



*The Colonial Motor Company Limited*

**90th Annual Report**

**2008**

# *The Colonial Motor Company Limited*

## BOARD OF DIRECTORS

John A Wylie, Chairman

John A Blyth

J P (Jim) Gibbons

Graeme D Gibbons

Peter D Wilson

Ian D Lambie

Peter J Aitken

## CHIEF EXECUTIVE

Graeme D Gibbons

## COMPANY SECRETARY

Nicholas K Bartle (from 1 September 2008)

J G (Jack) Tuohy (to 31 August 2008)

## GROUP ACCOUNTANT

George A Smith

## AUDITOR

B O Kennerley (a partner in the firm of Grant Thornton)

## BANKERS

The National Bank of New Zealand

Bank of New Zealand

Westpac New Zealand Limited

## SHARE REGISTRY

Computershare Investor Services Limited

Level 2, 159 Hurstmere Road

Takapuna, North Shore

Private Bag 92119

Auckland 1020

## REGISTERED OFFICE AND ADDRESS FOR SERVICE

Level 1, CMC Building

89 Courtenay Place

PO Box 6159

Wellington 6141

New Zealand

Telephone (04) 384-9734

Facsimilie (04) 801-7279

E-mail address [cmc@colmotor.co.nz](mailto:cmc@colmotor.co.nz)

Shareholder enquiries can be addressed to the Registered Office or, if applicable, directly to the Share Registry.

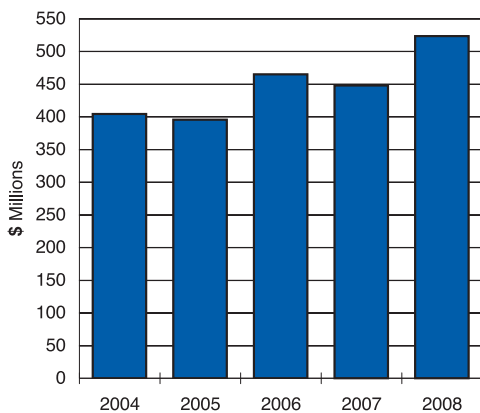
# The Colonial Motor Company Limited

## and Subsidiary Companies

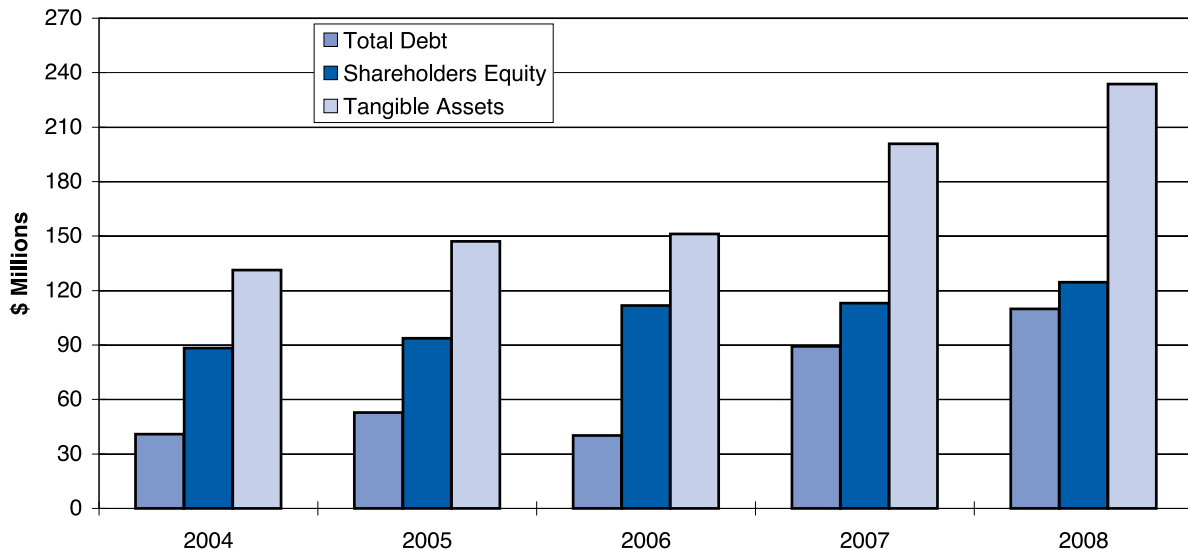
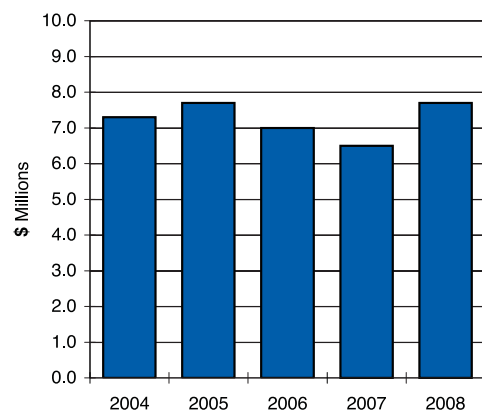
### Facts at a Glance and Five Year Trends

\$000	2008	2007	2006	2005	2004
Reporting Basis	IFRS	IFRS	NZ GAAP	NZ GAAP	NZ GAAP
Operating Revenue	523,408	454,703	464,927	395,619	404,230
Trading Profit after Tax (excluding Non Trading Items)	7,660	6,499	6,964	7,715	7,307
Net Profit after Tax	7,217	6,499	11,461	12,913	10,517
Return on Average Shareholders' Funds					
- Trading Profit	6.4%	5.8%	6.8%	8.5%	8.5%
- Net Profit	6.1%	5.8%	11.2%	14.2%	12.3%
Trading Profit Per Dollar of Revenue	1.5c	1.4c	1.5c	1.9c	1.8c
Earnings per Share - Trading Profit after Tax	27.5c	23.3c	25.0c	27.7c	26.2c
- Net Profit After Tax	25.9c	23.3c	41.2c	46.4c	37.8c
Dividend per Share	23.0c	23.0c	24.0c	22.0c	20.0c
Shares on issue at Balance Date	27.851m	27.851m	27.851m	27.851m	27.851m
Current Ratio	1.3	1.5	2.0	1.8	1.9
Shareholders' Equity as a Percent of Total Assets	52.7%	55.4%	72.4%	63.1%	67.3%
Net Tangible Asset Backing per Share (after final dividend is paid)	\$4.27	\$3.82	\$3.76	\$3.21	\$3.07

Operating Revenue



Trading Profit After Tax



# *The Colonial Motor Company Limited*

## and Subsidiary Companies

### Directors' Report and Statement of Corporate Governance

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Your Directors have pleasure in presenting the 90<sup>th</sup> Annual Report and audited Financial Statements of The Colonial Motor Company Limited ("the Company") and of the Group for the year ended 30 June 2008.

#### **Revenue and Operating Profit**

Gross Revenue for the year was \$523.4 million (\$454.7 million in 2007) while Net Profit after Tax attributable to Shareholders was \$7.2 million (\$6.5 million in 2007). The Provision for Income Tax was \$4.5 million (\$3.7 million in 2007). All of the 2007 figures have been re-stated following the transition to International Financial Reporting Standards.

#### **Dividends**

Dividends paid in respect of this year will total 23 cents per share (23 cents per share in 2007). An interim dividend of 11 cents per share was paid on 9 April 2008 and a final dividend of 12 cents per share will be paid on 3 November 2008, both dividends being fully imputed. The value of the distributions for this year will be \$6.4 million (\$6.4 million in 2007) representing 88% (99% in 2007) of the net profit after tax attributable to shareholders.

The Group's tax rate will change from 33% to 30% effective 1 July 2008. Since dividend imputation was introduced, the Company has always paid fully imputed dividends and currently has a significant 'pool' of imputation credits at the 33% level (see Note 17 on page 28). From 1 April 2010, dividends paid will be imputed to a maximum of 30%.

#### **Directors**

The Board of Directors maintains effective direction of the Company, monitors executive management and ensures that decisions on material matters are in the hands of the Board. The Board has a code of ethics under which it operates and has committees to carry out specific functions. Each Board committee operates under a formal charter.

The executive directors on the Board are G D Gibbons, the Chief Executive, and J P Gibbons, Dealer Principal of Energy City Motors Limited. The independent directors on the Board at 30 June 2008, and at the date of this report, were P J Aitken, J A Blyth, I D Lambie and P D Wilson.

The Directors to retire by rotation at the 2008 Annual Meeting are J P Gibbons and I D Lambie who, being eligible, offer themselves for re-election.

John Blyth will be retiring as a Director at the end of 2008. John has been a Director for 18 years and associated with the CMC Group for 42 years, joining at Macaulay Motors in 1966 and having worked at Phillipps Motors (now Energy City Motors) and Timaru before being appointed as Dealer Principal of Ruahine Motors in 1984 and East City Ford in Auckland in 1986. We would like to take this opportunity to thank John and his wife Helen for their contribution to the Group over a lifetime of commitment to the Company.

#### **Director and Company Disclosures**

Information required to be disclosed by the Directors and by the Company, to comply with the Companies Act 1993, the Securities Markets Act 1988 and the Listing Rules of the New Zealand Stock Exchange, is detailed on pages 45 to 48.

# *The Colonial Motor Company Limited*

## and Subsidiary Companies

### **Directors Fees**

At the 2007 annual meeting shareholders passed a resolution setting the maximum for total directors' fees at \$185,000 per annum. Total fees paid in the financial year were \$173,800.

### **New Financial Reporting Standards**

The financial statements set out in this annual report are the first to have been prepared to comply with International Financial Reporting Standards ("IFRS"). Note 29 on pages 37 to 42 details the changes that were required to the result previously reported for the 2007 financial year and the balance sheets at the start and end of that year.

### **Internal Control**

The Management maintains appropriate accounting records and has developed and continues to maintain a system of internal controls. Internal financial controls, including the functions of internal audit implemented by the Management, can provide reasonable but not absolute assurance against material mis-statement or loss.

The Directors acknowledge that they are responsible for ensuring that the Company and the Group maintain an internal financial control system. The Audit & Compliance Committee seeks and obtains advice on the establishment and maintenance of certain key procedures that are designed to provide effective internal financial controls. The Directors have reviewed the adequacy and effectiveness of the system of internal financial control.

The Directors continue to adopt the going concern basis in preparing the Financial Statements.

### **External Auditor**

It has been the Company's custom to name the individual partner of the audit firm as its auditor. Mr B O Kennerley of Grant Thornton, Wellington, has been the auditor for a number of years.

It is considered best governance practice to rotate the audit partner regularly and it is timely for Grant Thornton to nominate a new auditor. Mr Graeme McGlenn will be the partner in charge for the audit of the financial statements for the 2009 year. The resolution proposed for the annual meeting this year will be to record the appointment of Grant Thornton as the auditor in accordance with section 200 of the Companies Act 1993.

### **Audit & Compliance Committee**

For the year to 30 June 2008, the Audit & Compliance Committee of the Board comprised P D Wilson (Chairman), J P Gibbons and I D Lambie. The Committee met on five occasions during the financial year.

The Committee meets periodically with the Management and the External Auditor to review the Financial Statements and accounting policies, the effectiveness of management information and the systems of internal control, interim financial information and to discuss the External Auditor's findings. The External Auditor has direct access to this Committee.

The Committee also monitors the Group's compliance with the legislative and regulatory requirements of its operations. This monitoring has included reviewing compliance (where necessary) with the corporate governance principles and guidelines of the Securities Commission and with the related obligations under the Listing Rules.

# *The Colonial Motor Company Limited*

and Subsidiary Companies

## **Remuneration Committee**

For the year to 30 June 2008, the Remuneration Committee of the Board comprised J A Wylie (Chairman) and P D Wilson. The purpose of this Committee is to ensure that the Company's Directors and senior executives are fairly rewarded for their individual contributions to the Group's overall performance.

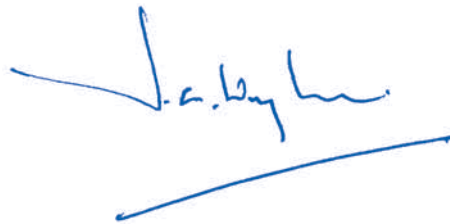
## **Nominations Committee**

For the year to 30 June 2008, the Nominations Committee of the Board comprised J A Wylie (Chairman), G D Gibbons and J P Gibbons. This Committee has the task of identifying potential Directors with the skills that are complementary to the needs of the Company, and of the Board.

## **100 Years with Ford Motor Company**

In June 1908 Rouse & Hurrell (which changed its name to The Colonial Motor Company Limited in 1911) took up the Ford Agency for New Zealand. This milestone was marked by a notice, placed by Ford Motor Company, in the Dominion Post on 16 June 2008.

For the Directors  
25 September 2008



J A Wylie



J A Blyth

# *The Colonial Motor Company Limited*

## and Subsidiary Companies

### Chief Executive's Report

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The Trading Profit for the year was up on both of the past two years. The full year result reflects a strong first half where 60% of the year's profit before tax was earned. The strength of heavy trucks and tractors over the period was more than the difference from the prior years.

The final quarter was particularly affected by the rapidly rising fuel prices which impacted mostly on the sales volumes and values of larger engined used vehicles - in our case Falcon and Territory. This led to a substantial lessening of both retail demand and inventory values.

The segmentation within the new vehicle market has been adjusting over the past two years to reflect the increasing fuel price as has the growth of diesel powered vehicles. In 2008 nearly 50% of new cars sold are small cars (e.g. Focus, Mazda3, Fiesta, Mazda2 size) compared to 39% in 2005. This is a return to the dominance of small cars last seen in the late 1980's. The challenge for franchises is to adjust their available product mix and future product offering to suit the marketplace.

After 20 years of favoured treatment, used imported vehicles – mainly from Japan – are declining. A combination of lesser demand, extremely competitive new vehicle pricing and finally a legislative environment that is now gradually moving toward a position that "used imports" will be required to meet the same environment emission standards and frontal impact safety standards as "new vehicles" has finally put the industry on more of a level playing field. The graph illustrates the 'ebb and flow' over time since used imports first started in 1984 to where at their peak "used imports" were double the level of new vehicles sold.

Our primary franchise, Ford, is adapting to the seismic shifts in its domestic US market, away from trucks to more fuel efficient cars and at the same time, a decline in the overall size of the market. The company is rationalising its cost base and introducing a new unified world wide product program.

The European based Ford product, including the Focus and Fiesta available here, is forming the nucleus of the future Ford small car range. The new Fiesta due here in early 2009 will be a key part of this strategy.

Mazda's focus on smaller cars has seen it well placed to meet customers' needs during this shift in market requirements, in particular the Mazda2 has been the 'right car at the right time'.

Southpac Trucks has launched a new range of DAF heavy trucks with the latest euro4 emission level engines. The bulge of inventory evident in the June 30 Balance Sheet, which was a combination of Kenworth and DAF, is now largely in the process of being delivered to customers.

### **People**

Jack Tuohy resigned as Company Secretary, after ten years with CMC, to move to Australia. Jack was well regarded and respected both within and outside the Group.

Our new Company Secretary, Nick Bartle, took up the position on 1 September.

Training at all levels continues to be a vital part of all of our Dealership program. This ranges from apprentice technician training, through to skills training in Sales, Parts and Service via the Ford Academy and to management training at specialist industry dealership courses.

This year we had the distinction of two Group staff members achieving 50 years service. Trevor Green, at South Auckland Motors and Richard Eagles at Energy City Ford have worked their entire careers with the CMC Group.

# The Colonial Motor Company Limited

## and Subsidiary Companies

### Dealerships and Property

The new satellite facility for South Auckland Motors at Pukekohe was officially opened in early July.

The major refurbishment project for Dunedin City Ford is well underway with the Dealership holding a customer launch function for the new FG Falcon in the mostly completed new workshop. The project, including new 'brand@retail' signage is expected to be complete before the end of 2008.

The completion of this project will complete the upgrade and re-signage of all our car Dealership facilities.

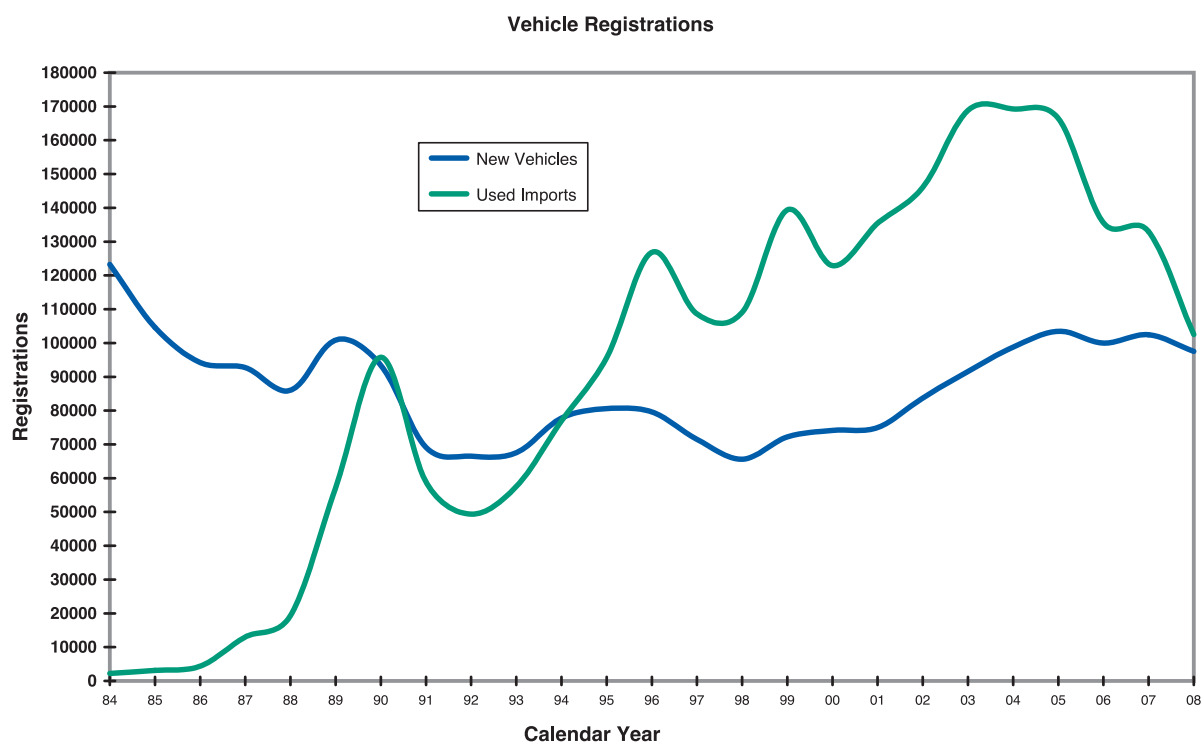
In Wellington, Capital City Ford and Mazda has moved its Parts operation to the recently acquired Jessie Street property and exited the Johnsonville location. The Kapiti satellite operation is currently having the service capacity doubled by their landlord to ensure we can best service a growing customer base on the Coast.

Other property activities during the year and reported in the Half Year Report included the expansion of Avon City Ford's paint & panel operation, the purchase of an adjacent property in Dee Street in Invercargill for Macaulay Motors and the sale of the dealership property in Henderson, Auckland.

In Gore we acquired a small farm machinery business to complement Southland Tractors existing operation.

This month we have commenced construction of a motorcycle Dealership on a part of our large Sockburn site, mostly occupied by Avon City Ford. This new business "Avon City Motorcycles Limited" (Suzuki) will start operating in late 2008.

We continue to look for suitable facilities in Manukau City to house the Southpac Trucks operation which is currently spread over two separate locations.





# *The Colonial Motor Company Limited*

## and Subsidiary Companies

### **Accounting Standards**

You will have noticed that this year's Annual Report is considerably more bulky than in the past. In 2006 – 27 pages, last year 32 pages and this year 48 pages. The new International Financial Reporting Standards (IFRS) have been challenging to interpret, agree upon and then to present in a way that will make the required additional information readable and useful to stakeholders.

From a Group perspective, a number of significant transition issues have been accounted for –

- “Fair Valuing” assets and in particular the impairment testing required in all cases. Previously we amortised any goodwill on purchase over ten years – we now impairment test annually. We took an impairment loss of \$0.854m this year.
- The inclusion of “Financial Derivatives”, in our case foreign exchange contracts entered into to match our purchase commitment and importation of heavy trucks. Due to our program being based on “effective hedging” the changes in value of forward exchange contracts “mark to market” are recognised through changes of Equity and in the Balance Sheet. The swings in this hedging reserve are significant – over \$9 million between June 2007 and June 2008.
- The inclusion of the “Credit Contracts” of \$37.510m as both assets and liabilities on Balance Sheet that subsidiary companies are party to with the co-operative finance company – Motor Trade Finances Limited. The inclusion of the recourse obligation on these credit contracts was previously shown under Contingent Liabilities and Assets and has not changed the nature of or how we account for actual transactions.
- Changes in the unrealised value of fixed asset properties to “fair value” are now separated so that positive revaluations (including any negative revaluations down as far as original cost) continue to be adjusted via Equity. Any negative revaluations below original cost are taken against profit rather than netted off against any positive revaluations as in the past. The result was positive valuations of \$7.823m less a negative revaluation of \$0.423m, a net increase in Shareholder value of \$7.400m. The policy of revaluing individual properties to the latest ‘District Roll Ratings Valuation’ (generally a three year cycle) continues unchanged.
- From a presentation point of view the most significant changes for the reader are the extended Income Statement, and a number of new and expanded Notes to the Financial Statements.

### **Outlook**

This time last year we wrote “predicting the extent to which domestic and external factors will influence our trading results is currently particularly difficult”. This comment is even more relevant now.

The “crunch” came later and resultingly with more force than we had expected and will be longer lasting.

We are primarily a service business to the economy which has been through the full gambit of the economic cycle this decade. Forward orders for heavy trucks are much less than this time last year. We all need a resurgence of our primary product exports to rebuild the true engine room of our nation.

Right now the general decline in ‘economic activity’ is making our life difficult but we are confident that the quality of our Dealership teams will see us through to what we hope will be an improved domestic economy in 2009.



**G D Gibbons**  
**Chief Executive**

# The Colonial Motor Company Limited

## and Subsidiary Companies

### Income Statement for the year ended 30 June 2008

	NOTE	GROUP		PARENT	
		2008 \$000	2007 \$000	2008 \$000	2007 \$000
<b>Revenue</b>					
Sale of	-				
- Products		465,260	400,050	-	-
- Services		51,988	48,808	955	909
Other Income	-				
- Interest		332	307	2,731	1,769
- Other		5,828	5,538	4,794	4,438
- Intercompany Dividend		-	-	4,475	5,067
<b>Total Revenue</b>		<b>523,408</b>	<b>454,703</b>	<b>12,955</b>	<b>12,183</b>
<b>Less Expenses</b>					
	1				
Cost of Products Sold		416,593	355,247	-	-
Remuneration of Staff		55,675	52,944	1,290	1,094
Depreciation & Amortisation		3,555	3,309	1,163	1,114
Property Occupation Costs		8,508	8,129	399	361
Marketing, Promotion & Training Costs		6,161	5,953	62	32
Other Operating Costs		15,686	15,428	889	919
Interest Cost		4,754	3,366	2,782	1,982
<b>Trading Profit before Tax</b>		<b>12,476</b>	<b>10,327</b>	<b>6,370</b>	<b>6,681</b>
Realised Gain on Property Sales	15	834	-	834	-
Revaluation Decrease of Property	10	(423)	-	(423)	-
Impairment Loss on Goodwill	9	(854)	-	-	-
<b>Profit Before Tax</b>		<b>12,033</b>	<b>10,327</b>	<b>6,781</b>	<b>6,681</b>
Less: Income Tax Expense					
- Current	16	4,050	3,443	668	533
- Deferred	16	471	225	110	290
<b>Profit after Tax for the period</b>		<b>7,512</b>	<b>6,659</b>	<b>6,003</b>	<b>5,858</b>
Less Profit Attributable to Minority Interest		295	160	-	-
<b>Net Profit after Tax Attributable to Shareholders</b>		<b>7,217</b>	<b>6,499</b>	<b>6,003</b>	<b>5,858</b>
Basic & Diluted Earnings per Share on Net Profit after Tax		25.9 cents	23.3 cents		
Dividend per Share		23.0 cents	23.0 cents		
Net Tangible Assets per Share (pre Dividend)		\$4.39	\$3.94		
Trading Profit After Tax		7,660	6,499		

The Statement of Accounting Policies and the accompanying Notes form part of the Financial Statements.

**Balance Sheet as at 30 June 2008**

	NOTE	GROUP		PARENT	
		2008 \$000	2007 \$000	2008 \$000	2007 \$000
<b>Current Liabilities</b>					
Trade & Other Payables	3	28,775	19,273	1,114	1,048
Provisions	14	749	656	254	217
Deposits	19	13,291	11,877	13,291	11,877
At Call Bank Borrowings	21	28,100	10,500	28,100	10,500
Tax Payable	16	-	170	-	-
Financial Derivatives - Foreign Exchange	20	-	2,668	-	-
Financial Liabilities - Credit Contracts	21	16,075	18,837	-	-
Impairment Provision - Credit Contracts	21	316	385	-	-
<b>Total Current Liabilities</b>		<b>87,306</b>	<b>64,366</b>	<b>42,759</b>	<b>23,642</b>
<b>Non Current Liabilities</b>					
Financial Liabilities - Credit Contracts	21	21,435	24,970	-	-
Advances from Subsidiaries		-	-	2,764	11,072
Deferred Tax	16	1,197	-	1,892	1,635
<b>Total Non Current Liabilities</b>		<b>22,632</b>	<b>24,970</b>	<b>4,656</b>	<b>12,707</b>
<b>Shareholders' Equity</b>					
Share Capital	11	3,375	3,375	3,375	3,375
Property Revaluation Reserve		38,668	31,040	38,668	31,040
Foreign Exchange Hedging Reserve		1,732	(1,575)	-	-
Retained Earnings		80,784	80,252	43,582	39,801
<b>Total Shareholders' Equity</b>		<b>124,559</b>	<b>113,092</b>	<b>85,625</b>	<b>74,216</b>
<b>Minority Interest</b>		<b>1,657</b>	<b>1,586</b>	<b>-</b>	<b>-</b>
<b>Total Equity</b>		<b>126,216</b>	<b>114,678</b>	<b>85,625</b>	<b>74,216</b>
<b>Total Equity And Liabilities</b>		<b>236,154</b>	<b>204,014</b>	<b>133,040</b>	<b>110,565</b>

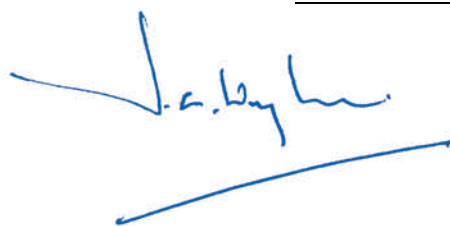
The Statement of Accounting Policies and the accompanying Notes form part of the Financial Statements

# Company Limited

Companies

	NOTE	GROUP		PARENT	
		2008 \$000	2007 \$000	2008 \$000	2007 \$000
<b>Current Assets</b>					
Cash and Bank Accounts	2	1,048	5,721	204	1,411
Trade & Other Receivables	7	30,304	22,110	30,199	15,936
Inventory	4	67,451	47,877	-	-
Tax Receivable	16	249	-	166	84
Financial Derivatives - Foreign Exchange	20	2,521	-	-	-
Financial Assets - Credit Contracts	21	16,075	18,837	-	-
<b>Total Current Assets</b>		<b>117,648</b>	<b>94,545</b>	<b>30,569</b>	<b>17,431</b>
<b>Non Current Assets</b>					
Financial Assets - Credit Contracts	21	21,435	24,970	-	-
Goodwill	9	1,950	2,654	-	-
Other Intangible Assets	9	465	538	-	-
Shares in Companies	5	140	175	-	1
Investments in Subsidiary Companies	5	-	-	18,030	22,268
Deferred Tax	16	-	939	-	-
Property, Plant & Equipment	10	94,516	80,193	84,441	70,865
<b>Total Non Current Assets</b>		<b>118,506</b>	<b>109,469</b>	<b>102,471</b>	<b>93,134</b>
<b>Total Assets</b>		<b>236,154</b>	<b>204,014</b>	<b>133,040</b>	<b>110,565</b>

For the Directors  
25 September 2008



J A Wylie



J A Blyth

The Statement of Accounting Policies and the accompanying Notes form part of the Financial Statements

# The Colonial Motor Company Limited

## and Subsidiary Companies

### Statement in Changes in Equity for the year ended 30 June 2008

	NOTE	GROUP		PARENT	
		2008 \$000	2007 \$000	2008 \$000	2007 \$000
<b>Share Capital</b>					
Opening Balance and Closing Balance	11	3,375	3,375	3,375	3,375
<b>Property Revaluation Reserve</b>					
Opening Balance		31,040	28,112	31,040	26,542
Amalgamation of Subsidiaries	6	-	-	-	1,570
Fair value valuation movement		7,823	2,928	7,823	2,928
Transfer of realised property gain on sale		(48)	-	(48)	-
Deferred tax on items taken directly to equity		(147)	-	(147)	-
Closing Balance		38,668	31,040	38,668	31,040
<b>Foreign Exchange Reserve</b>					
Opening Balance		(1,575)	1,447	-	-
Movement in effective portion of financial hedging instruments		4,825	(4,510)	-	-
Deferred tax on items taken directly to equity		(1,518)	1,488	-	-
Closing Balance		1,732	(1,575)	-	-
<b>Retained Earnings</b>					
Opening Balance		80,252	80,158	39,801	39,944
Profit after tax for period attributable to Shareholders		7,217	6,499	6,003	5,858
Amalgamation of subsidiaries	6	-	-	4,463	404
Dividends paid to Shareholders	12	(6,685)	(6,405)	(6,685)	(6,405)
Closing Balance		80,784	80,252	43,582	39,801
<b>Minority Interest</b>					
Opening Balance		1,586	2,586	-	-
Decrease in minority interest holding		-	(1,047)	-	-
Profit after tax for period attributable to minority interest		295	160	-	-
Dividends paid to minority interest holders		(224)	(113)	-	-
		1,657	1,586	-	-
Total Equity 30 June 2007		114,678	115,678	74,216	69,861
Total Equity 30 June 2008		126,216	114,678	85,625	74,216

# The Colonial Motor Company Limited

## and Subsidiary Companies

### Statement of Cash Flows for the year ended 30 June 2008

	NOTE	GROUP		PARENT	
		2008	2007	2008	2007
		\$000	\$000	\$000	\$000
<b>Cash Flows From Operating Activities</b>					
Receipts from Customers		509,018	455,405	5,135	4,185
Interest Received		332	307	2,731	1,769
Dividends Received		-	-	4,475	5,067
Payments to Suppliers & Employees		(507,369)	(438,382)	(16,205)	(2,407)
Interest Paid		(4,754)	(3,366)	(2,782)	(1,982)
Income Taxes Paid		(4,468)	(3,297)	(760)	(1,152)
<b>Net Cash Flow From Operating Activities</b>	25	<b>(7,241)</b>	<b>10,667</b>	<b>(7,406)</b>	<b>5,480</b>
<b>Cash Flows From Investing Activities</b>					
Proceeds from Sale of Property, Plant & Equipment		5,541	8,004	2,056	5,208
Purchase of Property, Plant & Equipment		(15,160)	(10,969)	(8,590)	(6,073)
Purchase of Intangible Assets		(150)	-	-	-
Purchase of Investments		-	(3)	-	-
Sale of Investments		35	-	11	-
Shares and Advances		-	-	1,330	(174)
<b>Net Cash Flow From Investing Activities</b>		<b>(9,734)</b>	<b>(2,968)</b>	<b>(5,193)</b>	<b>(1,039)</b>
<b>Cash Flows From Financing Activities</b>					
Increase in Borrowings		17,600	2,300	17,600	2,300
Decrease in Borrowings		-	-	-	-
Increase in Deposits		1,387	-	477	634
Decrease in Deposits		-	(149)	-	-
Dividends Paid to Shareholders		(6,685)	(6,405)	(6,685)	(6,405)
<b>Net Cash Flow From Financing Activities</b>		<b>12,302</b>	<b>(4,254)</b>	<b>11,392</b>	<b>(3,471)</b>
Net Increase/(Decrease) in Cash Held		(4,673)	3,445	(1,207)	970
Opening Cash Brought Forward		5,721	2,276	1,411	441
<b>Closing Cash Balance As Per Balance Sheet</b>	2	<b>1,048</b>	<b>5,721</b>	<b>204</b>	<b>1,411</b>

The Statement of Accounting Policies and the accompanying Notes form part of the Financial Statements

# *The Colonial Motor Company Limited*

## and Subsidiary Companies

### Statement of Accounting Policies for the year ended 30 June 2008

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#### **REPORTING ENTITY**

The Financial Statements presented are for The Colonial Motor Company Limited and its subsidiaries and in-substance subsidiaries ("The Group"). The reporting entity and Group are Issuers under the Financial Reporting Act 1993. The Colonial Motor Company Limited is a New Zealand Registered public company listed on the New Zealand Stock Exchange.

The Group's principal activity is operating motor vehicle dealerships, encompassing passenger vehicles, trucks and tractors.

#### **BASIS OF PREPARATION**

- **Statement Of Compliance:** The Group is a profit oriented entity and its financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with New Zealand Equivalents to International Reporting Standards (NZ IFRS), the Financial Reporting Act 1993 and the Companies Act 1993. They also comply with International Financial Reporting Standards (IFRS).

The Group has adopted NZ IFRS for the first time in its financial statements for the year ended 30 June 2008 with a transition date of 1 July 2006. An explanation of how the transition has affected the reported Balance Sheet, Income Statement and Cashflows of the Group and Parent is provided in Note 30.

The financial statements were authorised for issue by the Directors on 25 September 2008.

- **Presentation Currency:** These financial statements are presented in New Zealand dollars which is the Group's functional and presentation currency rounded to the nearest thousand.
- **Critical Accounting Estimates and Judgements:** The Group makes estimates and assumptions concerning the future. They are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

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 and any future periods affected.

The only estimate that has a significant risk of causing a material adjustment to the carrying amount of the assets and liabilities within the next financial year is as follows:

#### Impairment of Goodwill

The group tests for impairment annually, or when events indicate the carrying amount may not be recoverable. Impairment testing calculations require the use of estimates.

- **Measurement Base:** The financial statements have been prepared on an historical cost basis, except for the following:

Land and buildings are measured at fair value  
Forward Exchange contracts are measured at fair value

Revenue and expenses are recognised using accrual accounting and the financial statements have been prepared on a going concern basis.

# *The Colonial Motor Company Limited*

## and Subsidiary Companies

### Statement of Accounting Policies for the year ended 30 June 2008

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#### **SIGNIFICANT ACCOUNTING POLICIES**

From NZ IFRS transition date the accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Group entities.

The following specific accounting policies which materially affect the measurement of financial performance, cash flow and the financial position have been applied:

- **Basis of Consolidation:** Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances, and any income and expenses from intra-group transactions, are eliminated in preparing the consolidated financial statements.

- **Financial Instruments:** Financial instruments primarily comprise cash at bank, receivables, payables, credit contracts, forward exchange contracts, shares in companies, borrowings and loans. All financial instruments are recognised in the Financial Statements initially at fair value plus any directly attributable transaction costs. Subsequent measurement is detailed under the accounting policy of each specific financial instrument. A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial asset expire or if the Group transfers substantially all the risks and rewards of the asset to another party.
- **Cash and Cash Equivalents:** Cash and cash equivalents comprise cash on hand and cash at banks, net of overdrafts. In the Balance Sheet, cash and cash equivalents are disclosed as Cash and Bank Accounts.
- **Receivables:** Trade receivables and secured receivables are stated at cost which is considered to be fair value. Known losses are written off in the period in which they become evident. In addition, an impairment provision (based on the aging of Trade Receivables and past experience of collectability) is maintained for doubtful accounts that could emerge in subsequent accounting periods.
- **Trade and Other Payables:** Trade and other payables are stated at cost.
- **Financial Assets & Liabilities – Credit Contracts:** The Group holds credit contract agreements with MTF which are carried at their net settlement value.

A liability arises under these agreements in the event of a customer defaulting on their finance payments to MTF and MTF having recourse to the Company's relevant subsidiary for any outstanding balance.

This liability is offset by the value of the loan to the customer, and ultimately, the value of the related vehicle that can be repossessed and sold in the event of any individual default.

Provision is also made for the estimated bad debts that may result from such financing agreements.

These liabilities and assets were previously disclosed by way of Note as contingent, but under NZ IAS39 they are classified as financial contracts and now disclosed on Balance Sheet.



# *The Colonial Motor Company Limited*

## and Subsidiary Companies

### Statement of Accounting Policies for the year ended 30 June 2008

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- **Shares:** Shares are valued at cost. Shares comprise investments in Subsidiaries and shares in Motor Trade Finances Limited (MTF). The fair value of MTF shares is their redemption value which equates to cost.
- **Foreign Exchange:** These financial statements are presented in New Zealand dollars which is the functional and presentation currency of the Group.  
  
Foreign currency transactions are translated into the functional currency using the actual exchange rate at the date of the transaction.  
  
Forward exchange contracts are recognised initially at fair value.  
  
Foreign exchange contracts outstanding at balance date are adjusted to fair value (mark to market). Adjustments that qualify as being effectively hedged are recognised through Equity and form the Foreign Exchange Hedging Reserve and those that do not so qualify are recognised through the Income Statement.
- **Borrowing Costs:** Interest expense comprises interest on deposits, bank borrowings and bank overdraft facilities. Interest costs are recognised using the effective interest rate method and expensed in the period they are incurred.
- **Employee Benefits:** The Group provides for benefits accruing to employees for salaries and wages, annual leave, sick leave and short term incentives under contractual obligation or when it is probable that payment will occur and they can be reliably measured.  
  
Group contributions to the defined contribution superannuation scheme are expensed when incurred.
- **Revenue Recognition:** Revenue comprises the fair value of goods and services after elimination of sales within the Group. It is recognised when the significant risks and rewards of ownership have been transferred to the customer.  
  
Rental income arising from premises rental is accounted for on a straight line basis over the lease term. Property owned by the Parent is mainly leased to Subsidiaries and as such does not constitute Investment Property in accordance with NZ IAS40.  
  
Dividend Income is recognised on the date that the dividend is declared.  
  
Interest Income comprises interest on funds invested. Interest income is recognised in the Income Statement as it accrues using the effective interest rate method.
- **Valuation of Inventory:** New and used vehicles have been valued at the lower of cost or net realisable value. Parts, accessories, workshop stocks, fuels and gases have been valued at cost, using, where applicable, the first in first out method. Cost includes expenditure incurred in acquiring the inventory and bringing to the existing location and condition. Due allowance has been made for obsolete and slow moving stock.

# *The Colonial Motor Company Limited*

## and Subsidiary Companies

### Statement of Accounting Policies for the year ended 30 June 2008

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- **Intangible Assets:**

**Goodwill:** Goodwill is recognised on acquisitions of subsidiaries or purchases of business assets and represents the excess of the acquisition costs over the fair value of the acquired assets. Goodwill is subject to annual impairment testing and carried at cost less accumulated impairment losses.

**Other Intangible Assets:** Certain property lease premiums are finite life intangible assets recorded at cost less accumulated amortisation which is recognised on a straight line basis over 10 years being the period of the leases.

- **Impairment:** The carrying amount of the Group's assets are reviewed at each balance sheet date to determine whether there is any objective evidence of impairment. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the income statement

In respect of all assets except goodwill an impairment loss is reversed if there has been a change in the estimate used to determine the recoverable amount.

In respect of goodwill and intangible assets that have an indefinite useful life the recoverable amount (value in use) is estimated at each reporting date. An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds the recoverable amount. A cash generating unit is the smallest, identifiable asset group that generates cash flows that are largely independent from other assets of the Group.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing fair value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate of the time value of money and risks specific to that asset.

- **Property, Plant & Equipment and Depreciation:** Property, Plant & Equipment are carried at cost less accumulated depreciation and impairment losses, except for Land and Buildings. Cost includes all expenditure that is directly attributable to the acquisition of the asset. Software that is integral to the functionality of the related equipment is capitalised as part of the asset. Land and buildings, other than properties for sale, are revalued annually to the latest District Roll Rating Valuation ("Valuation") (previously known as Government Valuation). Property acquired or substantially improved is carried at purchase price until the next valuation is received.

Where Valuations are revised during the financial period, the Group revalues those properties to their latest Valuations having confirmed with Quotable Value Ltd that the latest Valuation for those properties is appropriate for financial reporting under NZIAS16 (Accounting for Property, Plant and Equipment) issued by the New Zealand Institute of Chartered Accountants. At balance date the Valuations were not considered to be materially different from fair value.

Any revaluation surplus is credited to the asset revaluation reserve included in the equity section of the balance sheet unless it reverses a revaluation decrease of the same asset previously recognised in the income statement.

Any revaluation deficit is recognised in the income statement unless it directly offsets a previous surplus in the same asset in the equity reserve.

Any accumulated depreciation as at revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

# *The Colonial Motor Company Limited*

## and Subsidiary Companies

### Statement of Accounting Policies for the year ended 30 June 2008

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Upon disposal, any revaluation reserve relating to the particular asset being sold, and effectively realised, is taken to the Income Statement as part of the gain on sale.

The economic life of buildings has been assessed at between 33 and 100 years and they have been depreciated accordingly. Other fixed assets have been depreciated at Inland Revenue Department ("IRD") rates applicable at the time of acquisition. The general rate bands are shown below:-

Service Vehicles	18 - 36.0%	of Diminishing Value
Furniture, Fittings and Equipment	7.5 - 60%	of Diminishing Value

Carrying values and depreciation rates are reviewed at each balance date to ensure depreciation rates are appropriate.

- **Taxation:** Income tax expense comprises current and deferred tax. Current tax is the tax payable on taxable income for the period using the existing tax rates.  
  
Deferred tax uses the 'balance sheet' approach which recognises deferred tax assets and liabilities based on differences between the accounting and tax values of specific Balance Sheet items.  
  
Deferred tax assets and liabilities are carried at the tax rates expected to apply when the assets are recovered or liabilities settled.  
  
Income tax relating to items recognised directly in Equity are also recognised in Equity and not in the Income Statement.
- **GST:** The Financial Statements are prepared net of GST with the exception of receivables and payables which are stated including GST.
- **Bailment Agreement:** New Ford and Mazda vehicles are funded by UDC Finance Limited under a bailment plan whereby these vehicles are owned by UDC and not included in the inventory or creditors of either the Dealership subsidiaries or the Group. There is no contractual obligation to pay UDC for these vehicles until they are sold.
- **Segment Reporting:** Segment reporting is not required because the Group operates in one business segment and only within New Zealand. The Group operates motor vehicle dealerships including passenger vehicles, trucks and tractors.

# *The Colonial Motor Company Limited*

## and Subsidiary Companies

### Notes to the Financial Statements for the year ended 30 June 2008

	GROUP		PARENT	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
<b>1 Expenditure</b>				
Expenditure in the Income Statement includes:				
Auditor's Remuneration - Audit Fees & Expenses	270	247	61	62
- Prospectus Audit	3	3	3	3
- Taxation Advice	5	-	5	-
Total Auditor's Remuneration	278	250	69	65
Operating Lease Expense	1,651	2,056	107	92
Directors' Fees	174	139	174	139
Bad Debts written off	383	407	-	-
Donations	5	6	-	-
Superannuation Fund Contributions	641	638	64	62
Movement in Impairment Allowance for:				
- Parts Inventory Obsolescence	(156)	161	-	-
- Doubtful Debts	24	(293)	-	-
- Credit Contracts	(69)	(38)	-	-

### 2 Cash and Bank Account Balances

Bank Accounts in Funds	3,537	6,970	204	1,411
Bank Accounts in Overdraft	(2,489)	(1,249)	-	-
Net Bank Balance	1,048	5,721	204	1,411

This balance includes all cash and cash equivalents

### 3 Trade & Other Payables

Employee Benefits	4,070	4,006	291	257
Trade Payables	22,928	13,542	219	660
Other Payables	1,777	1,725	53	39
Inter-company Payables	-	-	551	92
	28,775	19,273	1,114	1,048

# The Colonial Motor Company Limited

## and Subsidiary Companies

	GROUP		PARENT	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
<b>4 Inventory</b>				
Vehicles & Implements	56,952	37,405	-	-
Parts, Accessories, Workshop, Fuels & Gases	12,408	12,537	-	-
Impairment Allowance for Parts Obsolescence	(1,909)	(2,065)	-	-
	<b>67,451</b>	<b>47,877</b>	<b>-</b>	<b>-</b>

New Ford and Mazda vehicles supplied under the UDC Finance Ltd ("UDC") bailment plan are subject to the following conditions:

Ownership of the vehicles remains with UDC and they do not appear in the Balance Sheet of either the Dealership subsidiaries or the Group.

The cost of vehicles funded by UDC at 30 June 2008 was \$45.3m (2007: \$30.5m).

Parts Inventory is reviewed regularly for slow moving or obsolete stock. On an annual basis an impairment allowance is recognised based on the age of stock and historical evidence of inventory held for a similar timeframe.

Total Inventory write down including Parts, Parts Obsolescence and Vehicles for the year ended 30 June 2008 was \$0.865m (2007 \$0.598m).

<b>5 Investments</b>				
Shares in Subsidiaries	-	-	8,794	11,203
Advances to Subsidiaries	-	-	9,236	11,065
Investment in Subsidiary Companies	-	-	18,030	22,268
Shares in Listed Companies	-	1	-	1
Shares in Motor Trade Finances Ltd	140	174	-	-
	<b>140</b>	<b>175</b>	<b>-</b>	<b>1</b>

### **6 Amalgamation of Subsidiaries**

Effective 1 July 2007, Tara Services Limited, Tara Promotions Limited, Sri Temasek (Wellington) Limited, New Lynn Motors Limited, Maidstone Motors Limited and CMC Auckland Limited were amalgamated with the Parent Company. This resulted in the retained earnings of these subsidiaries being combined with the Parent Company. This had no affect on the Group position.

Transfer upon amalgamation of:

- Retained Earnings	-	-	4,463	404
- Property Revaluation Reserve	-	-	-	1,570
	<b>-</b>	<b>-</b>	<b>4,463</b>	<b>1,974</b>

# The Colonial Motor Company Limited

## and Subsidiary Companies

	GROUP		PARENT	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
<b>7 Trade and Other Receivables</b>				
Trade Receivables	26,319	18,646	585	5
Impairment Allowance for Doubtful Debts	(128)	(104)	-	-
	26,191	18,542	585	5
Other Receivables	3,929	3,372	-	-
Prepayments	184	196	35	1
Inter-company Receivables	-	-	29,579	15,930
	30,304	22,110	30,199	15,936

The carrying values of trade receivables and prepayments is considered to be their fair value. Bad debts are written off as soon as they become evident and amounted to \$0.264m (2007 \$0.179m). In addition, all receivables are reviewed for indications of impairment and an allowance maintained to cover doubtful accounts that could emerge in future. The Group considers that no material concentration of credit risk exists with Trade Receivables due to the spread over a large number of customers.

An analysis of Trade Debtors that are past due at 30 June 2008 is as follows:

### Trade Receivables

#### Parts & Service Receivables

- Total Outstanding	8,960	8,809	585	5
- Overdue (not impaired) 30 – 90	2,379	2,473	-	-
- Overdue (not impaired) 90 Day +	300	371	-	-
- % Current (not yet due)	70.1%	67.7%	-	-
- % overdue 90 days	3.3%	4.2%	-	-
- Impaired (written off during the year)	102	21	-	-

### Vehicle Receivables

- Total Outstanding	17,231	9,733	-	-
- Overdue (not impaired)	1,701	626	-	-
- Impaired	-	-	-	-
- Impaired (written off during the year)	-	-	-	-

## 8 Operating Lease Commitments

Commitments under non-cancellable Operating Leases are due:

Within one year	1,242	1,757	111	186
Between one and two years	974	971	110	34
Between two and five years	1,643	1,808	107	2
Over five years	-	610	-	-
	3,859	5,146	328	222

The Group owns most of the property from which it operates. However, some Dealerships operate from sites not owned by the Group or have additional premises leased from third parties. These Operating Lease commitments primarily refer to those properties.

# The Colonial Motor Company Limited

## and Subsidiary Companies

	GROUP		PARENT	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
<b>9 Intangible Assets</b>				
<b>Goodwill:</b>				
Balance at 30 June 2007				
Deemed Cost	2,654	2,654	-	-
Acquired during the year	150	-	-	-
Impairment Loss during the year	(854)	-	-	-
Balance at 30 June 2008				
Cost	3,192	3,042	-	-
Accumulated Amortisation & Impairment	(1,242)	(388)	-	-
Net Book Value	1,950	2,654	-	-

The cash generating units associated with the Goodwill are certain of the Group's Dealerships.

An impairment write down of \$854,167 has been made following the review of "value in use".

The calculation for the recoverable amount based on "value in use" is based on the actual results for the immediate past two financial years to June 2007 and June 2008 together with the projected result for the current financial year. Periods beyond the current financial year have not been projected.

Key assumptions relate to the general economic outlook, the level of the new and used vehicle industries and our business unit performance in this environment.

The discount rate used in completing the cash flow forecast to assess value in use is 11.0%.

Management considers that any reasonable change in a key assumption used in the determination of the recoverable amount would not cause the carrying amount of goodwill to exceed its recoverable amount.

### Other Intangibles:

Balance at 30 June 2007				
Cost	724	724	-	-
Accumulated Amortisation	(186)	(114)	-	-
Net Book Value	538	610	-	-
Acquired during the year	-	-	-	-
Amortisation during the year	(73)	(72)	-	-
Balance at 30 June 2008				
Cost	724	724	-	-
Accumulated Amortisation	(259)	(186)	-	-
Net Book Value	465	538	-	-

Other intangible assets relate to property lease premiums which have a finite life. The maturity date is November 2014 and the remaining carrying value will be amortised on a straight line basis over the period ending on that date.

# The Colonial Motor Company Limited

## and Subsidiary Companies

	GROUP		PARENT	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
<b>10 Property Plant &amp; Equipment</b>				
<b>Land and Buildings</b>				
Cost at 1 July 2007	45,524	39,561	44,132	36,892
Accumulated Depreciation	(5,434)	(4,575)	(4,993)	(4,102)
	40,090	34,986	39,139	32,790
Revaluation	31,040	28,112	31,040	26,542
<b>Net Book Value</b>	<b>71,130</b>	<b>63,098</b>	<b>70,179</b>	<b>59,332</b>
Additions	8,772	6,019	8,279	5,613
Transfers from Amalgamated Subsidiaries	-	-	-	3,045
Disposals	(1,099)	(52)	(1,097)	(27)
Depreciation	(980)	(863)	(799)	(712)
Movement in Revaluation	7,351	2,928	7,351	2,928
<b>Closing Net Book Value at 30 June 2008</b>	<b>85,174</b>	<b>71,130</b>	<b>83,913</b>	<b>70,179</b>
Comprised of:				
Cost at 30 June 2008	53,147	45,524	51,265	44,132
Accumulated Depreciation	(6,364)	(5,434)	(5,743)	(4,993)
Revaluation	38,391	31,040	38,391	31,040
<b>Net Book Value at 30 June 2008</b>	<b>85,174</b>	<b>71,130</b>	<b>83,913</b>	<b>70,179</b>
Net book value includes capital work in progress of	1,236	2,284	1,236	2,284

All land and buildings are revalued annually at 30 June to their District Roll Valuation. Where that valuation has changed since the previous balance date those values have been confirmed by an independent valuer Quotable Value Ltd, through its Principal Valuer, Kerry Stewart, FNZIV, FPINZ. Quotable Value provides an indexed updated of current District Roll valuations by reference to an analysis of market sales in the period between that latest valuation and 30 June 2008. Where the valuation from Quotable Value is less than the District Roll valuation then that lower value is used.

The revaluation of one property in the Group to the latest "valuation" resulted in a write down through the income statement of \$0.423m (2007: \$ Nil).

This was due to the new valuation being below the carrying value and there was no previous positive revaluation reserve in relation to the individual asset to offset against.

The total value of property confirmed by Quotable Value was \$54.2m (2007: \$23.2m)



# The Colonial Motor Company Limited

## and Subsidiary Companies

	GROUP		PARENT	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
<b>10 Property Plant &amp; Equipment (continued)</b>				
<b>Furniture, Fittings &amp; Equipment</b>				
Cost at 1 July 2007	16,146	15,314	1,922	1,855
Accumulated Depreciation	(10,386)	(9,096)	(1,455)	(1,270)
Net Book Value	5,760	6,218	467	585
Additions	1,856	1,241	182	233
Disposals	(116)	(101)	(24)	(22)
Depreciation	(1,566)	(1,598)	(282)	(329)
<b>Closing Net Book Value at 30 June 2008</b>	<b>5,934</b>	<b>5,760</b>	<b>343</b>	<b>467</b>
Comprised of:				
Cost at 30 June 2008	17,237	16,146	1,872	1,922
Accumulated Depreciation	(11,303)	(10,386)	(1,529)	(1,455)
<b>Net Book Value at 30 June 2008</b>	<b>5,934</b>	<b>5,760</b>	<b>343</b>	<b>467</b>
<b>Service Vehicles</b>				
Cost at 1 July 2007	5,084	4,849	300	192
Accumulated Depreciation	(1,781)	(1,703)	(81)	(60)
Net Book Value	3,303	3,146	219	132
Additions	4,533	3,709	129	231
Disposals	(3,492)	(2,776)	(100)	(84)
Depreciation	(936)	(776)	(63)	(60)
<b>Closing Net Book Value at 30 June 2008</b>	<b>3,408</b>	<b>3,303</b>	<b>185</b>	<b>219</b>
Comprised of:				
Cost at 30 June 2008	5,430	5,084	274	300
Accumulated Depreciation	(2,022)	(1,781)	(89)	(81)
<b>Net Book Value at 30 June 2008</b>	<b>3,408</b>	<b>3,303</b>	<b>185</b>	<b>219</b>
<b>TOTAL</b>				
Cost at 30 June 2008	75,814	66,754	53,411	46,354
Accumulated Depreciation	(19,689)	(17,601)	(7,361)	(6,529)
	56,125	49,153	46,050	39,825
Revaluation	38,391	31,040	38,391	31,040
<b>Net Book Value at 30 June 2008</b>	<b>94,516</b>	<b>80,193</b>	<b>84,441</b>	<b>70,865</b>

# The Colonial Motor Company Limited

## and Subsidiary Companies

	GROUP		PARENT	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
<b>11 Share Capital</b>				
Ordinary Shares 27,850,910 (2007: 27,850,910)				
Total Share Capital	3,375	3,375	3,375	3,375

- (a) All shares on issue are fully paid up but have no par value.  
 (b) All ordinary shares have equal voting rights and share equally in dividends and any surplus on winding up.

<b>12 Dividends</b>				
Dividends paid during the year ended 30 June 2008				
Final Y/E 30/06/07 – paid 24 Oct 2007 (13.0cps)	3,620	3,620	3,620	3,620
Interim Y/E 30/06/08 – paid 9 April 2008 (11.0cps)	3,065	2,785	3,065	2,785
Amount provided in the Financial Statements	6,685	6,405	6,685	6,405

These dividends include the supplementary dividends paid to overseas shareholders.  
 A final dividend of 12.0 cents per share will be paid on 3 November 2008.  
 In line with financial reporting standards, this final dividend has not been provided for in the financial statements for the year ended 30 June 2008.

<b>13 Earnings Per Share</b>				
Basic and diluted earnings per share is calculated by dividing the profit after tax attributable to shareholders by the weighted average number of shares outstanding during the year				
Net Profit After Tax attributable to Shareholders	7,217	6,499		
Weighted average number of shares	27,850,910	27,850,910		
Basic and diluted earnings per share	25.9 cents	23.3 cents		

<b>14 Provisions</b>				
Employee Benefits				
Provision at 1 July 2007	656	584	217	207
Increase / (Decrease) during the year	93	72	37	10
Provision at 30 June 2008	749	656	254	217

The Group provides for benefits such as sick leave and Directors retirement allowances where there is a likelihood that the entitlement will be taken.

<b>15 Realised Gain on Property Sales</b>				
Gain on the Sale of Property	834	-	834	-

# The Colonial Motor Company Limited

## and Subsidiary Companies

	GROUP		PARENT	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
<b>16 Income Tax</b>				
<b>Components of Income Tax Expense</b>				
Current Tax expense	4,050	3,443	668	533
Deferred tax movement on temporary differences	471	225	110	290
	<b>4,521</b>	<b>3,668</b>	<b>778</b>	<b>823</b>
<b>Current Tax Expense</b>				
Profit Before Tax	12,033	10,327	6,781	6,681
Non Taxable Income	(1,198)	318	(5,309)	(5,067)
Non deductible expenditure	1,054	(10)	6	21
Change in unrecognised temporary differences	383	(202)	546	(20)
	<b>12,272</b>	<b>10,433</b>	<b>2,024</b>	<b>1,615</b>
Tax charge @ 33%	4,050	3,443	668	533
Tax paid	4,299	3,273	834	617
Tax payable / (Receivable)	(249)	170	(166)	(84)
<b>Deferred Tax</b>				
Deferred tax asset / (liability) at 30.06.07	939	(324)	(1,635)	(1,345)
Rate change to Balance brought forward	(15)	-	149	-
Movement through Income Statement	(456)	(225)	(259)	(290)
Total Movement through Income Statement	(471)	(225)	(110)	(290)
Movement through Property Revaluation Reserve	(147)	-	(147)	-
Movement through Foreign Currency reserve	(1,518)	1,488	-	-
Total Movement through Equity Statement	(1,665)	1,488	(147)	-
Deferred tax asset / (liability) at 30.06.08	(1,197)	939	(1,892)	(1,635)
The Group has no deferred tax on unused tax losses to be utilised against future taxable profits.				
<b>Deferred Tax Assets and Liabilities are attributable to the following:</b>				
Trade and Other Payables	105	93	78	72
Trade and Other Receivables	36	34	-	-
Employee Benefits	888	916	86	86
Inventories	573	681	-	-
Financial Derivatives	(756)	880	-	-
Provision for Finance Bad Debts	95	127	-	-
Property, Plant and Equipment	(2,137)	(1,793)	(2,056)	(1,793)
	<b>(1,197)</b>	<b>939</b>	<b>(1,892)</b>	<b>(1,635)</b>

*The Colonial Motor Company Limited*  
and Subsidiary Companies

	GROUP		PARENT	
	%	\$000	%	\$000
<b>16 Income Tax (continued)</b>				
<b>Reconciliation of Effective Tax Rate</b>				
<b>Year Ended 30 June 2008</b>				
Profit for period		7,512		6,003
Total Income Tax Expense		4,521		778
Profit excluding Income Tax		12,033		6,781
Income tax using the Company domestic tax rate	33.0	3,971	33.0	2,238
Non deductible expenses	2.9	348	0.0	2
Tax exempt Income	(3.3)	(395)	(25.8)	(1,752)
Changes in Unrecognised Temporary Differences	1.1	126	2.6	180
Movement in Deferred Tax	3.9	471	1.6	110
Effective Tax Rate	37.6	4,521	11.4	778
<b>Year Ended 30 June 2007</b>				
Profit for period		6,659		5,858
Total Income Tax Expense		3,668		823
Profit excluding Income Tax		10,327		6,681
Income tax using the Company domestic tax rate	33.0	3,408	33.0	2,204
Non deductible expenses	(0.1)	(3)	0.1	7
Tax exempt Income	1.0	105	(25.0)	(1,672)
Changes in Unrecognised Temporary Differences	(0.6)	(67)	(0.1)	(6)
Movement in Deferred Tax	2.2	225	4.3	290
Effective Tax Rate	35.5	3,668	12.3	823

# The Colonial Motor Company Limited

## and Subsidiary Companies

	GROUP		PARENT	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
<b>17 Imputation Account</b>				
Balance at 1 April 2007	9,160	8,499	5,542	5,352
Add Net Taxes Paid	3,991	3,511	3,313	3,057
Imputation Credits Received and Adjustments	4	393	317	376
	13,155	12,403	9,172	8,785
Dividend Imputation to Shareholders	(3,088)	(3,243)	(3,088)	(3,243)
Balance at 31 March 2008	10,067	9,160	6,084	5,542

All Imputation Accounts are based on the tax year ended 31 March.

### 18 Contingent Liabilities/Capital Commitments

(a) Subsidiary Company Bank Guarantees	-	-	6,370	6,504
The Parent Company guarantees subsidiary company overdrafts to the agreed limits. The Parent Company was not called on to pay any overdrafts during the year.				
(b) Parent Company Guarantee to pay for Vehicles	-	-	1,275	1,275
When the Parent Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within the Group, the Parent Company considers these to be insurance arrangements and accounts for them as such. In this respect, the Parent Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Parent Company will be required to make a payment under the guarantee.				
(c) Parent Company Bond to NZX	-	-	75	75
(d) Capital Commitments	1,992	4,516	1,992	4,516
(e) Forward Exchange Contracts outstanding	27,563	62,849	-	-

### 19 Deposits

The Colonial Motor Company Limited ("the Company") offers for subscription unsecured debt securities ("Deposits"). The Deposits are constituted by, issued under and are described in a trust deed dated 21 September 1994 as amended by a Deed of Modification dated 12 September 1996, Supplemental Trust Deed dated 29 September 1997, Deed of Release dated 23 March 1998, Supplemental Trust Deeds dated 31 March 1999, 12 November 1999, 16 November 2000, Deed of Release dated 26 November 2001 and a Supplemental Trust Deed dated 26 November 2001 all made between the Company, its Guaranteeing Subsidiaries (as therein defined) and New Zealand Permanent Trustees Limited as trustee for the holders of Deposits ("the Depositors").

Deposits are accepted under the terms of a Prospectus issued by the Company and registered with the Companies Office. The Prospectus, registered on 12 November 2007, was not extended prior to its expiry date at 31 March 2008. A new Prospectus will be registered in October 2008 but no new deposits will be accepted in the intervening period.

The Deposits represent all indebtedness of the Company in respect of funds borrowed from time to time by the Company from shareholders, employees and non-members of the Company, in the form of At-Call Deposits.

The maximum amount of Deposits on offer at 30 June 2008 is \$20 million. Actual Deposits at 30 June 2008 were \$13.3m (2007: \$11.9m). Interest is payable on Deposits at the rate from time to time offered by the Company as disclosed to the Depositors on the application form or as notified by the Company to the Depositors in writing.

The interest rate applicable at 30 June 2008 was 8.25% (2007: 7.50%).

# The Colonial Motor Company Limited

## and Subsidiary Companies

	GROUP		PARENT	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
<b>20 Financial Derivatives – Foreign Exchange</b>				
Foreign Exchange Asset / (Liability) at 1 July 2007	(2,668)	2,160	-	-
Movement during the year through				
- Equity Statement	4,825	(4,510)	-	-
- Income Statement	364	(318)	-	-
Foreign Exchange Asset / (Liability) at 30 June 2008	2,521	(2,668)	-	-

## 21 Financial Instruments

### (a) Credit Risk

Financial instruments which potentially subject the Group to concentrations of credit risk consist principally of bank balances, deposits, receivables and credit contracts.

The carrying amounts of financial assets represent the Group's maximum credit exposure.

The Group places its cash and short term investments with high credit quality financial institutions and limits the amount of credit exposure to any one financial institution.

The Group performs credit evaluations on all customers requiring credit and generally does not require collateral or other security to support financial instruments with credit risk.

Concentrations of credit risk with respect to accounts receivable are limited due to the large number of customers included in the Group's customer base.

#### Financial Assets & Liabilities – Credit Contracts

At balance date the Group had outstanding vehicle financing agreements with Motor Trade Finances Limited (MTF) of \$37.510m (30 June 2007: \$43.807m).

A liability arises under these agreements in the event of a customer defaulting on their finance payments to MTF and MTF having recourse to the Company's relevant subsidiary for any outstanding balance.

This liability is offset by the value of the loan to the customer and, ultimately, the value of the related vehicle that can be repossessed and sold in the event of any individual default. The concentration of credit risk with respect to these finance agreements is limited to the large number of individual customer agreements.

	2008 \$000	2007 \$000
Total Value of Finance Agreements at 30 June 2008	37,510	43,807
Impairment Provision	(316)	(385)
Carrying Value at 30 June 2008	37,194	43,422
Actual Arrears - Value	139	216
- % of Total	0.37%	0.49%
Total Value of Accounts in Arrears - Value	2,140	2,630
- % of Total	5.70%	6.00%
Impaired (written off during the year)	281	386

# The Colonial Motor Company Limited

## and Subsidiary Companies

Provision is also made for the estimated bad debts that may result from such financing agreements and is disclosed in the Balance Sheet as Impairment Provision – Credit Contracts. The impairment is calculated as a percentage of gross amounts outstanding under the Credit Contracts and is based on historical data of contracts in default and impaired.

These liabilities and assets were previously disclosed by way of Note as contingent, but under NZ IAS39 they are classified as financial contracts and now disclosed on Balance Sheet.

### (b) Fair Value

The following methods and assumptions are used to estimate the fair value of each major class of financial instrument for which it is practical to estimate that value.

- Bank balances, Deposits, Creditors.  
The carrying amount is equivalent to a fair value.
- Shares in Other Companies  
The carrying amount is equivalent to the net cost of those shares and is considered to be at fair value.
- Advances  
This investment is carried at the original cost and is redeemable for cash at the carrying amount.
- Receivables  
The carrying amount is the recoverable amount for the receivable and is also considered to be a fair value.

### (c) Interest Rate Risk

The Company is not exposed to any specific interest rate risk other than normal interest rate movements on a daily basis in the market. At balance date specific rates were:

	GROUP AND PARENT	
	2008	2007
Interest Rate Risk		
• Bank Overdraft	12.90% - 13.20%	12.25% - 12.60%
• At-Call Deposits	8.25%	7.50%
• At-Call Bank Facility	8.75% - 9.20%	8.40% - 8.55%

The At-Call bank borrowings are unsecured and fall within the agreed committed facility requirements in place with the Group's bankers. These facilities have maturity dates ranging from December 2009 to September 2011 and are subject to renewal. The facility can be drawn on or repaid at any time and interest rates are variable. The carrying value of these loans is considered to be the fair value.

#### Interest Sensitivity

The effect of an increase of 1% in interest rates would be to increase finance costs by \$0.414m per annum.

### (d) Currency Risk

The Group enters into fixed rate foreign exchange contracts for the purchase of trucks on a contract-by-contract basis with firm customer orders and for units ordered for stock.

Other short term transactions are covered by forward exchange contracts and accounted for at that rate.

Foreign currency transactions are translated into the functional currency using the actual exchange rate at the date of the transaction.

# The Colonial Motor Company Limited

## and Subsidiary Companies

Foreign exchange contracts outstanding at balance date are adjusted to fair value (mark-to-market). Adjustments to transactions that qualify as being effectively hedged are recognised through Equity and those that do not so qualify are recognised through the Income Statement. The adjustment to fair value is recorded in the Balance Sheet as a Financial Derivative asset or liability.

The parent has no foreign currency risk.

The principle values of forward exchange contracts entered into and outstanding at balance date were denominated in the following currencies. The values are stated in New Zealand dollars.

	GROUP	
	2008 \$000	2007 \$000
Currency		
Australian dollars	16,840	46,099
Euros	9,189	12,765
United States dollars	1,534	3,976
Other	-	9
TOTAL	27,563	62,849

Due to the close association between foreign currency commitments and the underlying forward exchange contracts, it is estimated that any change in the New Zealand dollar exchange rates against the above currencies would have had minimal impact on the result for the year to 30 June 2008.

(e) Liquidity Risk

The Group has committed revolving facilities with a number of financial institutions with maturity dates ranging from December 2009 to September 2011. These facilities are subject to financial covenants.

Liquidity risk represents the Group's ability to meet its contractual obligations. The Group monitors its cash on an ongoing basis to ensure it has sufficient credit facilities to meet its obligations.

Financial liabilities in the form of At-Call deposits are payable on call. Trade and other payables are due within one year.

(f) Capital Management

The Group's capital includes share capital, retained earnings, minority interest and other reserves.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Group is not subject to any externally imposed capital requirements.

There has been no changes in the Group's management of capital during the period.



# The Colonial Motor Company Limited

## and Subsidiary Companies

	GROUP \$000			PARENT \$000		
	At Cost	Loans & Receivables	Financial Derivatives	At Cost	Loans & Receivables	Financial Derivatives
<b>22 Financial Instruments by Category</b>						
<b>2008</b>						
<b>Assets as per Balance Sheet</b>						
Cash and Bank Balances	-	1,048	-	-	204	-
Trade Receivables	-	30,304	-	-	30,199	-
Credit Contracts	-	37,510	-	-	-	-
Investment in Subsidiaries	-	-	-	-	18,030	-
Shares in Companies	-	140	-	-	-	-
Financial Derivatives – Foreign Exchange	-	-	2,521	-	-	-
<b>Liabilities as per Balance Sheet</b>						
Trade Payables	28,795	-	-	1,114	-	-
Deposits	13,291	-	-	13,291	-	-
Bank Borrowings	28,100	-	-	28,100	-	-
Credit Contracts	37,510	-	-	-	-	-
Advances from Subsidiaries	-	-	-	2,764	-	-
<b>2007</b>						
<b>Assets as per Balance Sheet</b>						
Cash and Bank Balances	-	5,721	-	-	1,411	-
Trade Receivables	-	22,110	-	-	15,936	-
Credit Contracts	-	43,807	-	-	-	-
Investment in Subsidiaries	-	-	-	-	22,268	-
Shares in Companies	-	175	-	-	1	-
<b>Liabilities as per Balance Sheet</b>						
Trade Payables	19,273	-	-	1,048	-	-
Deposits	11,877	-	-	11,877	-	-
Bank Borrowings	10,500	-	-	10,500	-	-
Credit Contracts	43,807	-	-	-	-	-
Advances from Subsidiaries	-	-	-	11,072	-	-
Financial Derivatives – Foreign Exchange	-	-	2,668	-	-	-

# The Colonial Motor Company Limited

## and Subsidiary Companies

### 23 Remuneration of Employees

During the year to 30 June 2008 the number of employees in the Group, not being Directors of The Colonial Motor Company Limited, who received remuneration (including salary, incentives, superannuation contributions, use of a motor vehicle and other benefits) which exceeded \$100,000 were as follows:

Remuneration \$	Number of Employees 2008	Number of Employees 2007
100,000 - 110,000	17	19
110,001 - 120,000	14	7
120,001 - 130,000	10	12
130,001 - 140,000	10	9
140,001 - 150,000	7	10
150,001 - 160,000	5	3
160,001 - 170,000	-	5
170,001 - 180,000	7	-
180,001 - 190,000	6	5
190,001 - 200,000	1	1
200,001 - 210,000	3	2
220,001 - 230,000	1	-
230,001 - 240,000	-	1
240,001 - 250,000	1	-
250,001 - 260,000	1	-
260,001 - 270,000	-	1
270,001 - 280,000	1	1
290,001 - 300,000	-	1
300,001 - 310,000	1	-
320,001 - 330,000	-	2
340,001 - 350,000	1	-
390,001 - 400,000	1	-
410,001 - 420,000	1	-
430,001 - 440,000	1	-
450,001 - 460,000	-	1
	<b>89</b>	<b>80</b>

### 24 Related Party Transactions

The Group has related party transactions with its controlled entities, key management personnel and the Staff Superannuation Fund. The Colonial Motor Company Limited is the Parent and ultimate controlling party of the Group.

In presenting the financial statements of the Group the effect of transactions and balances between fellow subsidiaries and the parent have been eliminated. All such transactions were in the normal course of business and provided on commercial terms.

- Material amounts outstanding between Parent and Subsidiaries at balance date comprised:

At-Call loans subject to interest at current bank overdraft rates (12.90% - 13.20%) and other loans repayable on demand but with no fixed repayment terms or interest;

Loans from Subsidiaries to Parent are either at-call and receive interest at 7.75% or have no fixed repayment terms or interest.

	2008 \$000	2007 \$000
At-Call loans from Parent to Subsidiaries	1,325	500
Other loans from Parent to Subsidiaries	7,911	10,565
	<b>9,236</b>	<b>11,065</b>
At-Call loans from Subsidiaries to Parent	517	5,360
Other loans from Subsidiaries to Parent	2,246	5,712
	<b>2,763</b>	<b>11,072</b>

# The Colonial Motor Company Limited

## and Subsidiary Companies

### 24 Related Party Transactions (continued)

	2008 \$000	2007 \$000
• Material transactions between Parent and Subsidiaries were:-		
Interest charged on advances and Inventory financing	2,727	1,768
Rent charged on property	4,382	4,092
Dividends received by the Parent from its subsidiaries	4,475	5,067
• Material transactions between subsidiaries were:		
Sales of vehicles and parts which are eliminated from Group income and expenses \$21.9m (2007: \$18.0m).		
• Transactions with key management personnel were:		
	2008 \$000	2007 \$000
Short term benefits (including salary, incentives, profit share, use of motor vehicle and other benefits)	3,740	3,639
Post Employment Benefits (including Superannuation contributions)	228	185
Share Related Benefits	-	-
Total Remuneration Benefits	3,968	3,824

Key management personnel includes Directors (executive and non executive), key management at the Group Office and Dealer Principals of all trading subsidiaries.

All transactions between key management personnel and Group companies were in the normal course of business and provided on commercial terms.

Also see Remuneration of Directors on page 44 and Remuneration of Employees – Note 23.

- The Colonial Motor Company Limited Staff Superannuation Fund.

The Company is the Trustee of The Colonial Motor Company Limited Staff Superannuation Fund (the Fund), a defined contribution scheme which key management personnel participate in. The Company provides administrative services to the Fund and received fees of \$49,985 (2007: \$47,605) during the year.

The Fund holds an investment of 259,130 (2007: 259,130) ordinary shares in the Company.

# The Colonial Motor Company Limited

## and Subsidiary Companies

	GROUP		PARENT	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
<b>25 Cashflow Reconciliation</b>				
<b>Net Profit after Tax Attributable to Shareholders</b>	7,217	6,499	6,003	5,858
Adjustments for non cash items				
- Depreciation	3,482	3,237	1,144	1,101
- Impairment Loss	854	-	-	-
- Amortisation	73	72	-	-
- Revaluation Decrease of Property	423	-	423	-
- Movement in Provisions				
- Impairment Credit Contracts	(69)	(38)	-	-
- Taxation	(419)	146	(92)	(97)
- Employee Benefits	94	71	37	10
- Foreign Exchange	(364)	318	-	-
- Deferred Tax	471	225	110	290
- Minority Interests share	70	(1,000)	-	-
<b>Movement in Working Capital</b>				
- Creditors and Deposits	10,915	(311)	65	(548)
- Debtors & Prepayments	(8,194)	1,127	(14,262)	(1,161)
- Inventory	(19,573)	172	-	-
<b>Items Classified as Investing Activities</b>	(834)	-	(834)	-
<b>Items Classified as Financing Activities</b>	(1,387)	149	-	27
<b>Net Cash Flow from Operating Activities</b>	<b>(7,241)</b>	<b>10,667</b>	<b>(7,406)</b>	<b>5,480</b>
<b>26 Post Balance Day Events</b>				

On 29 August the Company announced the payment of a final dividend of 12.0 cents per share payable on 3 November 2008.

There have been no other significant post balance day events.

# The Colonial Motor Company Limited

## and Subsidiary Companies

### 27 Subsidiary Companies

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Vehicle Trading Companies	Dealer Principal	Franchise	Location
Southpac Trucks Ltd	Maarten Durent	Kenworth & DAF Heavy Trucks	Manukau City, Rotorua & Christchurch
South Auckland Motors Ltd	Matthew Newman	Ford & Mazda	Manukau City, Botany & Pukekohe
Energy City Motors Ltd	Jim Gibbons	Ford & Hertz Rentals	New Plymouth
Ruahine Motors Ltd	Russell Dempster	Ford	Waipukurau
Fagan Motors Ltd	Steve Lyttle	Ford & Mazda	Masterton
Stevens Motors Ltd	Stuart Gibbons	Ford & Mazda	Lower Hutt
Capital City Motors Ltd	Hamish Jacob	Ford & Mazda	Wellington, Porirua & Kapiti
M.S. Motors (1998) Ltd	Alan Kirby	Ford	Nelson & Blenheim
Hutchinson Motors Ltd	John Hutchinson	Ford	Christchurch
Avon City Motors Ltd	John Luxton	Ford	Christchurch South & Rangiora
Timaru Motors Ltd	Russell Marr	Ford & Mazda	Timaru
Trucks South Ltd	Russell Marr	Mercedes Benz Sterling & Fuso Heavy Trucks	Timaru
Dunedin City Ford (Napier Motors Ltd)	Robert Bain	Ford	Dunedin & Oamaru
Macaulay Motors Ltd	Grant Price	Ford & Mazda	Invercargill & Queenstown
Southland Tractors Ltd	Grant Price	New Holland & Kubota Tractors	Invercargill & Gore

#### Other Subsidiaries

Avery Motors Ltd, Capital City Paint & Panel Ltd, East City Ford Ltd, Panmure Motors Ltd, Papakura Ford Ltd, Pukekohe Motors Ltd, South Auckland Ford Ltd, Metro Training Services Ltd and Metro Motors (Porirua) Ltd.

All subsidiaries are 100% owned, with the exception of Southpac Trucks Ltd which is 85% owned and all subsidiaries balance on 30 June. All Group companies are registered in New Zealand.

Wholly owned subsidiary companies operate as motor vehicle dealerships and related or incidental activities. The Parent Company provides administrative and financial services as well as leasing property occupied by those companies at market rates.

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### 28 New Standards, Interpretations and Amendments

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Certain new standards, interpretations and amendments to existing standards have been published that are mandatory for the Groups' accounting periods beginning on or after 1 July 2008 or later for which the Group has not early adopted.

#### NZ IFRS 8 Operating Segments

This standard requires segment information disclosed on a similar basis to internal reporting. This may have an effect on disclosure only notes.

#### NZ IAS1 Presentation of Financial Statements

This amendment requires some changes to the presentation of financial statements. This will have a disclosure affect only.

#### NZ IFRS 3 Business Combinations and NZ IAS 27 Consolidated and separate Financial Statements

The changes must be applied prospectively and will affect future acquisitions and transactions with minority interests.

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# *The Colonial Motor Company Limited*

## and Subsidiary Companies

### 29 Adoption of New Zealand Equivalents to International Financial Reporting Standards ("IFRS")

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#### Application of NZ IFRS1

##### First time adoption of New Zealand Equivalents to International Reporting Standards (NZ IFRS)

The Group's Transition Date is 1 July 2006.

Reconciliations to detail the quantitative effect of the transition to NZ IFRS follow the notes. Specifically reconciliations for both Group and Parent are shown for: -

- i) Income Statement for the Year to 30 June 2007
- ii) Balance Sheet as at 1 July 2006 (Transition Date)
- iii) Balance Sheet as at 30 June 2007

There are no material differences between the Cash Flow Statements presented under NZ IFRS and those presented under the previous NZ GAAP.

#### Explanation of Transition to NZ IFRS

The following notes refer to the reconciliations of previous New Zealand Generally Accepted Accounting Practice (NZ GAAP) to New Zealand Equivalents to IFRS (NZ IFRS).

##### 1. Employee Benefits

In accordance with NZ IAS19 a provision for benefits such as sick leave and Directors' retirement allowances has been established where there is a likelihood that the entitlement will be taken.

##### 2. Foreign Exchange

A subsidiary, Southpac Trucks Limited, enters into forward exchange contracts to hedge the currency risks associated with the purchase of trucks and related parts. Adjustments to the fair value of individual hedge contracts at balance date (mark-to-market) are made through Equity, if they qualify as being effectively hedged, or through the Income Statement if they do not qualify.

##### 3. Deferred Tax

Under NZ IFRS deferred tax is calculated using the 'Balance Sheet' approach. That approach recognises deferred tax assets and liabilities based on differences between the accounting and tax values of specific Balance Sheet items.

Deferred Tax has been recognised on the provision for employee benefits, the depreciation and revaluation of property, the hedge reserves and on other temporary differences.

##### 4. Goodwill

Under NZ IFRS3 Goodwill cannot be amortised but is subject to annual impairment testing. Consequently, all amortisation of Goodwill since 1 July 2006 (the Transition Date) has been reversed.

##### 5. Credit Contracts

Under previous NZ GAAP MTF contracts for the financing of vehicle sales was not recognised in the face of the Balance Sheet but was disclosed as a contingent liability in the Notes. NZ IFRS recognises that the Group bears the risks and rewards of both the financial asset and liability and these matching balances are therefore recognised in the Balance Sheet.

# *The Colonial Motor Company Limited*

## and Subsidiary Companies

**6. Equity Reserve**

Under previous NZ GAAP a balance of \$615,000 was recognised as a separate component of equity. NZ IFRS recognises separate equity reserves only where there is purpose for the reserve. The reserve balance is historical and has been transferred to retained earnings at NZ IFRS transition date.

**7. Property Revaluation Reserve**

Under NZ IFRS the asset revaluation reserve is reviewed on an individual asset basis with any negative balances taken to the Income Statement. NZ GAAP provided for the carrying of negative revaluation reserves on an asset basis if the asset class revaluation reserve remained positive.

**8. Investment in Subsidiary**

The value of reported investments in subsidiaries under previous NZ GAAP represented the cost of share capital plus premium reserve. NZ IFRS requires investment in subsidiaries to be valued at cost. Accordingly the valuation premium has been taken to retained earnings on NZ IFRS transition date. This only impacted on the Parent because under previous NZ GAAP the investment premium was eliminated on consolidation.

*The Colonial Motor Company Limited*  
and Subsidiary Companies

**Group**

**Effect on Income Statement**

**For the Year ended 30 June 2007**

	Notes	Previous NZ GAAP \$000	Effect of Transition \$000	NZ IFRS \$000
<b>Revenue</b>				
Sale of - Products		400,050	-	400,050
- Services		48,808	-	48,808
Other Income - Interest		307	-	307
- Other		5,538	-	5,538
<b>Total Revenue</b>		<b>454,703</b>	<b>-</b>	<b>454,703</b>
<b>Less Expenses</b>				
Cost of Products Sold	2	354,929	318	355,247
Remuneration of Staff	1	52,871	73	52,944
Depreciation & Amortisation	4	3,613	(304)	3,309
Property Occupation Costs		8,129	-	8,129
Marketing, Promotion & Training Costs		5,953	-	5,953
Other Operating Costs		15,428	-	15,428
Interest Cost		3,366	-	3,366
<b>Net Profit before Tax</b>		<b>10,414</b>	<b>(87)</b>	<b>10,327</b>
Less: Income Tax Expense	3	3,443	225	3,668
<b>Profit after Tax for the Period</b>		<b>6,971</b>	<b>(312)</b>	<b>6,659</b>
Profit Attributable to Minority Interests		193	(33)	160
<b>Net Profit after Tax Attributable to Shareholders</b>		<b>6,778</b>	<b>(279)</b>	<b>6,499</b>



# The Colonial Motor Company Limited

## and Subsidiary Companies

### Group

#### Effect on Balance Sheet

#### On Transition at 1 July 2006

#### At 30 June 2007

	Notes	Previous NZ GAAP \$000	Effect of Transition \$000	NZ IFRS \$000	Previous NZ GAAP \$000	Effect of Transition \$000	NZ IFRS \$000
<b>CURRENT LIABILITIES</b>							
At Call Bank Borrowings		8,200	-	8,200	10,500	-	10,500
Trade & Other Payables		18,991	(42)	18,949	19,313	(40)	19,273
Provisions	1	-	584	584	-	656	656
Tax Payable		548	-	548	170	-	170
Financial Liabilities – Credit Contracts	5	-	20,708	20,708	-	18,837	18,837
Financial Derivatives – Foreign Exchange	2	-	-	-	-	2,668	2,668
Deposits		11,987	-	11,987	11,877	-	11,877
Provision for Finance Bad Debts	5	423	-	423	385	-	385
<b>TOTAL CURRENT LIABILITIES</b>		<b>40,149</b>	<b>21,250</b>	<b>61,399</b>	<b>41,860</b>	<b>22,121</b>	<b>63,981</b>
<b>NON CURRENT LIABILITIES</b>							
Deferred Tax	3	-	324	324	-	-	-
Financial Liabilities – Credit Contracts	5	-	27,451	27,451	-	24,970	24,970
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>-</b>	<b>27,775</b>	<b>27,775</b>	<b>385</b>	<b>24,970</b>	<b>25,355</b>
Shareholders' Equity		111,724	1,368	113,092	114,918	(1,826)	113,092
Minority Interest		2,496	90	2,586	1,529	57	1,586
<b>TOTAL EQUITY</b>		<b>114,220</b>	<b>1,458</b>	<b>115,678</b>	<b>116,447</b>	<b>(1,769)</b>	<b>114,678</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>154,369</b>	<b>50,483</b>	<b>204,852</b>	<b>158,692</b>	<b>45,322</b>	<b>204,014</b>
<b>CURRENT ASSETS</b>							
Cash and Bank Accounts		2,276	-	2,276	5,721	-	5,721
Trade & Other Receivables		28,312	-	28,312	22,110	-	22,110
Inventory		48,048	-	48,048	47,877	-	47,877
Financial Assets – Credit Contracts	5	-	20,708	20,708	-	18,837	18,837
Financial Derivatives – Foreign Exchange	2	-	2,159	2,159	-	-	-
<b>TOTAL CURRENT ASSETS</b>		<b>78,636</b>	<b>22,867</b>	<b>101,503</b>	<b>75,708</b>	<b>18,837</b>	<b>94,545</b>
<b>NON CURRENT ASSETS</b>							
Shares in Companies		172	-	172	175	-	175
Goodwill	4	2,654	-	2,654	2,350	304	2,654
Intangible Assets		610	-	610	538	-	538
Deferred Tax	3	-	-	-	-	939	939
Financial Assets – Credit Contracts	5	-	27,451	27,451	-	24,970	24,970
Fixed Assets	7	72,297	165	72,462	79,921	272	80,193
<b>TOTAL NON CURRENT ASSETS</b>		<b>75,733</b>	<b>27,616</b>	<b>103,349</b>	<b>82,984</b>	<b>26,485</b>	<b>109,469</b>
<b>TOTAL ASSETS</b>		<b>154,369</b>	<b>50,483</b>	<b>204,852</b>	<b>158,692</b>	<b>45,322</b>	<b>204,014</b>

# The Colonial Motor Company Limited

## and Subsidiary Companies

### Parent

#### Effect on Income Statement

For the Year Ended 30 June 2007

	Notes	Previous NZ GAAP \$M	Effect of Transition \$M	NZ IFRS \$M
<b>Revenue</b>				
Sale of				
- Products		-	-	-
- Services		909	-	909
Other Income				
- Interest		1,769	-	1,769
- Other		4,438	-	4,438
- Intercompany Dividend		5,067	-	5,067
<b>Total Revenue</b>		<b>12,183</b>	<b>-</b>	<b>12,183</b>
<b>Less Expenses</b>				
Cost of Products Sold		-	-	-
Remuneration of Staff	1	1,084	10	1,094
Depreciation & Amortisation		1,114	-	1,114
Property Occupation Costs		361	-	361
Marketing, Promotion & Training Costs		32	-	32
Other Operating Costs		919	-	919
Interest Cost		1,982	-	1,982
<b>Net Profit before Tax</b>		<b>6,691</b>	<b>(10)</b>	<b>6,681</b>
<b>Less: Income Tax Expense</b>	3	<b>533</b>	<b>290</b>	<b>823</b>
<b>Profit after Tax for the Period</b>		<b>6,158</b>	<b>(300)</b>	<b>5,858</b>

# The Colonial Motor Company Limited

## and Subsidiary Companies

### Parent

#### Effect on Balance Sheet

#### On Transition at 1 July 2006

#### At 30 June 2007

	Notes	Previous NZ GAAP \$000	Effect of Transition \$000	NZ IFRS \$000	Previous NZ GAAP \$000	Effect of Transition \$000	NZ IFRS \$000
<b>CURRENT LIABILITIES</b>							
At Call Bank Borrowings		8,200	-	8,200	10,500	-	10,500
Trade & Other Payables		1,073	-	1,073	1,048	-	1,048
Provisions	1	-	207	207	-	217	217
Tax Payable		537	-	537	-	-	-
Deposits		11,987	-	11,987	11,877	-	11,877
<b>TOTAL CURRENT LIABILITIES</b>		<b>21,797</b>	<b>207</b>	<b>22,004</b>	<b>23,425</b>	<b>217</b>	<b>23,642</b>
<b>NON CURRENT LIABILITIES</b>							
Deferred Tax	3	-	1,345	1,345	-	1,635	1,635
Advances from Subsidiaries		10,327	-	10,327	11,072	-	11,072
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>10,327</b>	<b>1,345</b>	<b>11,672</b>	<b>11,072</b>	<b>1,635</b>	<b>12,707</b>
<b>EQUITY</b>							
Share Capital		3,375	-	3,375	3,375	-	3,375
Reserves	6	615	(615)	-	615	(615)	-
Revaluation Reserve	7	26,376	166	26,542	30,768	272	31,040
Retained Earnings		42,310	(2,366)	39,944	42,468	(2,667)	39,801
<b>TOTAL EQUITY</b>		<b>72,676</b>	<b>(2,815)</b>	<b>69,861</b>	<b>77,226</b>	<b>(3,010)</b>	<b>74,216</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>104,800</b>	<b>(1,263)</b>	<b>103,537</b>	<b>111,723</b>	<b>(1,158)</b>	<b>110,565</b>
<b>CURRENT ASSETS</b>							
Cash and Bank Accounts		441	-	441	1,411	-	1,411
Trade & Other Receivables		19,850	-	19,850	15,936	-	15,936
Tax Receivable		-	-	-	84	-	84
<b>TOTAL CURRENT ASSETS</b>		<b>20,291</b>	<b>-</b>	<b>20,291</b>	<b>17,431</b>	<b>-</b>	<b>17,431</b>
<b>NON CURRENT ASSETS</b>							
Shares in Companies		1	-	1	1	-	1
Investment in Subsidiaries	8	24,626	(1,430)	23,196	23,698	(1,430)	22,268
Property, Plant & Equipment	7	59,882	167	60,049	70,593	272	70,865
<b>TOTAL NON CURRENT ASSETS</b>		<b>84,509</b>	<b>(1,263)</b>	<b>83,246</b>	<b>94,292</b>	<b>(1,158)</b>	<b>93,134</b>
<b>TOTAL ASSETS</b>		<b>104,800</b>	<b>(1,263)</b>	<b>103,537</b>	<b>111,723</b>	<b>(1,158)</b>	<b>110,565</b>

# Audit Report

## **To the Shareholders of The Colonial Motor Company Limited & Group**

I have audited the financial report on pages 9 to 42. The financial statements provide information about the past financial performance of The Colonial Motor Company Limited and Group and its financial position as at 30 June 2008. This information is stated in accordance with the accounting policies set out on pages 14 to 18.

### **Board of Directors' Responsibilities**

The Board of Directors is responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of financial statements that give a true and fair view of the financial position of The Colonial Motor Company Limited and Group as at 30 June 2008 and the results of operations and cash flows for the year ended on that date.

### **Auditors' Responsibilities**

It is my responsibility to express to you an independent opinion on the financial statements presented by the Board of Directors.

### **Basis of Opinion**

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Board of Directors in the preparation of the financial statements, and
- whether the accounting policies are appropriate to the company and group circumstances, consistently applied and adequately disclosed.

I conducted the audit in accordance with New Zealand Auditing Standards. I planned and performed the audit so as to obtain all the information and explanations that I considered necessary in order to provide sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

The firm that I am a Partner in carries out other assignments for the Company and Group in the areas of taxation advice. In addition to this, I may deal with the Company and Group on normal terms within the course of trading activities of the business. I have no relationships with, or interests in, The Colonial Motor Company Limited and Group.

#### **Business Advisers & Chartered Accountants**

Grant Thornton Wellington, an independent member firm of Grant Thornton New Zealand.  
Other independent member firms in Auckland, Christchurch and Dunedin. Grant Thornton New Zealand is a member of Grant Thornton International Limited.


### Unqualified Opinion

I have obtained all the information and explanations I have required.

In my opinion:

- Proper accounting records have been kept by The Colonial Motor Company Limited and Group as far as appears from my examination of those records; and
- The financial statements on pages 9 to 42:
  - comply with generally accepted accounting practice in New Zealand;
  - comply with International Financial Reporting Standards; and
  - give a true and fair view of the financial position of The Colonial Motor Company Limited and Group as at 30 June 2008 and the results of their operations and cash flows for the year ended on that date.

My audit was completed on 25 September 2008 and my unqualified opinion is expressed as at that date.



**Brent Kennerley**  
Wellington

# The Colonial Motor Company Limited

## and Subsidiary Companies

### Directors' Disclosures as required by the Companies Act 1993

#### (a) Directors' Interests

In relation to sections 140 and 211(1)(e) of the Act, no Director has declared any interest in a related party transaction with the Company during the year. The Company has received the following general disclosures of interest pursuant to section 140(2) of the Act that remain in place at the date of this report:

- J A Wylie - Director of Wylie Associates Limited (and its associated companies).
- G D Gibbons - Director of Motor Trade Finances Limited.
- P D Wilson - Chairman of Westpac New Zealand and Kermadec Property Fund Limited. Director of Westpac Banking Corporation, and Farmlands Trading Society. Member of NZX Discipline and Chairman of the Special Division of that body.
- P J Aitken - Chairman of Freemans Group New Zealand Limited. Managing Director of Clear Edge Limited. Director of Absolute Events Limited. Chairman of Trustees of Pindrop Foundation. Trustee of Mazda New Zealand Foundation and Northern Cochlear Implant Trust.

During the year J A Wylie and G D Gibbons were also Directors of all the Company's subsidiaries.

#### (b) Remuneration of Directors

Remuneration and all other benefits received by the Directors who held office during the year ended 30 June 2008 are disclosed pursuant to section 211(1)(f) of the Act as follows:

	Directors Fees 2008 \$	Total Remuneration 2008 \$	Total Remuneration 2007 \$
J A Wylie (Chairman)	49,500	72,816	68,691
G D Gibbons	-	410,577	367,464
J P Gibbons	-	204,163	213,069
J A Blyth	33,000	33,000	30,250
P D Wilson	36,300	36,300	33,250
I D Lambie	33,000	34,125	34,750
P J Aitken (elected 9 November 2007)	22,000	22,000	-

Remuneration for J A Wylie, additional to Directors Fees, included the provision of a motor vehicle and I D Lambie received consulting fees for activities carried out on behalf of the Company. P D Wilson received additional Directors Fees in his capacity as Chairman of the Audit & Compliance Committee of the Board.

Executive Directors do not receive Directors Fees for acting as a Director of the Company or of any Group subsidiary or associate company. Executive Directors acting in their capacity as employees of the Company or of a Group subsidiary received total remuneration including salary, incentives, superannuation contributions, use of a motor vehicle and other benefits in the year ended 30 June 2008 as disclosed above. No other employee of the Company, or of any Group subsidiary, retains or receives any remuneration or other benefits as a Director.

As provided for in Clause 28.4 of the Company's Constitution, the Company provides for Directors Retirement Benefits. The total provided as at 30 June 2008 is \$239,800 (2007: \$191,000).

As provided for in Clause 29.4 of the Company's Constitution, an insurance policy is in place in relation to Directors and Officers liability. The policy ensures that generally Directors will incur no monetary loss as a result of actions undertaken by them as Directors. Certain actions are specifically excluded, such as incurring penalties and fines that may be imposed in respect of breaches of the law.

# The Colonial Motor Company Limited

## and Subsidiary Companies

### Director Disclosures as required by the Companies Act 1993

#### (c) Use of Company Information by Directors

During the year the Board did not receive any requests from Directors to use Company information provided to them in their capacity as an officer or employee that would not otherwise have been available to them.

#### (d) Share Dealings by Directors

Directors have disclosed under Section 148(2) of the Act the following acquisitions and disposals of relevant interests in shares in the Company between 1 July 2007 and 31 August 2008.

Director	Number of Shares		Date	Price	Relationship
	Acquired	Disposed			
G D Gibbons	-	44,000	27 September 2007	\$3.55	Non-beneficial
G D Gibbons	4,000	-	27 September 2007	\$3.55	Non-beneficial
G D Gibbons	10,000	-	20 December 2007	\$3.40	Beneficial
G D Gibbons	5,000	-	16 May 2008	\$3.21	Beneficial
G D Gibbons	9,198	-	30 May 2008	\$3.21	Beneficial
G D Gibbons	24,624	-	11 July 2008	\$3.23	Beneficial
G D Gibbons	10,000	-	13 July 2008	\$3.23	Beneficial
J P Gibbons	2,800	-	12 September 2007	\$3.54	Beneficial
J P Gibbons	6,000	-	12 September 2007	\$3.56	Non-beneficial
J P Gibbons	7,200	-	24 September 2007	\$3.55	Beneficial
J P Gibbons	-	44,000	27 September 2007	\$3.55	Non-beneficial
J P Gibbons	2,000	-	27 September 2007	\$3.55	Non-beneficial
J P Gibbons	-	3,000	19 December 2007	\$3.45	Non-beneficial
J P Gibbons	4,000	-	17 April 2008	\$3.23	Non-beneficial
J P Gibbons	20,000	-	28 April 2008	\$3.23	Beneficial
I D Lambie	500	-	26 October 2007	\$3.40	Beneficial
I D Lambie	830	-	5 November 2007	\$3.42	Beneficial
P D Wilson	5,000	-	18 December 2007	\$3.35	Beneficial

### Director Disclosures as at 30 June as required by the New Zealand Stock Exchange Listing Rules

	Shares in which the Director has a beneficial interest solely or jointly		Shares in which the Director has a non beneficial interest		Shares held by Associated Persons of the Director	
	2008	2007	2008	2007	2008	2007
	J A Blyth	9,900	9,900	-	-	6,390
J P Gibbons	1,989,174	1,959,174	957,802	991,802	379,450	380,450
G D Gibbons	1,577,665	1,553,467	404,590	448,590	47,441	43,441
I D Lambie	2,500	1,170	-	-	-	-
P D Wilson	15,000	10,000	-	-	-	-
J A Wylie	221,448	221,448	70,644	70,644	26,720	26,720

# The Colonial Motor Company Limited

## and Subsidiary Companies

### Disclosure of Substantial Security Holders

As required by section 26 the Securities Markets Act 1988, the Substantial Security Holders as at 31 August 2008 (from whom a notice under the Act had been received and the date of each such notice) were as follows:

	Date	Shares	%
<b>P C Gibbons</b>	21/08/06	2,033,879	7.30
<b>N L Gibbons</b>	22/08/03	2,128,869	7.64

Issued and Fully Paid Capital as at 30 June 2008 was made up of 27,850,910 ordinary shares. The above disclosures as at 31 August 2008 include voting securities arising by reason of joint holdings, powers of attorney and directorships as specifically required by the Securities Markets Act 1988 (sections 4 & 5). No shares have been counted more than once in the determination of Substantial Security Holders.

### Distribution of Shareholders and Shareholdings

This distribution information reflects the position as at 31 August 2008.

	Number of Shareholders		Number of Shares	
	Number	%	Number	%
1 - 999	263	19.2%	139,168	0.5%
1,000 - 9,999	849	62.2%	2,826,006	10.1%
10,000 - 99,999	196	14.3%	4,867,214	17.5%
100,000 - 999,999	53	3.9%	14,056,961	50.5%
1,000,000+	5	0.4%	5,961,561	21.4%
<b>TOTALS</b>	<b>1,366</b>	<b>100.0%</b>	<b>27,850,910</b>	<b>100.0%</b>

### Five Year Summary of Shareholder Return on Investment - 30 June Year Ended

Year	Share Price @ 30 June	Dividends Paid - cps		Gross Dividend Yield %	Change in Share Price cps	Total Gross Return cps	Gross Shareholder Return %
		Date	Net				
2008	\$3.30	09/04/08	11.0	35.8	10.1%	9.8	2.8%
		24/10/07	13.0				
2007	\$3.56	03/04/07	10.0	34.3	11.4%	90.3	30.1%
		25/10/06	13.0				
2006	\$3.00	03/04/06	11.0	32.1	10.4%	24.1	7.8%
		26/10/05	10.5				
2005	\$3.08	04/04/05	11.5	31.3	10.6%	44.3	15.0%
		27/10/04	9.5				
2004	\$2.95	05/04/04	10.5	29.9	9.6%	14.9	4.8%
		28/10/03	9.5				

Note: Yields are calculated on the share price at the beginning of each year. The share price at 30/06/03 was \$3.10.



## Forty Largest Shareholdings as at 31 August 2008

	Shares	%
James Ian Urquhart	1,329,350	4.8%
Estate RC Gibbons, NL, BR & JP Gibbons & PL Bennett	1,231,542	4.4%
PC & FS Gibbons	1,220,309	4.4%
Anne Drayson Gibbons	1,133,995	4.1%
Florence Theodosia Gibbons	1,046,365	3.7%
Faith Sara Gibbons	890,945	3.2%
Peter Craig Gibbons	876,354	3.1%
Accident Compensation Corporation	637,634	2.3%
Estate R C Gibbons, Deceased	565,635	2.0%
MI & C Louisson & Cooper & Co Trustee No 1 Limited	505,810	1.8%
PM Smith & SB Gibbons	477,960	1.7%
MA & LE Gibbons & AK Cook	404,074	1.4%
JP & DM Gibbons & PL Bennett	362,121	1.3%
EC, JP & GD Gibbons, CG Harrison & MA Barton	357,550	1.3%
Elevation Capital Multi Strategy Fund	350,000	1.3%
Graeme Durrad Gibbons	343,158	1.2%
Citibank Nominees (New Zealand) Limited	334,265	1.2%
Diana Durrad Harrison	308,592	1.1%
May Alice Gibbons	302,574	1.1%
Alison Durrad Beaumont	295,596	1.1%
Gillian Durrad Watson	294,954	1.1%
Robert Durrad Gibbons	294,836	1.1%
Sara Durrad Wood	294,358	1.1%
Nancy Lucy Gibbons	283,068	1.0%
Kate Enright & Carole Louisson	280,000	1.0%
JG, KS, SK & J Bale	276,208	1.0%
CG, AE & JG Harrison	276,208	1.0%
JG, J & CG Harrison	276,208	1.0%
The Colonial Motor Company Ltd Staff Superannuation Fund	259,130	0.9%
Rebecca Hope Wilson	250,000	0.9%
Leanne Barnes Rogerson	239,720	0.9%
Stuart Barnes Gibbons	230,486	0.8%
SH Majors & RH & SJ Wilson	228,770	0.8%
Elsie Craig Gibbons	225,897	0.8%
Citation Insurance Company	225,000	0.8%
JA & RN Wylie & JD Hanning	217,848	0.8%
Macquarie Equities Custodians Limited	207,505	0.7%
Colin Michael Louisson & Nadine Tarsa	205,981	0.7%
Forsyth Barr Custodians Limited	193,009	0.7%
PC Barton & PC & JP Gibbons	161,131	0.6%
<b>Total of forty largest shareholdings</b>	<b>17,894,146</b>	<b>64.2%</b>
<b>Total shares on issue</b>	<b>27,850,910</b>	<b>100.0%</b>

A number of the registered Shareholders may hold shares as nominee(s) on behalf of other parties.

# *The Colonial Motor Company Limited*

## and Subsidiary Companies

### Notice of Annual Meeting

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NOTICE IS HEREBY GIVEN that the 90<sup>th</sup> Annual Meeting of Shareholders of The Colonial Motor Company Limited will be held at the Registered Office of the Company on Level 1 of the CMC Building, 89 Courtenay Place, Wellington, New Zealand on Friday, 7 November 2008 commencing at 11:00am.

#### **Ordinary Business**

1. To receive and consider the Financial Statements together with the Reports of the Directors and of the Auditor in respect of the year ended 30 June 2008.
2. To note the interim dividend of 11.0 cents per share paid on 9 April 2008 and the final dividend of 12.0 cents per share paid on 3 November 2008.
3. To re-elect Directors:  
In accordance with the Constitution, Messrs J P Gibbons and I D Lambie retire by rotation and, being eligible, offer themselves for re-election.
4. To record the appointment of the Auditor, Grant Thornton, in accordance with section 200 of the Companies Act 1993 and to authorise the Directors to fix the Auditor's remuneration.

#### **General Business**

5. To consider any other business that may properly be transacted at an Annual Meeting of the Company.

By order of the Board



N K Bartle  
Company Secretary  
25 September 2008

#### **Proxies**

Any Shareholder is entitled to attend and vote at the meeting or to appoint a proxy to attend on their behalf. A proxy need not be a Shareholder of the Company. A proxy form accompanies this Notice. Proxy forms must be received at the Registered Office of the Company not later than 48 hours prior to the scheduled commencement of the meeting.

#### **Representatives of Corporations**

Corporate bodies appointing a representative to attend the meeting should comply with Clause 23 of the Constitution that reads as follows:

*"Appointment of representative: A corporation which is a Shareholder may appoint a person to attend a meeting of Shareholders on its behalf in the same manner as that in which it could appoint a proxy."*

# The Colonial Motor Company Limited



Today the CMC Group owns and operates 12 Ford Dealerships with each holding a franchise in its own right from the Ford Motor Company of NZ Ltd. From 1999, a number of these Dealerships have been granted Mazda franchises. The Company is involved in the NZ distribution and retailing of Kenworth and DAF heavy duty trucks, and the retailing of Sterling and Mercedes heavy trucks in the South Island and New Holland tractors and equipment in Southland.

The Colonial Motor Company originated from **William Black's** coach-building factory which started operations in 1859 at 89 Courtenay Place, Wellington. In 1881 it was taken over by Rouse & Hurrell, who expanded the business with new three storied premises calling it **Rouse & Hurrell's Empire Steam and Carriage Works**. This partnership was formed into a limited liability company in 1902 with Mr Edward Wade Petherick the first Secretary of the Company. The Ford Motor Car Agency was taken up in 1908 and in August 1911 a new name "**The Colonial Motor Company Limited**" was registered.

On Ford Canada's recommendation a dominant shareholding and control was acquired by Mr Charles Corden Larmour and the sale of this majority holding and control to Mr Hope Gibbons and his family interests was concluded in April 1918 after negotiations in 1916. At that time there were 17 Authorised Ford Dealers in New Zealand of which 10 were in the South Island. In 1919 the Company restructured with a new memorandum and articles but the 1911 name was retained and remains the same today.

The nine storied building at 89 Courtenay Place, designed by architect J M Dawson to Ford plans, opened as the tallest Wellington construction in 1922. It was the first motor vehicle assembly plant in New Zealand-vehicles starting in boxes at the top and driving out completed at the bottom. The Company later built assembly plants at Fox Street, Parnell, Auckland and Sophia Street, Timaru. This was the age of the Model T with Ford market share reaching a peak of 27% in 1926.

In 1936, Ford Motor Company of New Zealand Limited established an assembly plant at Seaview, Lower Hutt, and took over the distribution of Ford products in New Zealand. CMC then concentrated on the retail side of the business, operating the retail garages it then owned. The 1930's and 1940's were a time of survival with the depression, excess stock of new product, and then no new vehicles available during the war years and petrol rationing until 1950. Service became the key to remaining in business.

Shortly after the end of the war the supply of new vehicles was resumed and the 30 years up to 1980 saw the Group consolidate. The Dealer organisation that developed proved to be one of the best retail motor groups in New Zealand. Over this period nearly every Dealership was either rebuilt, fully refurbished or relocated and new Dealerships were opened in East, West and South Auckland to cater for Auckland growth.

For the 50 years up to 1987 New Zealand had import licensing to control the expenditure of funds on imports such as motor vehicles. The new vehicle industry volumes peaked in 1973, and again in 1984, at around 125,000 new vehicles, a long way from the industry of the 1990's. In 1992 just 66,500 new vehicles were sold. 2005, with just over 100,000 new vehicle sales, was the highest for 20 years.

In recent years our Dealerships have adjusted to a completely open and highly competitive market. The change from cars being seen as an investment to a depreciable consumer durable, was brought about by the advent of imported used vehicles from Japan, completely changing the shape of the industry.

In 1994, after Ford sold their heavy truck division, CMC took up a major interest in Southpac Trucks Ltd, the New Zealand distributor for Kenworth, Foden (since retired) and (more recently) DAF heavy duty truck brands which are part of the PACCAR Organisation. The heavy truck business now makes up a significant part of the Group's operations.

Guinness Peat Group plc (GPG) made a takeover offer for CMC in October 1995. Among the sellers who enabled GPG to acquire 33.9% were some original Gibbons Family shareholders. As part of a plan to maximise value to shareholders, Directors resolved to rationalise the Company's non-dealership property holdings, repay the surplus funds to shareholders and focus the Company on its core motor trade activities.

In June 1997, GPG sold its shares to the MBM Group of Companies which have interests in the Motor Industry in Malaysia. MBM Group sold all remaining 24.9% stake on the market in May 2003 to a large number of individual shareholders and a few institutional holders, resulting in over 300 new shareholders.

The Company acquired M.S Motors, the Ford Dealership in Nelson, in 1998 and at the same time took over the Blenheim Dealership, merging them as the M.S Ford operation.

In 1999, CMC's Auckland Dealerships joined with Ford Motor Company and three other Ford dealerships to form Auckland Auto Collection Limited (AACL). This move represented the biggest change in the Ford franchise arrangements in New Zealand for over 60 years. During 1999, this new business acquired the Mazda Dealerships in Auckland and Mazda Motors joined CMC and Ford as a shareholder. From 2002, the business operated as three Ford and Mazda dealerships - North Harbour, John Andrew and South Auckland. CMC sold its shareholding back to AACL in May 2005 and, in return, acquired the South Auckland Dealership.

Six of the Group's twelve car Dealerships now have both the Ford and Mazda franchises.

On 16 June 2003, Ford Motor Company celebrated its centennial and the production of the original Model A Fordmobile with CMC and its forebears having been actively involved with Ford for 95 of those 100 years. In celebration of this long relationship, a history of the Company's operations and activities "*Ford Ahead*" was written and published by Roger Gardner.

It has been part of the Company's philosophy and success to own the property sites from which its retail subsidiary companies operate. Until its sale in August 2005, the Company owned the "CMC Building", a large office building in Wellington that originally housed the first assembly plant.

The current major shareholdings in CMC are with individual members of the wider Gibbons Family, who collectively hold over 57% of the Company shares. There are also many descendants of the original 1902 subscribers to the Rouse & Hurrell Carriage Building Company Limited who remain shareholders today.

Throughout the Company's history, change has always been with us and our ability to adapt in good times and in bad has ensured ongoing wellbeing and prosperity. As well, it has always been recognised that dedicated, skilled and enthusiastic people have been, and will continue to be, the key to the Company's future.