (paid in advance)/unpaid at end of year	(219)	321
Amount paid	(7 762)	(5 583)
12. DIVIDENDS PAID		
Dividend number 68: 168 cents, declared 18 October 2022	(125 667)	–
Dividend number 67: 225 cents, declared 28 April 2022	(168 305)	–
Dividend number 66: 110 cents, declared 14 October 2021	–	(82 282)
Dividend number 65: 125 cents, declared 30 April 2021	–	(93 503)
	(293 972)	(175 785)
13. RELATED PARTY TRANSACTIONS		
Transactions conducted with related companies during the year:		
Dividends received from subsidiary	300 000	150 000
Year-end balances with related companies:		
– Advance to subsidiary	440 633	101 108
– Investment in subsidiary	1	1

14. NEW STANDARDS AND AMENDMENTS TO EXISTING STANDARDS AND INTERPRETATIONS THAT ARE NOT YET EFFECTIVE

Other than those listed in note 37 to the consolidated financial statements, there are no new standards that have been published that are expected to have a material impact on the Company's future accounting periods.

SUBSIDIARIES

FOR THE YEAR ENDED 28 FEBRUARY 2023

The details of the subsidiaries within the Combined Motor Holdings Group are:

		Effective holding (indirect)/direct	
Name of company	**Activity**	**2023 %**	**2022 %**
Ballito Motor Holdings	A	**(85)**	(85)
CMH Car Hire	B	**(85)**	(48)
CMH Car Hire Fleet	B	**(85)**	(85)
CMH Green Machine	D	**–**	(85)
CMH Holdings	C	**85**	85
CMH Management	C	**(85)**	(85)
Datcentre Motors	A	**(85)**	(85)
Kempster Sedgwick	A	**(85)**	(85)
Mandarin Motors Three	A	**(85)**	(85)
Mandarin Parts Distributors	A	**(85)**	(85)
Pipemakers	C	**(85)**	(85)
Whitehouse Motors	A	**(85)**	(85)

Notes:

1. *All subsidiaries are proprietary limited companies incorporated in South Africa.*
2. ***Activity index:***
   - *A Motor retail/distribution*
   - *B Car hire*
   - *C Corporate services/other*
   - *D Deregistered*
3. *No business of a subsidiary was managed by a third party during the year under review.*
4. *During 2006 the Group concluded a transaction with Main Street 445 Proprietary Limited ("Main Street"), in terms of which Main Street acquired a 15% shareholding in CMH Holdings Proprietary Limited and its subsidiaries. However in terms of the shareholders' agreement, Main Street will not enjoy any benefits from its shareholding until various financial conditions have been met. It is not expected that these conditions will be met in the foreseeable future and consequently the equity held by Main Street has been consolidated in the financial statements of the Group.*

DIRECTORS' EMOLUMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2023

Executive directors	Total R'000	BWJ Barritt R'000	SK Jackson R'000	JD McIntosh R'000
2023				
Salary	**15 817**	**4 247**	**5 048**	**6 522**
Performance-related payments	**12 490**	**4 470**	**3 020**	**5 000**
Share-based payment award	**208**	**208**	**–**	**–**
Other benefits	**1 071**	**145**	**463**	**463**
Contributions to pension and medical aid funds	**1 744**	**380**	**579**	**785**
	31 330	**9 450**	**9 110**	**12 770**
2022				
Salary	15 063	4 045	4 807	6 211
Performance-related payments	11 950	3 400	3 400	5 150
Share-based payment award	143	143	–	–
Other benefits	1 048	144	452	452
Contributions to pension and medical aid funds	1 685	374	556	755
	29 889	8 106	9 215	12 568

Non-executive directors' fees	2023 R'000	2022 R'000
LCZ Cele	**107**	285
JS Dixon	**855**	813
ME Jones	**464**	422
RT Komane	**213**	109
JA Mabena	**277**	326
AY Metu	**260**	109
MR Nkadimeng	**260**	248
Total	**2 436**	2 312

Notes:

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

DIRECTORS' SHARE APPRECIATION RIGHTS

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 2022 at R28.80	Granted June 2020 at R9,72
BWJ Barritt			
At 28 February 2022	250	–	250
Granted during the year	100	100	–
At 28 February 2023	**350**	**100**	**250**
The rights may be exercised as follows:			
– June 2023	**83**	**–**	**83**
– June 2024	**83**	**–**	**83**
– June 2025	**117**	**33**	**84**
– June 2026	**33**	**33**	**–**
– June 2027	**34**	**34**	**–**
	350	**100**	**250**

DIRECTORS' SHAREHOLDING

('000 shares)	Total	BWJ Barritt	SK Jackson	JD McIntosh
Beneficial shareholding at 28 February 2022				
– direct	487	400	87	–
– indirect	32 208	350	5 788	26 070
	32 695	750	5 875	26 070
Shares acquired during the year				
– direct	110	110	–	–
– indirect	–	–	–	–
	110	110	–	–
Beneficial shareholding at 28 February 2023				
– direct	**597**	**510**	**87**	**–**
– indirect	**32 208**	**350**	**5 788**	**26 070**
	32 805	**860**	**5 875**	**26 070**

ANALYSIS OF ORDINARY SHAREHOLDERS

	Number of shareholders		Number of shares held ('000)		Percentage of shares held	
	2023	2022	2023	2022	2023	2022
Individuals	**4 638**	3 791	**8 047**	7 446	**10,8**	10,0
Trusts	**221**	195	**3 611**	3 397	**4,8**	4,5
Other corporate bodies	**329**	271	**63 144**	63 959	**84,4**	85,5
	5 188	4 257	**74 802**	74 802	**100,0**	100,0
Holdings						
1 – 2 500	**4 284**	3 482	**1 250**	979	**1,7**	1,3
2 501 – 5 000	**318**	250	**1 168**	925	**1,6**	1,2
5 001 – 10 000	**219**	172	**1 649**	1 284	**2,1**	1,7
Over 10 000	**367**	353	**70 735**	71 614	**94,6**	95,8
	5 188	4 257	**74 802**	74 802	**100,0**	100,0
Public shareholders	**5 184**	4 253	**41 975**	42 085	**56,1**	56,3
Non-public shareholders – directors of Company	**3**	3	**32 805**	32 695	**43,9**	43,7
– extended family of directors of Company	**1**	1	**22**	22	**–**	–
	5 188	4 257	**74 802**	74 802	**100,0**	100,0

Notes:

1. *In addition to the directors' shareholdings recorded above, the following shareholder has reported holding in excess of 5%:*
   – Ninety One SA Proprietary Limited: 6,72%
2. *A copy of the detailed share register as at 28 February 2023 is available on written request to the company secretary.*

STOCK EXCHANGE PERFORMANCE

		2023	2022
Closing price	(cents)	**2 868**	2 800
Market capitalisation at year end	(R'000)	**2 145 321**	2 094 456
Volume of shares traded	('000)	**9 830**	12 162
Value of shares traded	(R'000)	**277 718**	283 365
Volume of shares traded as percentage of total issued shares	(%)	**13,1**	16,3
JSE General Retailers Index		**6 124**	6 336
JSE All-share Index		**77 733**	76 090
Lowest price during the year	(cents)	**2 371**	1 550
Highest price during the year	(cents)	**3 324**	2 900
Earnings yield	(%)	**21,5**	17,9
Dividend yield	(%)	**13,7**	8,4

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the thirty-sixth public annual general meeting ("AGM") of shareholders of Combined Motor Holdings Limited will be held in the boardroom at CMH Head Office located at 1 Wilton Crescent, Umhlanga Ridge, on Wednesday, 7 June 2023 commencing at 14:30, to pass, if thought fit, the ordinary and special resolutions proposed in this notice.

In order for an ordinary resolution to be adopted, the support is required of more than 50% of the total number of votes which the shareholders present or represented by proxy at this meeting are entitled to cast. In order for a special resolution to be adopted, the support is required of more than 75% of the total number of votes which the shareholders present or represented by proxy at this meeting are entitled to cast.

A shareholder who is entitled to attend and vote at the meeting is entitled to appoint a proxy to attend, speak and vote in his stead. The person so appointed need not be a shareholder. In terms of section 63(1) of Companies Act 2008 ("the Act"), any shareholder or proxy who attends the meeting must provide satisfactory identification. A South African green bar-coded identification document, smart ID card, driver's licence or passport will be acceptable.

1. ORDINARY RESOLUTION NUMBER 1

Approval of financial statements
To receive, approve and adopt the financial statements of the Company and the Group for the year ended 28 February 2023, such financial statements having been approved by the Board as required by section 30(3)(c) of the Act, and the reports of the Directors, the Audit and risk assessment committee, the Social, ethics and transformation committee, and the Remuneration committee, which are presented to the shareholders in the integrated annual report.

2. ORDINARY RESOLUTION NUMBER 2

Re-election of non-executive directors
To confirm the re-election of JS Dixon and ME Jones who retire by rotation in terms of the memorandum of incorporation and who have offered themselves for re-election.

A brief curriculum vitae of each of the above directors is recorded on page 90. The Board recommends the re-election of each of the directors.

3. ORDINARY RESOLUTION NUMBER 3

Election of Audit and risk assessment committee
To elect members of the Audit and risk assessment committee for the ensuing year, as required by section 94(2) of the Act. The Board proposes the re-election of the following members, subject to their re-election in terms of ordinary resolution number 2 above, where applicable:

ME Jones (chairman)
AY Metu
MR Nkadimeng

4. ORDINARY RESOLUTION NUMBER 4

Appointment of external auditor
To re-appoint, as required by section 90(1) of the Act, KPMG Inc. and designated partner D Read, as auditor of the Company and the Group for the ensuing year, as proposed by the Board.

5. ORDINARY RESOLUTION NUMBER 5

5.1 Remuneration policy

To confirm, on a non-binding advisory basis, the remuneration policy of the Group.

5.2 Implementation report

To confirm, on a non-binding advisory basis, the implementation report of the Group.

Both the remuneration policy and the implementation report are contained in the Report of the Remuneration and Nominations Committees on pages 26 to 30.

6. SPECIAL RESOLUTION NUMBER 1

Approval of fees of non-executive directors
To approve, in terms of section 66(8) of the Act, the fees of non-executive directors for their services as directors, during the ensuing year, as follows:

	2024 R'000
Chairman of the Board	**818**
Director	**181**
Audit and risk assessment committee	
– chairman	**246**
– member	**52**
– per meeting	**21**
Remuneration committee	
– chairman	**43**
– member	**19**
– per meeting	**13**
Social, ethics and transformation committee	
– chairman	**43**
– member	**19**
– per meeting	**13**
Nominations committee	
– per member, per *ad hoc* meeting	**10**

IMPORTANT DATES

Record date (in terms of section 59(1)(a) of the Act) to receive the Notice of the AGM	Friday, 28 April 2023
Notice of AGM distributed to shareholders	Wednesday, 10 May 2023
Last day to trade in order to be eligible to vote at the AGM	Tuesday, 23 May 2023
Record date (in terms of section 59(1)(b) of the Act) to vote at the AGM	Friday, 26 May 2023

By order of the board of directors

K Fonseca
Company secretary

26 April 2023

CURRICULA VITAE

A brief curriculum vitae of each of the directors standing for re-election is as follows:

JS DIXON

James Dixon, CA(SA) was appointed to the Board in October 2010. He was chairman of the Audit and risk assessment committee from 2011 to 2018 and was appointed Chairman of the Board in May 2018. James is a member of the Remuneration committee and the Social, ethics and transformation committee and is chairman of the Nominations committee. James retired from PricewaterhouseCoopers Inc. in 2009 after serving as a partner at the firm for a period of 28 years. During that time he held the positions of Head of KwaZulu-Natal Assurance, Human Resources partner, member of the National Assurance Executive, and Head of KwaZulu-Natal Marketing. Until its delisting in 2022, James also served as a non-executive, independent director of ARB Holdings Limited. James also holds directorships in various property investment companies, and consults to small businesses. He was last re-elected to office in 2021.

ME JONES

Mike Jones, CA (SA), was appointed to the Board in April 2015 and to the Audit and risk assessment committee in May 2015. He assumed the role of chairman of that committee in 2018. Mike was a partner at PricewaterhouseCoopers Inc. for 27 years before retiring in 2013. During that time he was leader of KwaZulu-Natal Transactions Services, Risk Management and Technical Standards and later the leader of the Assurance practice from 2007 to 2013. He is also an independent trustee of the Fulton School Educational Trust. Mike was last re-elected to office in 2021.

FORM OF PROXY

COMBINED MOTOR HOLDINGS LIMITED ANNUAL GENERAL MEETING 7 JUNE 2023

I/We the undersigned,

being the holder/s of ordinary shares of no par value in Combined Motor Holdings Limited,

do hereby appoint

or failing him the chairman of the meeting as my/our proxy to transact on my/our behalf at the annual general meeting of the Company to be held at 14:30 on Wednesday, 7 June 2023 and at each adjournment thereof.

Signature(s) Date

Please indicate with an "X" in the appropriate space below how you wish your vote to be cast:

	For	Against	Abstention
Ordinary resolution number 1: Approval of financial statements			
Ordinary resolution number 2.1: JS Dixon			
Ordinary resolution number 2.2: ME Jones			
Ordinary resolution number 3.1: ME Jones			
Ordinary resolution number 3.2: AY Metu			
Ordinary resolution number 3.3: MR Nkadimeng			
Ordinary resolution number 4: Appointment of external auditor			
Ordinary resolution number 5.1: Remuneration policy			
Ordinary resolution number 5.2: Implementation report			
Special resolution number 1: Approval of non-executive directors' fees for:			
Special resolution number 1.1: Chairman of the Board			
Special resolution number 1.2: Directors			
Special resolution number 1.3: Chairman of the Audit and risk assessment committee			
Special resolution number 1.4: Other fees			

Notes:

1. A shareholder who is entitled to attend and vote at the meeting is entitled to appoint a proxy to attend, speak and vote in his stead. The person so appointed need not be a shareholder.
2. Forms of proxy should be signed and dated and, where possible, forwarded to reach the company secretary at, 1 Wilton Crescent, Umhlanga Ridge 4319, or by email at kerriannef@cmh.co.za, by no later than 14:30 on Tuesday, 6 June 2023. Nevertheless, completed Forms of Proxy may be lodged with the chairman of the meeting at any time prior to the commencement of the meeting.
3. If no direction is given as to how a vote is to be cast, then the proxy holder will be entitled to vote as he/she deems fit.
4. In terms of the Companies Act 2008, any shareholder or proxy who attends the meeting must provide satisfactory identification. A South African green bar-coded identification document, smart ID card, driver's licence or passport will be acceptable.

Registered office
1 Wilton Crescent, Umhlanga Ridge, 4319

Postal address
PO Box 1033, Umhlanga Rocks, 4320

ADMINISTRATION

Ultimate holding company

Combined Motor Holdings Limited
Registration number: 1965/000270/06
Income tax reference number: 9471/712/71/2
Share code: CMH
ISIN: ZAE000088050

Directors

BWJ Barritt *(executive)*
JS Dixon, CA (SA) *(independent non-executive)*
SK Jackson, BCom (Hons) (Tax Law), CA (SA) *(executive)*
ME Jones, CA (SA) *(independent non-executive)*
RT Komane, CA (SA), MFin *(independent non-executive)*
JA Mabena, BCom *(independent non-executive)*
AY Metu, CA (SA) *(independent non-executive)*
JD McIntosh, CA (SA) *(executive)*
MR Nkadimeng, CA (SA) *(independent non-executive)*

Business address and registered office

1 Wilton Crescent
Umhlanga Ridge 4319

Postal address

PO Box 1033
Umhlanga Rocks 4320

Company secretary

K Fonseca

Transfer secretaries

Computershare Investor Services Proprietary Limited
Private Bag X9000
Saxonwold 2132

Auditor

KPMG Inc.

Sponsor

PricewaterhouseCoopers Corporate Finance Proprietary Limited
4 Lisbon Lane
Waterfall City
Jukskei View 2090

Banker

First National Bank of South Africa

CMH GROUP