The Colonial Motor Company Limited

92nd Annual Report

2010

The Colonial Motor Company Limited

BOARD OF DIRECTORS	John A Wylie, Chairman 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
GROUP ACCOUNTANT	George A Smith
AUDITOR	Grant Thornton (Audit Partner Graeme McGlinn)
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 Website www.colmotor.co.nz

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

Notice of Annual Meeting

NOTICE IS HEREBY GIVEN that the 92nd 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, 5 November 2010 commencing at 11:00am.

Agenda

1. The Chairman's introduction
2. Address from the Chairman
3. Shareholder discussion
4. Resolutions (see explanatory notes)

   To consider and, if thought fit, pass the following ordinary resolutions.

   (a) To re-elect Mr Peter John Aitken as a Director of the Company

   (b) To re-elect Mr John Alexander Wylie as a Director of the Company

   (c) To authorise an increase in the annual remuneration payable to Directors from $185,000 to $225,000.

   (d) To record the on-going appointment of Grant Thornton as Auditors and to authorise the Directors to fix the Auditors' remuneration.
5. General business

By order of the Board

N K Bartle
Company Secretary
22 September 2010

Explanatory notes to resolutions
Ordinary resolutions are passed by a simple majority of votes.

In accordance with the Company's Constitution, one third of the Directors must retire by rotation each year. The Directors to retire by rotation at the 2010 Annual Meeting are P J Aitken and J A Wylie who are eligible and are standing for re-election.

Directors' fees were last increased with effect from 1 July 2007. Further details are provided in the Directors' Report on page 3.

Under section 200 of the Companies Act 1993, the Auditors are automatically re-appointed each year unless ineligible or replaced.

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:

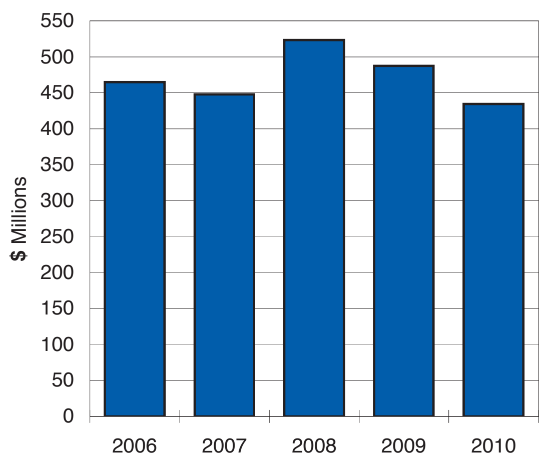
> *"Appointment of representative: A corporation which is a Shareholder may appoint a person to attend a meeting of Shareholders on its behalf in the same manner as that in which it could appoint a proxy."*

The Colonial Motor Company Limited
and Subsidiary Companies

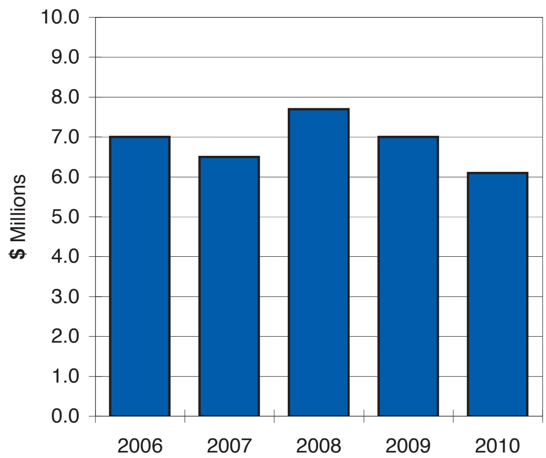
Facts at a Glance and Five Year Trends

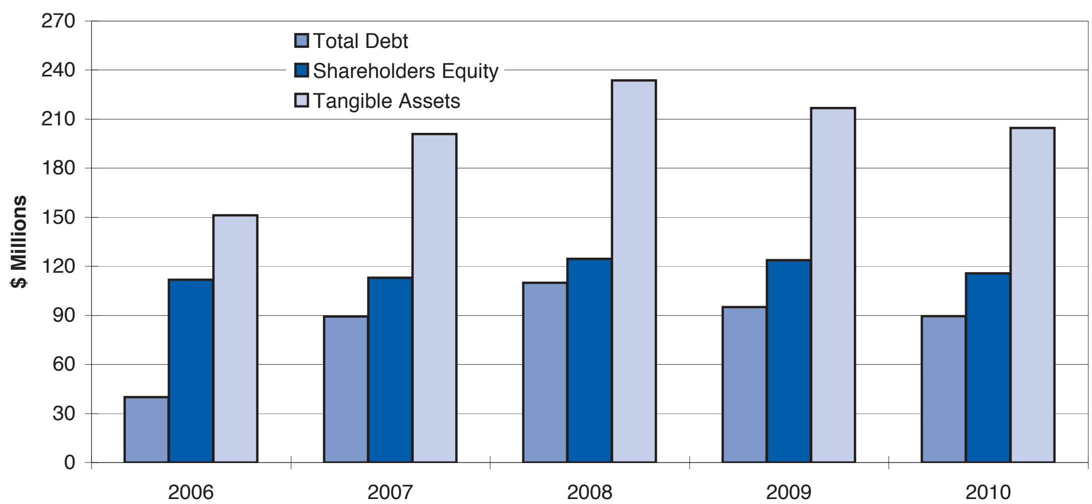
	2010	2009	2008	2007	2006
Reporting Basis	NZ IFRS	NZ IFRS	NZ IFRS	NZ IFRS	NZ GAAP
Operating Revenue ($000)	434,395	487,325	523,408	454,703	464,927
Trading Profit after Tax (excluding Non Trading Items) ($000)	6,130	7,002	7,660	6,499	6,964
Net Profit/(Loss) after Tax Attributable to Shareholders ($000)	(1,241)	4,614	7,217	6,499	11,461
Return on Average Shareholders' Funds - Trading Profit	5.1%	5.6%	6.4%	5.8%	6.8%
- Net Profit	(1.0)%	3.7%	6.1%	5.8%	11.2%
Trading Profit Per Dollar of Revenue	1.4c	1.4c	1.5c	1.4c	1.5c
Earnings per Share - Trading Profit after Tax	20.4c	25.1c	27.5c	23.3c	25.0c
- Net Profit After Tax	(4.1)c	16.6c	25.9c	23.3c	41.2c
Dividend per Share	15.0c	15.0c	23.0c	23.0c	24.0c
Total Dividends for the year ($000)	4,904	4,178	6,406	6,406	6,684
Shares on issue at Balance Date	32.695m	27.851m	27.851m	27.851m	27.851m
Current Ratio	1.4	1.3	1.3	1.5	2.0
Shareholders' Equity as a Percent of Total Assets	56.0%	56.2%	52.7%	55.4%	72.4%
Net Tangible Asset Backing per Share (after final dividend is paid)	$3.39	$4.23	$4.27	$3.82	$3.76

Operating Revenue



Trading Profit After Tax





Directors' Report

Your Directors have pleasure in presenting the 92nd Annual Report and audited Financial Statements of The Colonial Motor Company Limited ("CMC" or "Parent") and of the Group for the year ended 30 June 2010.

Revenue and Operating Profit

Gross revenue for the year was $434.4m ($487.3m in 2009) and the underlying trading profit for the year was $6.1m ($7.0m in 2009). This was considered satisfactory given the big picture economic circumstances. A significant level of non-trading, non-cash, negative adjustments resulted in a net loss after tax attributable to shareholders of $1.2m ($4.6m profit in 2009). The loss this year was caused by a one-off deferred tax charge resulting from the forthcoming change in tax deductibility of building depreciation that was the major component of the income tax expense of $8.7m ($2.9m in 2009).

Property Valuation

Under the policy adopted last year, all Group property was again independently valued at 30 June 2010. Accounting standards require, on a property by property basis, taking reductions in value below original cost against profit and any increases in value, (or decreases that only reduce a previous revaluation) to equity. For this year that reflects as a $0.823m negative impact on profit (last year negative $1.825m) and a negative $2.555m adjustment to equity (last year negative $0.408m).

Dividends

Dividends paid in respect of this year will total 15.0 cents per share (12.8 cents per share in 2009 after adjusting for the bonus issue). An interim dividend of 6.0 cents per share was paid on 12 April 2010 and a final dividend of 9.0 cents per share will be paid on 26 October 2010, both dividends being fully imputed. The value of the distributions for this year will be $4.9m ($4.2m in 2009) representing 80% (60% in 2009) of the trading profit after tax.

On 18 January 2010 a taxable bonus issue of shares was made in order to distribute CMC's accumulated imputation credits to shareholders before a change in the tax law came into effect to limit the level of credits that could be attached to future dividends.

Directors

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 2010, and at the date of this report, were P J Aitken, I D Lambie, P D Wilson and J A Wylie.

The Directors to retire by rotation at the 2010 Annual Meeting are P J Aitken and J A Wylie who are eligible and are standing for re-election.

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. A separate Governance Statement is provided on pages 42 to 44.

Directors Fees

At the 2007 annual meeting, shareholders passed a resolution setting the maximum for total directors' fees at $185,000 per annum, which remains in place. Total fees paid in this financial year were $152,000 ($168,000 in 2009).

It has been the Board's practice to review the fees in total and the amounts paid to individual directors every two years and to recommend any appropriate change to the annual meeting. A review was due last year but was postponed for 12 months in recognition of the uncertain outlook at the time.

The notice for the 2010 annual meeting contains a resolution proposing an increase in the maximum total fees from $185,000 to $225,000. This will provide for increases in the annual fees paid to non-executive Directors (from $33,000 to $40,000), to the Chairman (from $49,500 to $60,000) and to the Chairman of the Audit And Compliance Committee (from $3,300 to $4,000).

For the Directors
22 September 2010

J A Wylie   J P Gibbons

Chief Executive's Report

Our Trading Profit after Tax was $6.130m versus last years $7.002m. In the event this is the only relevant measure of profitability because of the unintended consequences of International Accounting Standards on a 2010 NZ Budget change in depreciation treatment. The resulting adjustment of $6.383m is best ignored as even the Chairman of the International Accounting Standards Board considers this particular Standard should be "torn up". The real cost of the change to us will be less than $0.2m per annum in terms of building depreciation becoming non-deductible for tax.

A quick review of our records shows that we have made a bottom line profit every year since 1955, and perhaps even further back, until this year. The financial statements record a loss after tax of $1.241m.

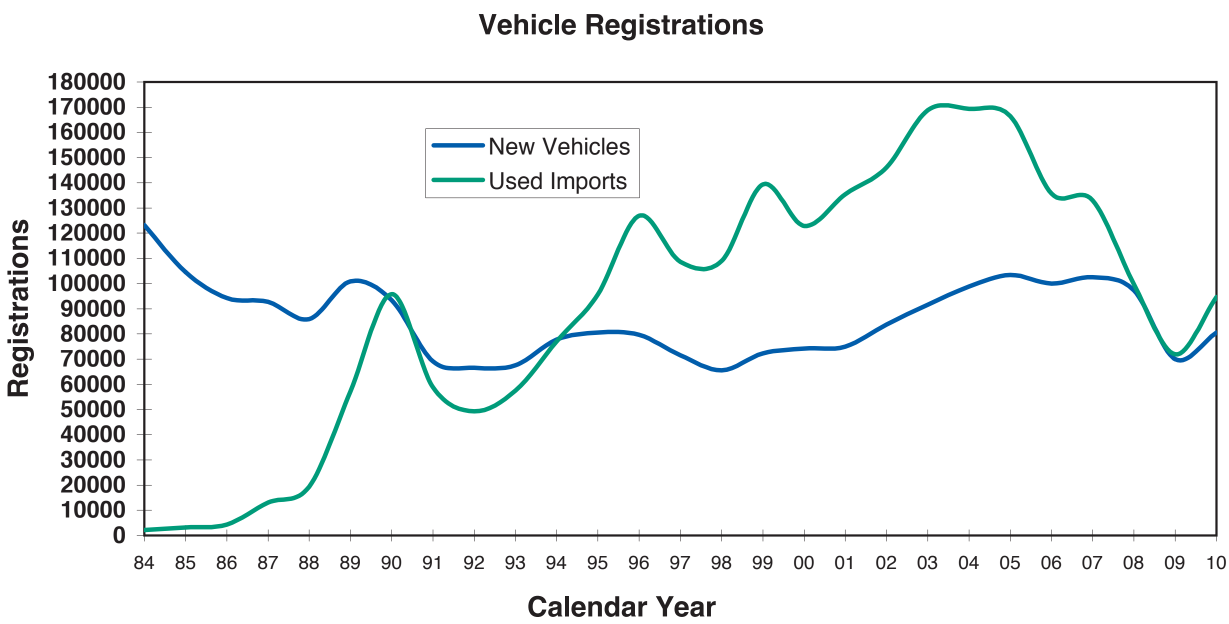
We had expected the financial year to be part of a long, slow climb from the lows in late 2008 and early 2009 reflecting the global recession. However, the year has had more than its share of twists and turns.

Headline numbers show the new vehicle industry recovering from 20-year lows. This disguises the continued decline in sales of new motorcycles, heavy duty trucks and tractors that was evident in the second half of 2009.

Used car retailing has been a roller-coaster ride. Low levels of inventory and just sufficient consumer demand at the end of 2009 combined to push wholesale and retail prices up over the first quarter of 2010. A flood of fresh used car imports and the annual rental car return season in April and May then coincided to 'over-supply' a fragile used car market and reverse the trends of the previous quarters. This retail weakness continues.

The need for replacement "capital" assets for farmers and transport companies generally continues to be at a low ebb with log exports being one of the few areas requiring increased capacity.

As a generality, the business areas that maintained the mid-2000's upswing the longest have felt the cool winds of the global induced recession the hardest. Judging from our experiences in the post 1987 period with the fall out from the Stock Market crash, our property market and values would seem to be around half way through the cycle needed for recovery to occur.



The rigours of recession have driven all our dealerships to tighten their belts, reduce expenses at every opportunity and to seek new efficiencies at every level. Our Group personnel at 762, is down more than 100 in the past 18 months.

Competing in a dynamic, highly sophisticated and electronically knowledgeable used car market is part of this challenge. To be competitive, our dealerships are creating a greater presence on the Internet using a range of tools, such as eye-catching web sites, auction sites and social media.

Whilst our facilities only suffered minimal or minor damage in the Christchurch earthquake, the ramifications of delayed retail expenditure may impact on trading in Canterbury in the short term. Avon City Ford, Avon City Motorcycles and Southpac Trucks had no physical disruption, but some staff have suffered in their personal lives. However, Team Hutchinson Ford in central Christchurch, while suffering only some minor damage to roof peaks and valleys, was in the middle of the exclusion zone without power and we could not access the site or operate until Thursday, 9 September – 5 days after the earthquake. Strengthening work undertaken at Tuam Street in the 1970's stood up as the street around our dealership resembled a war zone. There was no damage to inventory at any of the locations.

In terms of facilities we have, as indicated in last year's report, had a hold on capital expenditure but continue active planning for the future.

At Southpac Trucks we are working on the consolidation of the business onto a single enlarged site at Wiri Station Road. The new South Western to Southern motorway connection due to open shortly will further enhance access to this facility.

During the year South Auckland Motors took up two motorcycle franchises at its Pukekohe location and acquired an independent service business now located on the Manukau site in a facility previously utilised for new vehicle pre-delivery.

We sold the Blenheim branch of M.S. Motors to focus on our Nelson business. The operation was in a leased facility.

The sale of a property in Taranaki Street, Wellington, shown as a receivable at balance date, was settled in late August. The building had previously been utilised for Capital City's Paint & Panel operation and vehicle storage.

The brands our Dealerships represent are showing their real strengths internationally with Ford Motor Company now leaner, refocused ("One Ford") and profitable, Mazda continuing its product lead surge and PACCAR, the manufacturer of the Kenworth and DAF trucks we sell, remaining profitable through the recession in their core markets of North America and Europe.

Outlook

CMC as a Group has adjusted quickly and decisively to changed trading conditions. While the economic recovery is mixed and taking longer than expected we are well positioned for the 2011 year. We represent good brands, we have diversity in both metropolitan and rural markets and have a strong team of dedicated and enthusiastic staff.

G D Gibbons
Chief Executive

Income Statement for the year ended 30 June 2010

	NOTE	GROUP 2010 $000	GROUP 2009 $000	PARENT 2010 $000	PARENT 2009 $000
Revenue					
Sale of - Products		378,801	429,241	-	-
- Services		48,745	51,799	1,091	1,035
Other Income - Interest		220	294	1,541	2,615
- Other		6,629	5,991	6,213	5,628
- Intercompany Dividend		-	-	5,920	5,700
Total Revenue		434,395	487,325	14,765	14,978
Less Expenses	1				
Cost of Products Sold		338,386	381,856	-	-
Remuneration of Staff		53,120	56,829	1,217	1,263
Depreciation & Amortisation		3,428	3,416	1,281	1,222
Property Occupation Costs		9,584	9,269	445	480
Marketing, Promotion & Training Costs		4,427	5,572	26	46
Other Operating Costs		14,423	15,599	1,079	1,045
Interest Cost		2,694	4,904	1,574	2,782
Trading Profit before Tax		8,333	9,880	9,143	8,140
Fair Value Revaluation of Property	9	(823)	(1,825)	(823)	(1,825)
Impairment Loss on Goodwill	8	-	(563)	-	-
Fair Value Revaluation of Investment	5	(165)	-	-	-
Profit Before Tax		7,345	7,492	8,320	6,315
Less: Income Tax Expense					
- Current	13	2,292	2,913	701	703
- Deferred	13	42	(40)	4	30
- Deferred (Depreciation tax change)	13	6,383	-	6,383	-
Profit / (Loss) after Tax for the Year		(1,372)	4,619	1,232	5,582
Attributable to: Shareholders		**(1,241)**	**4,614**	**1,232**	**5,582**
Non Controlling Interests		(131)	5	-	-
		(1,372)	4,619	1,232	5,582
Trading Profit After Tax	12	**6,130**	**7,002**		

	GROUP 2010	GROUP 2009	
Basic & Diluted Earnings per Share (based on shares on issue from 18 January 2010)			
- Profit after Tax	(3.8 cents)	16.6 cents	(14.1 cents diluted)
- Trading Profit after Tax	18.8 cents	25.1 cents	(21.4 cents diluted)
Basic & Diluted Earnings per Share (based on weighted average shares outstanding during the year)			
- Profit after Tax	(4.1 cents)	16.6 cents	(14.1 cents diluted)
- Trading Profit after Tax	20.4 cents	25.1 cents	(21.4 cents diluted)
Dividend per Share	15.0 cents	15.0 cents	(12.8 cents diluted)
Dividends for the year	4,904	4,178	
Net Tangible Assets per Share (pre Dividend)	$3.48	$4.32	($3.68 diluted)

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

Statement of Comprehensive Income

	NOTE	GROUP 2010 $000	GROUP 2009 $000	PARENT 2010 $000	PARENT 2009 $000
Profit / (Loss) after Tax for the year		(1,372)	4,619	1,232	5,582
Other Comprehensive Income:					
Realised Gain on Sale of Property	9	1,616	-	1,616	-
Property revaluation reserve					
Fair value movement	24	(2,555)	(408)	(2,555)	(408)
Transfer realised gain	24	(1,675)	-	(1,675)	-
Deferred tax	24	489	1,750	489	1,750
Foreign Exchange reserve					
Movement in effective hedge	24	(170)	(2,486)	-	-
Deferred tax movement	24	51	746	-	-
Total Comprehensive Income for the year		(3,616)	4,221	(893)	6,924
Attributable to:					
Shareholders		**(3,466)**	**4,216**	**(893)**	**6,924**
Non Controlling Interests		(150)	5	-	0
		(3,616)	4,221	(893)	6,924

Statement of Changes in Equity

	NOTE	GROUP 2010 $000	GROUP 2009 $000	PARENT 2010 $000	PARENT 2009 $000
Total Equity at beginning of year		125,424	126,216	87,537	85,626
Total Comprehensive income		(3,616)	4,221	(893)	6,924
Dividends paid to Shareholders	11	(4,468)	(5,013)	(4,468)	(5,013)
Total Equity at end of year		117,340	125,424	82,176	87,537

The disaggregation of changes in components of equity arising from transactions recognised in other comprehensive income is presented in Note 24.

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

Balance Sheet as at 30 June 2010

	NOTE	GROUP 2010 $000	GROUP 2009 $000	PARENT 2010 $000	PARENT 2009 $000
Current Liabilities					
Trade & Other Payables	3	22,900	19,247	718	942
Provisions	6	677	635	200	195
At Call Deposits	16	10,654	10,366	10,654	10,366
Advances from Subsidiaries	21	-	-	2,627	1,608
Bank Borrowings	18(c)	21,100	30,100	21,100	30,100
Tax Payable	13	374	1,047	82	96
Financial Derivatives - Foreign Exchange	17	251	101	-	-
Financial Liabilities - Credit Contracts	18(a)	12,913	14,930	-	-
Impairment Allowance - Credit Contracts	18(a)	237	272	-	-
Total Current Liabilities		69,106	76,698	35,381	43,307
Non Current Liabilities					
Financial Liabilities - Credit Contracts	18(a)	15,880	18,277	-	-
Advances from Subsidiaries	21	-	-	2,257	2,257
Deferred Tax	13	4,546	-	6,071	173
Total Non Current Liabilities		20,426	18,277	8,328	2,430
Shareholders' Equity					
Share Capital	10	15,968	3,375	15,968	3,375
Property Revaluation Reserve		36,269	40,010	36,269	40,010
Foreign Exchange Hedging Reserve		(108)	(8)	-	-
Retained Earnings		63,699	80,385	29,939	44,152
Total Shareholders' Equity		115,828	123,762	82,176	87,537
Non Controlling Interest		1,512	1,662	-	-
Total Equity		117,340	125,424	82,176	87,537
Total Equity And Liabilities		206,872	220,399	125,885	133,274

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

	NOTE	GROUP		PARENT	
		2010 $000	2009 $000	2010 $000	2009 $000
Current Assets					
Cash and Bank Accounts	2	3,935	979	103	113
Trade & Other Receivables	7	25,393	24,952	21,040	25,571
Receivable – Sale of Property		2,600	-	2,600	-
Inventory	4	52,268	57,883	-	-
Advances to Subsidiary Companies	5	-	-	900	300
Financial Assets - Credit Contracts	18(a)	12,913	14,930	-	-
Total Current Assets		97,109	98,744	24,643	25,984
Non Current Assets					
Financial Assets - Credit Contracts	18(a)	15,880	18,277	-	-
Goodwill	8	1,838	1,838	-	-
Other Intangible Assets	8	320	392	-	-
Shares in Companies	5	935	1,100	-	-
Investments in Subsidiary Companies	5	-	-	18,708	18,093
Deferred Tax	13	-	1,339	-	-
Property, Plant & Equipment	9	90,790	98,709	82,534	89,197
Total Non Current Assets		109,763	121,655	101,242	107,290
Total Assets		206,872	220,399	125,885	133,274

For the Directors
22 September 2010

J A Wylie

J P Gibbons

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

Statement of Cash Flows for the year ended 30 June 2010

	NOTE	GROUP 2010 $000	GROUP 2009 $000	PARENT 2010 $000	PARENT 2009 $000
Cash Flows From Operating Activities					
Receipts from Customers		434,490	492,338	7,004	7,236
Interest Received		220	293	1,541	2,615
Dividends Received		-	-	5,920	5,700
Payments to Suppliers & Employees		(411,321)	(469,126)	(5,730)	(1,460)
Interest Paid		(2,964)	(4,904)	(1,574)	(2,782)
Income Taxes Paid		(2,966)	(1,617)	(714)	(440)
Net Cash Flow From Operating Activities	22	17,459	16,984	6,447	10,869
Cash Flows From Investing Activities					
Proceeds from Sale of Property, Plant & Equipment		3,343	4,400	74	101
Purchase of Property, Plant & Equipment		(4,757)	(14,170)	(670)	(8,309)
Purchase of Intangible Assets		-	(450)	-	-
Purchase of Investments		-	(960)	-	-
Investment in Subsidiaries		-	-	(1,215)	(4,200)
Decrease in Advances to Subsidiaries		-	-	7,516	6,285
Net Cash Flow From Investing Activities		(1,414)	(11,180)	5,705	(6,123)
Cash Flows From Financing Activities					
Increase in Borrowings		-	2,000	-	2,000
Decrease in Borrowings		(9,000)	-	(9,000)	-
Increase in Deposits		379	-	288	-
Decrease in Deposits		-	(2,860)	-	(2,925)
Increase in Advances from Subsidiaries		-	-	1,018	1,101
Dividends Paid to Shareholders		(4,468)	(5,013)	(4,468)	(5,013)
Net Cash Flow From Financing Activities		(13,089)	(5,873)	(12,162)	(4,837)
Net Increase/(Decrease) in Cash Held		2,956	(69)	(10)	(91)
Opening Cash Brought Forward		979	1,048	113	204
Closing Cash Balance As Per Balance Sheet	2	3,935	979	103	113

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

Statement of Accounting Policies for the year ended 30 June 2010

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

The Group's principal activity is operating franchised motor vehicle dealerships.

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) as issued by the International Accounting Standards Board.

  The financial statements were authorised for issue by the Directors on 22 September 2010.

- **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.

  Estimates that have a significant risk of causing a material adjustment to the carrying amount of the assets and liabilities within the next financial year are 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.

  Valuation of Inventory
  Inventory, particularly vehicles, is reviewed, on a transaction by transaction basis, as part of normal commercial trading to ensure it reflects fair value at balance date.

- **Measurement Base:** The financial statements have been prepared on an historical cost basis, modified by the revaluation of certain assets and liabilities to fair value through the income statement.

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

SIGNIFICANT ACCOUNTING POLICIES
The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except that the Parent and Group has adopted the following new and amended New Zealand equivalents to IFRS and IFRIC interpretations as at 1 July 2009.

NZIAS 1 Presentation of Financial Statements (revised)
Revised NZ IAS1 introduces a new primary financial statement "the Statement of Comprehensive Income", which discloses all movements in equity in the period other than transactions with owners in their capacity as owners. All non-owner changes in equity are presented in either one Statement of Comprehensive Income or two linked statements (i.e. an Income Statement and a Statement of Comprehensive Income). The Parent and Group has elected to present two linked statements.

NZ IFRS 7 Financial Instruments : Disclosures (amended)
The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy. The new note disclosure requirements have been included in note 5.

Amendments to NZ IAS 23 Borrowing Costs
The revised NZ IAS 23 requires capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. A qualifying asset is an asset that takes a substantial period of time to get ready for intended use or sale. The Parent and Group's previous policy was to expense borrowing costs as they were incurred.

NZ IFRS 8 Operating Segments (new)
NZ IFRS 8 requires operating segments to be identified on the basis of internal reporting to the Chief Operating Decision maker (CODM).

Improvements to IFRS
In May 2008 and April 2009 the IASB issued the omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. The adoption of the following amendment resulted in changes to accounting policies but did not have any impact on the reported financial position or performance of the Parent or Group.

- NZ IAS 36 Impairment of Assets: When discounted cash flows are used to determine "fair value less costs to sell" additional disclosure is required about the discount rate, consistent with disclosure required when the discounted cash flows are used to estimate "value in use". This amendment has no immediate impact on the Parent or Group financial statements because the recoverable amount of assets (where there are indicators of impairment) is currently estimated using "value in use".

SPECIFIC ACCOUNTING POLICIES
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 Parent. Control exists when the Parent 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 Parent and Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Parent and Group's contractual rights to the cash flows from the financial asset expire or if the Parent and 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 allowance (based on the aging of Trade Receivables and past experience of collectability) is maintained for doubtful accounts that could emerge in subsequent accounting periods.

- **Financial Assets & Liabilities – Credit Contracts:** The Group holds credit contract agreements with Motor Trade Finances Ltd (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 Parent'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.

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

- **Trade and Other Payables:** Trade and other payables are stated at cost.

- **Shares:** Shares comprise investments in Subsidiaries and shares in MTF.
  Shares in MTF are carried at fair value and shares in subsidiaries are carried at cost less any impairment.

- **Foreign Exchange:** 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.

  At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instruments are effective.

  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 the Statement of Comprehensive Income 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 unless they relate to the acquisition or construction of a qualifying asset as defined in NZIAS23 Borrowing Costs. In which case borrowing costs are capitalised to that asset.

- **Employee Benefits:** The Parent and 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.

  Contributions to superannuation schemes are expensed when incurred.

- **Bailment Agreement:** New Ford and Mazda vehicles are funded by UDC Finance Limited ("UDC") 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.

Statement of Accounting Policies for the year ended 30 June 2010

- **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 IAS 40, Investment Property.

  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 are recognised at fair value. Parts, accessories, workshop stocks, fuels and gases are recognised 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.

- **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 or when events indicate that the carrying amount may not be recoverable 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.

- **Reserves:** The Property Revaluation Reserve arises on the revaluation of land and buildings. Where revalued land or buildings are sold, the portion of the revaluation reserve that relates to the asset, and is effectively realised, is transferred directly to retained earnings.

  The Foreign Exchange Hedging Reserve comprises the cumulative balance of adjustments to uncompleted transactions that qualify as effectively hedged.

- **Goods & Services Tax ("GST")**: The Financial Statements are prepared net of GST with the exception of receivables and payables which are stated including GST.

- **Impairment:** The carrying amount of the Group's assets are reviewed at each reporting 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. 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 fair value based on independent professional valuations. Land is not depreciated.

  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 for the same asset previously recognised in the Income Statement. In that case the surplus is credited to the Income Statement to the extent of the decrease previously charged.

  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 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 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.

Statement of Accounting Policies for the year ended 30 June 2010

- **Taxation:** Income tax expense comprises current and deferred tax. Current tax is the tax payable on taxable profit 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 the Statement of Comprehensive Income are also recognised in the Statement of Comprehensive Income and not in the Income Statement.

  Deferred tax assets are carried on the basis that the Group expects future profits to exceed any reversal of existing temporary differences.

Notes to the Financial Statements for the year ended 30 June 2010

	GROUP		PARENT	
	2010 $000	2009 $000	2010 $000	2009 $000

1 Expenditure

Expenditure in the Income Statement includes:				
Auditors' Remuneration - Audit Fees	319	355	76	121
- Prospectus Audit	21	36	21	36
- Taxation Advice	1	3	1	3
Total Auditors' Remuneration	341	394	98	160
Operating Lease Expense	2,018	2,100	127	123
Directors' Fees	152	168	152	168
Bad Debts written off	273	368	-	-
Donations	5	3	-	-
Superannuation Contributions	797	677	72	67
Movement in Impairment Allowance for:				
- Parts Inventory Obsolescence	210	125	-	-
- Doubtful Debts	(31)	(22)	-	-
- Credit Contracts	(35)	(44)	-	-

2 Cash and Bank Account Balances

Bank Accounts in Funds	4,545	4,420	103	113
Bank Accounts in Overdraft	(610)	(3,441)	-	-
Net Cash and Bank Balance	3,935	979	103	113

This balance includes all cash and cash equivalents.

3 Trade & Other Payables

Employee Benefits	3,259	4,062	230	250
Trade Payables	17,806	13,235	368	419
Other Payables	1,835	1,950	68	57
Intercompany Payables	-	-	52	216
	22,900	19,247	718	942

4 Inventory

	GROUP 2010 $000	GROUP 2009 $000	PARENT 2010 $000	PARENT 2009 $000
Vehicles & Implements	42,236	46,146	-	-
Parts, Accessories, Workshop, Fuels & Gases	12,276	13,771	-	-
Impairment Allowance for Parts Obsolescence	(2,244)	(2,034)	-	-
	52,268	57,883	-	-

New Ford and Mazda vehicles supplied under the 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 2010 was $32.5m (2009: $40.8m).

The UDC facility for subsidiaries is guaranteed by the Parent Company to the agreed Group limit at reporting date of $39.4m.

Parts Inventory is reviewed regularly for slow moving or obsolete stock. At reporting date an impairment allowance is recognised based on the age of stock and historical evidence of inventory held for a similar timeframe. The movement in the parts obsolescence allowance is as a result of a combination of the realisation and scrapping of aged stock during the financial year.

Total Inventory write down including Parts, Parts Obsolescence and Vehicles for the year ended 30 June 2010 was $0.512m (2009 $0.759m).

5 Investments

	GROUP 2010 $000	GROUP 2009 $000	PARENT 2010 $000	PARENT 2009 $000
Current				
Advances to Subsidiaries	-	-	900	300
Non Current				
Shares in Subsidiaries	-	-	12,994	12,994
Advances to Subsidiaries	-	-	5,714	5,099
Investment in Subsidiary Companies	-	-	18,708	18,093
Shares in Motor Trade Finances Ltd	935	1,100	-	-

A write down adjustment of $0.165m (2009: $NIL) has been recognised on the MTF shares due to the carrying value exceeding their fair value.

6 Provisions

	GROUP 2010 $000	GROUP 2009 $000	PARENT 2010 $000	PARENT 2009 $000
Employee Benefits				
Provision at 1 July 2009	635	749	195	254
Increase / (Decrease) during the year	42	(114)	5	(59)
Provision at 30 June 2010	677	635	200	195

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

7 Trade and Other Receivables

	GROUP 2010 $000	GROUP 2009 $000	PARENT 2010 $000	PARENT 2009 $000
Trade Receivables	21,245	22,033	-	-
Impairment Allowance for Doubtful Debts	(75)	(106)	-	-
	21,170	21,927	-	-
Other Receivables	3,515	2,791	275	9
Prepayments	708	234	72	38
Intercompany Receivables	-	-	20,693	25,524
	25,393	24,952	21,040	25,571

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 $0.099m (2009 $0.175m). In addition, all receivables are reviewed for indications of impairment and an allowance maintained to cover accounts where there is objective evidence that the amount may not be able to be collected. 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 2010 is as follows:

	GROUP 2010 $000	GROUP 2009 $000	PARENT 2010 $000	PARENT 2009 $000
Trade Receivables				
Parts & Service Receivables				
- Total Outstanding	8,278	8,567	-	-
- Overdue (not impaired) 30 – 90	1,595	1,655	-	-
- Overdue (not impaired) 90 Day +	282	308	-	-
- % Current (not yet due)	77.3%	77.0%	-	-
- % overdue 90 days	3.4%	3.6%	-	-
- Impaired (written off during the year)	99	175	-	-
Vehicle Receivables				
- Total Outstanding	12,967	13,466	-	-
- Overdue (not impaired)	32	2,142	-	-
- Impaired	-	-	-	-
- Impaired (written off during the year)	-	-	-	-
Impairment Allowance				
- Balance 30 June 2009	106	128	-	-
- Bad Debts written off	(99)	(175)	-	-
- Impairment Allowance movement	68	153	-	-
- Balance 30 June 2010	75	106	-	-

	GROUP		PARENT	
	2010 $000	2009 $000	2010 $000	2009 $000

8 Intangible Assets

	2010 $000	2009 $000	2010 $000	2009 $000
Goodwill:				
Balance at 30 June 2009				
Deemed Cost	1,838	1,951	-	-
Acquired during the year	-	450	-	-
Impairment Loss during the year	-	(563)	-	-
Balance at 30 June 2010				
Cost	3,642	3,642	-	-
Accumulated Amortisation & Impairment	(1,804)	(1,804)	-	-
Net Book Value	1,838	1,838	-	-

The value of goodwill is compared with the "value in use" of the affected Dealerships, which have been identified as the cash generating units associated with the goodwill. Impairment of the goodwill is recognised if there is considered to be a permanent reduction of the "value in use" below the value of goodwill.

No impairment write down (2009: $0.563m) has been made following an assessment of its "value in use" at 30 June 2010.

The calculations of "value in use" are based on the actual results for the past five financial years together with the projected results for the next five financial years. It was assumed that there would be no growth during the period of the forecasts.

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 was 11.0% (2009: 11.0%)

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

	2010 $000	2009 $000	2010 $000	2009 $000
Other Intangibles:				
Balance at 30 June 2009				
Cost	724	724	-	-
Accumulated Amortisation	(332)	(259)	-	-
Net Book Value	392	465	-	-
Acquired during the year	-	-	-	-
Amortisation during the year	(72)	(73)	-	-
Balance at 30 June 2010				
Cost	724	724	-	-
Accumulated Amortisation	(404)	(332)	-	-
Net Book Value	320	392	-	-

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.

9 Property Plant & Equipment

	GROUP		PARENT	
	2010 $000	2009 $000	2010 $000	2009 $000
Land and Buildings				
Cost at 30 June 2009	61,210	53,147	59,206	51,265
Accumulated Depreciation	(7,451)	(6,364)	(6,642)	(5,743)
	53,759	46,783	52,564	45,522
Revaluation	36,159	38,391	36,159	38,391
Net Book Value	89,918	85,174	88,723	83,913
Additions	414	8,063	351	7,941
Disposals	(991)	-	(929)	-
Depreciation	(1,146)	(1,087)	(986)	(899)
Movement in Revaluation	(5,053)	(2,232)	(5,053)	(2,232)
Closing Net Book Value at 30 June 2010	83,142	89,918	82,106	88,723
Comprised of:				
Cost at 30 June 2010	60,415	61,210	58,445	59,206
Accumulated Depreciation	(8,379)	(7,451)	(7,445)	(6,642)
Revaluation	31,106	36,159	31,106	36,159
Net Book Value at 30 June 2010	83,142	89,918	82,106	88,723
Net book value includes capital work in progress of	131	18	131	18

All land and buildings were valued at 30 June 2010. The independent valuation was carried out by Darroch valuation staff and its principal valuer, Kerry Stewart, FPINZ, FNZIV. Valuations are based on a fair market basis determined from market based evidence and conditions.

The revaluation of property in the Group to the latest valuation resulted in a write down through the Income Statement of $0.823m (2009: $1.825m). This was due to the new valuation being below the carrying value and there was insufficient previous positive revaluation reserve in relation to the individual asset to offset against the fall in value.

Property at 166 Taranaki Street, Wellington was sold providing a realised gain on sale of $1.616m.

Parent owned Land and Buildings are categorised as Property, Plant & Equipment because they are owned specifically for use in the revenue generating operations of its subsidiaries.

9 Property Plant & Equipment (continued)

	GROUP 2010 $000	GROUP 2009 $000	PARENT 2010 $000	PARENT 2009 $000
Furniture, Fittings & Equipment				
Cost at 30 June 2009	17,888	17,237	1,865	1,872
Accumulated Depreciation	(12,325)	(11,303)	(1,556)	(1,529)
Net Book Value	5,563	5,934	309	343
Additions	977	1,172	197	219
Disposals	(306)	(74)	(23)	(14)
Depreciation	(1,307)	(1,469)	(230)	(239)
Closing Net Book Value at 30 June 2010	4,927	5,563	253	309
Comprised of:				
Cost at 30 June 2010	17,545	17,888	1,709	1,865
Accumulated Depreciation	(12,618)	(12,325)	(1,456)	(1,556)
Net Book Value at 30 June 2010	4,927	5,563	253	309
Service Vehicles				
Cost at 30 June 2009	5,111	5,430	273	274
Accumulated Depreciation	(1,883)	(2,022)	(108)	(89)
Net Book Value	3,228	3,408	165	185
Additions	3,349	4,934	104	149
Disposals	(2,953)	(4,327)	(29)	(87)
Depreciation	(903)	(787)	(65)	(82)
Closing Net Book Value at 30 June 2010	2,721	3,228	175	165
Comprised of:				
Cost at 30 June 2010	4,965	5,111	313	273
Accumulated Depreciation	(2,244)	(1,883)	(138)	(108)
Net Book Value at 30 June 2010	2,721	3,228	175	165
TOTAL				
Cost at 30 June 2010	82,925	84,209	60,467	61,344
Accumulated Depreciation	(23,241)	(21,659)	(9,039)	(8,306)
	59,684	62,550	51,428	53,038
Revaluation	31,106	36,159	31,106	36,159
Net Book Value at 30 June 2010	90,790	98,709	82,534	89,197

	GROUP		PARENT	
	2010 $000	2009 $000	2010 $000	2009 $000

10 Share Capital

Ordinary Shares 32,694,632 (2009: 27,850,910)				
Total Share Capital	15,968	3,375	15,968	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.

(c) The Parent made a bonus share issue on 18 January 2010 of one new ordinary share for every 5.75 existing shares. This resulted in 4,843,722 additional shares priced at $2.60 each. The new shares rank equally in all respects with the existing shares.

11 Dividends

Dividends paid during the year ended 30 June 2010				
Final Y/E 30/06/09 – paid 27 Oct 2009 (9.0cps)	2,506	3,342	2,506	3,342
Interim Y/E 30/06/10 – paid 12 April 2010 (6.0cps)	1,962	1,671	1,962	1,671
Amount provided in the Financial Statements	4,468	5,013	4,468	5,013

These dividends include the supplementary dividends paid to overseas shareholders.

A final dividend of 9.0 cents per share will be paid on 26 October 2010.

In line with NZ IFRS, this final dividend has not been provided for in the financial statements for the year ended 30 June 2010.

12 Earnings Per Share

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

Weighted average number of shares	30,027,267	27,850,910
Shares on Issue at end of Year	32,694,632	27,850,910
Reconciliation amounts used for calculation of earnings per share are as follows:		
Trading Profit before tax	8,333	9,880
Income tax on trading - Current	(2,292)	(2,913)
- Deferred	(42)	40
	5,999	7,007
Remove Non Controlling Interest share	131	(5)
Trading Profit after Tax	**6,130**	**7,002**
Non Trading Items		
Fair Value revaluation of property	(823)	(1,825)
Impairment loss on Goodwill	-	(563)
Fair Value revaluation of investment	(165)	-
Income Tax on non trading items - Deferred	(6,383)	-
Profit / (Loss) attributable to Shareholders	**(1,241)**	**4,614**
Basic and diluted earnings per share on:		
- Trading Profit after Tax	20.4 cents	25.1 cents
- Profit /(Loss) attributable to Shareholders	(4.1) cents	16.6 cents

13 Income Tax

	GROUP 2010 $000	GROUP 2009 $000	PARENT 2010 $000	PARENT 2009 $000
Components of Income Tax Expense				
Current Tax expense	2,292	2,913	701	703
Deferred tax movement on temporary differences	42	(40)	4	30
Deferred tax movement on Depreciation rule change	6,383	-	6,383	-
	8,717	2,873	7,088	733
Current Tax Expense				
Profit Before Tax	7,345	7,492	8,320	6,315
Non Taxable Income	(20)	(431)	(5,920)	(5,701)
Non deductible expenditure	1,526	2,677	1,051	1,827
Change in unrecognised temporary differences	(108)	(28)	(15)	(99)
	8,743	9,710	3,436	2,342
Tax charge @ 30%	2,623	2,913	1,032	703
Imputation Tax Gain on Change of Tax Rate	(331)	-	(331)	-
	2,292	2,913	701	703
Tax paid	1,918	1,866	619	607
Tax payable / (Receivable)	374	1,047	82	96

The Imputation tax gain was the result of a transfer of imputation tax credits from subsidiaries.

	GROUP 2010 $000	GROUP 2009 $000	PARENT 2010 $000	PARENT 2009 $000
Deferred Tax				
Opening Deferred tax asset / (liability)	1,339	(1,197)	(173)	(1,893)
Movement through Income Statement	(6,881)	40	(6,843)	(30)
Movement due to tax rate change to 28%	456	-	456	-
Total Movement through Income Statement	(6,425)	40	(6,387)	(30)
Movement through Property Revaluation Reserve	489	1,750	489	1,750
Movement through Foreign Currency reserve	51	746	-	-
Total Movement through Statement of Comprehensive Income	540	2,496	489	1,750
Closing Deferred tax asset / (liability)	(4,546)	1,339	(6,071)	(173)

Tax rule changes were introduced in the 2010 Budget which impacted on the tax position.

The deductibility of depreciation on buildings was removed which means that the building values have a zero tax base. This in turn, creates a deferred tax liability on the carrying value of those buildings which is reflected in the tax expense of $6.839m.

The Corporate tax rate was reduced from 30% to 28% effective in the 2011 / 2012 income year. This has the affect of reducing the deferred tax liability by $0.456m resulting in a net tax expense of $6.383m.

The Group has no deferred tax on unused tax losses to be utilised against future taxable profits.

13 Income Tax (continued)

	GROUP 2010 $000	GROUP 2009 $000	PARENT 2010 $000	PARENT 2009 $000
Deferred Tax Assets and Liabilities are attributable to the following:				
Trade and Other Payables	27	27	-	-
Trade and Other Receivables	23	32	-	-
Employee Benefits	851	938	129	134
Inventories	672	610	-	-
Financial Derivatives	76	30	-	-
Impairment Allowance for Finance Bad Debts	71	82	-	-
Property, Plant and Equipment	117	(380)	183	(307)
Building Depreciation Rule Change	(6,383)	-	(6,383)	-
	(4,546)	1,339	(6,071)	(173)

	GROUP %	GROUP $000	PARENT %	PARENT $000
Reconciliation of Effective Tax Rate				
Year Ended 30 June 2010				
Profit for period		(1,372)		1,232
Total Income Tax Expense		8,717		7,088
Profit excluding Income Tax		7,345		8,320
Income tax using the domestic tax rate	30.0	2,204	30.0	2,496
Non deductible expenses	6.2	457	3.8	316
Tax exempt Income	(0.1)	(6)	(21.3)	(1,776)
Imputation Tax Gain on Rate Change	(4.5)	(331)	(4.0)	(331)
Changes in Unrecognised Temporary Differences	(0.4)	(32)	-	(4)
Movement in Deferred Tax	87.5	6,425	76.7	6,387
Effective Tax Rate	118.7	8,717	85.2	7,088
Year Ended 30 June 2009				
Profit for period		4,619		5,582
Total Income Tax Expense		2,873		733
Profit excluding Income Tax		7,492		6,315
Income tax using the domestic tax rate	30.0	2,248	30.0	1,895
Non deductible expenses	10.7	802	8.7	548
Tax exempt Income	(1.8)	(129)	(27.1)	(1,710)
Changes in Unrecognised Temporary Differences	(0.1)	(8)	(0.5)	(30)
Movement in Deferred Tax	(0.5)	(40)	0.5	30
Effective Tax Rate	38.3	2,873	11.6	733

		GROUP		PARENT	
		2010 $000	2009 $000	2010 $000	2009 $000
14	**Imputation Account**				
	Balance at 1 April 2009	9,788	10,067	5,982	6,084
	Add Net Taxes Paid for the year ended 31 March	2,049	2,815	2,126	2,364
	Imputation Credits Received and Adjustments	20	-	3,655	628
		11,857	12,882	11,763	9,076
	Dividend Imputation to Shareholders	(2,022)	(3,094)	(2,022)	(3,094)
	Taxable Bonus Issue to Shareholders	(6,203)	-	(6,203)	-
	Balance at 31 March 2010	3,632	9,788	3,538	5,982

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

15 Contingent Liabilities / Capital Commitments

(a) Subsidiary Company Bank Guarantees

The Parent guarantees subsidiary company overdrafts to the agreed limits. The Parent was not called on to pay any overdrafts during the year. Refer to Note 21.

(b) The Subsidiary companies guarantee Parent bank borrowings – Refer Note 21.

(c) The Parent Company guarantees the UDC facility for subsidiaries - Refer Note 4

		Group 2010	Group 2009	Parent 2010	Parent 2009
(d)	Parent Guarantee to pay for Vehicles	-	-	1,275	1,275

When the Parent enters into financial guarantee contracts to guarantee the indebtedness of other companies within the Group, the Parent considers these to be insurance arrangements and accounts for them as such. In this respect, the Parent treats the guarantee contract as a contingent liability until such time as it becomes probable that the Parent will be required to make a payment under the guarantee.

		Group 2010	Group 2009	Parent 2010	Parent 2009
(e)	Parent Bond to NZX	-	-	75	75
(f)	Parent guarantee to the National Bank of New Zealand for fuel accounts	-	-	80	80
(g	Capital Commitments	-	-	-	-

16 Deposits

The Parent 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, Supplemental Trust Deed dated 26 November 2001, Deed of Modification dated 20 August 2008, Supplemental Trust Deed dated 5 June 2009, Supplemental Trust Deed dated 2 July 2009, Supplemental Trust Deed dated 29 March 2010 and a Supplemental Trust Deed dated 11 June 2010 all made between the Parent, its Guaranteeing Subsidiaries (as therein defined) and New Zealand Permanent Trustees Limited as trustee for the holders of Deposits ("the Depositors").

Under the terms of the Trust Deed the Parent's Guaranteeing Subsidiaries unconditionally guarantee, jointly and severally the repayment of the deposits together with interest thereon by the Company and by each of the other Guaranteeing Subsidiaries.

Deposits are accepted under the terms of a Prospectus issued by the Parent and registered with the Companies Office. The latest Prospectus was registered on 2 November 2009.

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

The maximum amount of Deposits on offer at 30 June 2010 is $20 million. Actual Deposits at 30 June 2010 were $10.7m (2009: $10.4m). Interest is payable on Deposits at the rate from time to time offered by the Parent as disclosed to the Depositors on the application form or as notified by the Parent to the Depositors in writing.

The interest rate applicable at 30 June 2010 was 4.25% (2009: 4.25%).

	GROUP 2010 $000	GROUP 2009 $000	PARENT 2010 $000	PARENT 2009 $000
17 Financial Derivatives – Foreign Exchange				
Foreign Exchange Asset / (Liability) at 30 June 2009	(101)	2,521	-	-
Movement during the year through				
- Equity Statement	(170)	(2,486)	-	-
- Income Statement	20	(136)	-	-
Foreign Exchange Asset / (Liability) at 30 June 2010	(251)	(101)	-	-

Refer note 18(d)

18 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 (as determined by independent credit rating agencies) 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 $28.793m (30 June 2009: $33.207m).

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 Parent'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 due to the large number of individual customer agreements.

	2010 $000	2009 $000
Finance Agreements - current	12,913	14,930
- non current	15,880	18,277
Total Value of Finance Agreements at 30 June	28,793	33,207
Impairment Allowance	(237)	(272)
Carrying Value at 30 June	28,556	32,935
Actual Arrears - Value	68	120
- % of Total	0.24%	0.36%
Total Value of Accounts in Arrears - Value	2,272	2,241
- % of Total	7.87%	6.75%
Impaired (written off during the year)	177	194

Allowance is also made for the estimated bad debts that may result from such financing agreements and is disclosed in the Balance Sheet as Impairment Allowance – Credit Contracts. The impairment allowance 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.

(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 based on the most recent market evidence for the value 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 at fair value.
- Credit Contracts
  The carrying value is the total of the net settlement value of each Credit Contract agreement.

(c) Interest Rate Risk

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

	GROUP AND PARENT	
	2010	2009
Interest Rate Risk		
• Bank Overdraft	10.2% - 10.7%	10.2% - 10.7%
• At-Call Deposits	4.25%	4.25%
• Bank Facility	3.75% - 5.04%	3.45% - 4.75%

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 2010 to March 2012 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 a movement of 1% in interest rates would be to change finance costs by $0.318m per annum. (2009: $0.405m)

(d) Foreign Currency Risk

The Group enters into fixed rate foreign exchange contracts to create a fair value hedge 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.

Foreign exchange contracts outstanding at balance date are adjusted to fair value (mark-to-market). The market rates used at balance date to calculate this adjustment are supplied by the bank through which the contracts were established. Adjustments to transactions that qualify as being effectively hedged are recognised through the Statement of Comprehensive Income 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 principal 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	
	2010 $000	2009 $000
Currency		
Australian dollars	12,716	1,732
Euros	5,357	-
United States dollars	1,403	1,000
TOTAL	19,476	2,732

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 2010 or 30 June 2009.

(e) Liquidity Risk

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

The Parent has committed revolving credit facilities with a number of financial institutions with maturity dates ranging from December 2010 to March 2012. These facilities are subject to financial covenants relating to the ability to pay interest, debt ratios (gearing) and liquidity. The Parent has met these obligations.

(f) Maturity Analysis

Financial liabilities in the form of At-Call deposits are payable on call. Bank borrowings, trade and other payables are due within one year. This is unchanged from 2009.

Operating lease commitments are analysed in note 23.

(g) Capital Management

The Group's capital includes share capital, retained earnings and property revaluation reserve.

The Group's policy is to maintain a strong capital base to ensure that the Parent and Group continue as going concerns, to maintain investor, supplier and market confidence and to sustain future development of the business. The Board regularly monitors current and future capital requirements and costs.

On 18 January 2010 a taxable bonus issue of shares was made in order to distribute the Parent's accumulated imputation credits to shareholders before a change in the tax law came into effect to limit the level of credits that could be attached to future dividends. This was a non cash bonus issue and therefore had no impact on cashflows.

There are no externally imposed capital requirements other than the financial covenants incorporated into the bank borrowing facilities and At-Call Deposit Trust Deed (see note 18(e) above).

There has been no change in the Group's management of capital during the years ended 30 June 2010 and 2009.

19 Financial Instruments by Category

	GROUP $000				PARENT $000		
	Fair Value Through P&L	At Cost	Loans & Receivables	Financial Derivatives	At Cost	Loans & Receivables	Financial Derivatives
2010							
Assets as per Balance Sheet							
Cash and Bank Balances	-	-	3,935	-	-	103	-
Trade Receivables	-	-	25,393	-	-	21,040	-
Receivable - Sale of Property	-	-	2,600	-	-	2,600	-
Credit Contracts	-	-	28,793	-	-	-	-
Investment in Subsidiaries	-	-	-	-	-	19,608	-
Shares in Companies	935	-	-	-	-	-	-
Liabilities as per Balance Sheet							
Trade Payables	-	22,900	-	-	718	-	-
Deposits	-	10,654	-	-	10,654	-	-
Bank Borrowings	-	21,100	-	-	21,100	-	-
Credit Contracts	-	28,793	-	-	-	-	-
Advances from Subsidiaries	-	-	-	-	4,884	-	-
Financial Derivatives – Foreign Exchange	-	-	-	251	-	-	-
2009							
Assets as per Balance Sheet							
Cash and Bank Balances	-	-	979	-	-	113	-
Trade Receivables	-	-	24,952	-	-	25,571	-
Credit Contracts	-	-	33,207	-	-	-	-
Investment in Subsidiaries	-	-	-	-	-	18,393	-
Shares in Companies	-	1,100	-	-	-	-	-
Financial Derivatives – Foreign Exchange	-	-	-	-	-	-	-
Liabilities as per Balance Sheet							
Trade Payables	-	19,247	-	-	942	-	-
Deposits	-	10,366	-	-	10,366	-	-
Bank Borrowings	-	30,100	-	-	30,100	-	-
Credit Contracts	-	33,207	-	-	-	-	-
Advances from Subsidiaries	-	-	-	-	3,865	-	-
Financial Derivatives - Foreign Exchange	-	-	-	101	-	-	-

Shares in companies have been reclassified as Fair Value through Profit and Loss (previously shown at cost) due to a write down of $0.165m (2009: $Nil) recognised at reporting date. The shares do not appear in a quoted market and do not trade frequently and are therefore categorised as level two in the fair value hierarchy.

20 Remuneration of Employees

During the year to 30 June 2010 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 2010	Number of Employees 2009
100,000 - 110,000	20	16
110,001 - 120,000	17	14
120,001 - 130,000	10	14
130,001 - 140,000	8	11
140,001 - 150,000	5	6
150,001 - 160,000	3	3
160,001 - 170,000	2	4
170,001 - 180,000	7	3
180,001 - 190,000	5	4
190,001 - 200,000	2	4
200,001 - 210,000	1	1
210,001 - 220,000	1	-
220,001 - 230,000	-	1
230,001 - 240,000	-	1
250,001 - 260,000	1	1
260,001 - 270,000	-	1
290,001 - 300,000	1	1
300,001 - 310,000	1	-
360,000 - 370,000	1	-
410,001 - 420,000	1	1
470,001 - 480,000	-	1
	86	87

21 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 (10.20% - 10.70%) 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 3.75% or have no fixed repayment terms or interest. All loans are unsecured.

	2010 $000	2009 $000
At-Call loans from Parent to Subsidiaries	900	300
Other loans from Parent to Subsidiaries	5,714	5,099
	6,614	5,399
At-Call loans from Subsidiaries to Parent	2,627	1,608
Other loans from Subsidiaries to Parent	2,257	2,257
	4,884	3,865

21 Related Party Transactions (continued)

	2010 $000	2009 $000
• Material transactions between Parent and Subsidiaries were:-		
Interest charged on advances and Inventory financing	1,541	2,607
Rent charged on property	5,549	5,130
Dividends received by the Parent from its Subsidiaries	5,920	5,700
• Guarantees between Parent and Subsidiaries		
The Parent guarantees the bank overdrafts of Subsidiaries		
Balances outstanding at year end	610	3,441
Maximum guarantee determined by agreed overdraft limits	6,070	6,420

The Parent guarantees Subsidiary company bank overdrafts to the agreed limits. The Parent was not called on to pay any amounts under these guarantees during the year.

	2010 $000	2009 $000
Subsidiaries guarantee the borrowings of the Parent		
Balances outstanding at year end	21,100	30,100
Maximum guarantee determined by facility limits	38,000	38,000

The Subsidiaries that are 100% owned by the Parent, jointly and severally guarantee the amounts owed (both principal and interest) by the Parent under its revolving credit facilities with a number of financial institutions. Guarantees provided by Subsidiaries that are not wholly owned are for a proportion of the indebtedness that equates to the Parent's controlling interest.

- Material transactions between Subsidiaries were:

  Sales of vehicles and parts which are eliminated from Group income and expenses $19.3m (2009: $16.9m).

- Transactions with key management personnel were:

	2010 $000	2009 $000
Short term benefits (including salary, incentives, profit share, use of motor vehicle and other benefits)	3,579	3,799
Post Employment Benefits (including Superannuation contributions)	203	200
Share Related Benefits	-	-
Total Remuneration Benefits	3,782	3,999

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

Mr P D Wilson, a director, is also Chairman of Westpac New Zealand Ltd, a registered bank that provides credit facilities to the Parent on normal commercial terms and conditions.

Mr P J Aitken, a director, is also Managing Director of Clear Edge Ltd, which provides consulting services to some dealerships on normal commercial terms and conditions. Fees for the year ended 30 June 2010 were $4,610 (2009: Nil) and there were no transactions outstanding at reporting date (2009: Nil).

Mr G D Gibbons, a director, is also a director of Motor Trade Finances Ltd which provides vehicle finance facilities to operating subsidiaries on normal commercial terms and conditions. Refer note 18(a).

Also see Remuneration of Directors on page 45 and Remuneration of Employees – Note 20.

- The Colonial Motor Company Limited Staff Superannuation Fund.

The Parent 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 Parent provides administrative services to the Fund and received fees of $0.049m (2009: $0.050m) during the year.

The Fund holds an investment through an independent custodian of 304,196 (2009: 259,130) ordinary shares in the Company.

All transactions between key management personnel, The CMC Staff Superannuation Fund and Group companies were in the normal course of business and provided on commercial terms.

22 Cashflow Reconciliation

	GROUP 2010 $000	GROUP 2009 $000	PARENT 2010 $000	PARENT 2009 $000
Net Profit after Tax Attributable to Shareholders	(1,241)	4,614	1,232	5,582
Adjustments for non cash items				
- Depreciation	3,355	3,344	1,281	1,219
- Impairment Loss	-	563	-	-
- Amortisation	72	73	-	-
- Revaluation Decrease of Property	823	1,825	823	1,825
- Fair Value Movement of Investment	165	-	-	-
- Movement in				
- Impairment Credit Contracts	(35)	(44)	-	-
- Taxation	(674)	1,296	(13)	262
- Employee Benefits Provision	42	(114)	5	(58)
- Foreign Exchange	(20)	136	-	-
- Deferred Tax	6,424	(40)	6,387	30
- Non Controlling Interests share	(131)	5	-	-
Movement in Working Capital				
- Payables and Deposits	3,895	(12,408)	(225)	(171)
- Receivables & Prepayments	(394)	5,306	(2,985)	2,180
- Inventory	5,615	9,568	-	-
Items Classified as Investing Activities	(58)	-	(58)	-
Items Classified as Financing Activities	(379)	2,860	-	-
Net Cash Flow from Operating Activities	17,459	16,984	6,447	10,869

23 Operating Lease Commitments & Receivables

Commitments under non-cancellable Operating Leases are due:

	GROUP 2010 $000	GROUP 2009 $000	PARENT 2010 $000	PARENT 2009 $000
Within one year	1,700	1,979	121	119
Between one and two years	1,175	1,220	23	117
Between two and five years	1,156	2,808	1	20
Over five years	-	-	-	-
	4,031	6,007	145	256

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 leases are negotiated under normal commercial arrangements with varying terms, escalation clauses and renewal conditions. There are no undue restrictions imposed on these leases or contingent rents due. The Group does not carry any material finance leases.

Receivables under non-cancellable Operating Leases are due:

	GROUP 2010 $000	GROUP 2009 $000	PARENT 2010 $000	PARENT 2009 $000
Within one year	633	351	633	351
Between one and two years	622	249	622	249
Between two and five years	112	240	112	240
Over five years	-	-	-	-
	1,367	840	1,367	840

The Group occupies most of the property that it owns. However, some dealerships have parts of their sites leased to third parties. These leases are on normal commercial terms and none has contingent rent clauses.

24 Consolidated Group Changes in Equity for the Year ended 30 June 2010

	Share Capital $000	Property Revaluation Reserve $000	Foreign Exchange Reserve $000	Retained Earnings $000	**Total Attributable to Shareholders $000**	Non Controlling Interest $000	**Total Equity $000**
Balance at 1 July 2008	3,375	38,668	1,732	80,784	**124,559**	1,657	**126,216**
Dividend Paid	-	-	-	(5,013)	**(5,013)**	-	**(5,013)**
Total Transactions with Shareholders	3,375	38,668	1,732	75,771	**119,546**	1,657	**121,203**
Profit after tax for the year	-	-	-	4,614	**4,614**	5	**4,619**
Other Comprehensive income							
Realised gain on sale of property	-	-	-	-	**-**	-	**-**
Property Revaluation Reserve							
- Fair Value Movement	-	(408)	-	-	**(408)**	-	**(408)**
- Transfer realised gain	-	-	-	-	**-**	-	**-**
- Deferred tax effect	-	1,750	-	-	**1,750**	-	**1,750**
Foreign Exchange Reserve							
- Movement in hedged items	-	-	(2,486)	-	**(2,486)**	-	**(2,486)**
- Deferred tax effect	-	-	746	-	**746**	-	**746**
Total Comprehensive Income	-	1,342	(1,740)	4,614	**4,216**	5	**4,221**
Balance at 30 June 2009	3,375	40,010	(8)	80,385	**123,762**	1,662	**125,424**
Dividend Paid	-	-	-	(4,468)	**(4,468)**	-	**(4,468)**
Bonus Share Issue	12,593	-	-	(12,593)	**-**	-	**-**
Total Transactions with Shareholders	15,968	40,010	(8)	63,324	**119,294**	1,662	**120,956**
Profit after tax for the year	-	-	-	(1,241)	**(1,241)**	(131)	**(1,372)**
Other Comprehensive income							
Realised gain on sale of property	-	-	-	1,616	**1,616**	-	**1,616**
Property Revaluation Reserve							
- Fair Value Movement	-	(2,555)	-	-	**(2,555)**	-	**(2,555)**
- Transfer Realised Gain	-	(1,675)	-	-	**(1,675)**	-	**(1,675)**
- Deferred tax effect	-	489	-	-	**489**	-	**489**
Foreign Exchange Reserve							
- Movement in hedged items	-	-	(144)	-	**(144)**	(26)	**(170)**
- Deferred tax effect	-	-	44	-	**44**	7	**51**
Total Comprehensive Income	-	(3,741)	(100)	375	**(3,466)**	(150)	**(3,616)**
Balance at 30 June 2010	15,968	36,269	(108)	63,699	**115,828**	1,512	**117,340**

24 Parent Company Changes in Equity for the Year ended 30 June 2010

	Share Capital $000	Property Revaluation Reserve $000	Retained Earnings $000	**Total Equity $000**
Balance at 1 July 2008	3,375	38,668	43,583	**85,626**
Dividend Paid	-	-	(5,013)	**(5,013)**
Total Transactions with Shareholders	3,375	38,668	38,570	**80,613**
Profit after tax for the year	-	-	5,582	**5,582**
Other Comprehensive income				
Realised gain on sale of property	-	-	-	**-**
Property Revaluation Reserve				
- Fair Value Movement	-	(408)	-	**(408)**
- Transfer realised gain	-	-	-	**-**
- Deferred tax effect	-	1,750	-	**1,750**
Foreign Exchange Reserve				
- Movement in hedged items	-	-	-	**-**
- Deferred tax effect	-	-	-	**-**
Total Comprehensive Income	-	1,342	5,582	**6,924**
Balance at 30 June 2009	3,375	40,010	44,152	**87,537**
Dividend Paid	-	-	(4,468)	**(4,468)**
Bonus Share Issue	12,593	-	(12,593)	**-**
Total Transactions with Shareholders	15,968	40,010	27,091	**83,069**
Profit after tax for the year	-	-	1,232	**1,232**
Other Comprehensive income				
Realised gain on sale of property	-	-	1,616	**1,616**
Property Revaluation Reserve				
- Fair Value Movement	-	(2,555)	-	**(2,555)**
- Transfer Realised Gain	-	(1,675)	-	**(1,675)**
- Deferred tax effect	-	489	-	**489**
Foreign Exchange Reserve				
- Movement in hedged items	-	-	-	**-**
- Deferred tax effect	-	-	-	**-**
Total Comprehensive Income	-	(3,741)	2,848	**(893)**
Balance at 30 June 2010	15,968	36,269	29,939	**82,176**

25 Segment Reporting

The CMC Group is structured so that each motor vehicle dealership is managed locally under the control of a Dealer Principal who reports monthly to the Chief Executive. The Chief Executive is considered to be the chief operating decision maker in terms of NZ IFRS 8 Operating Segments. The key measures used to assess dealership performance are revenue, trading profit before tax, debtors and inventory. Each dealership represents vehicle franchises in defined marketing territories within New Zealand and constitutes an operating segment.

The dealerships have similar economic characteristics, financial performance (as measured by their gross profitability), products, services, processes, customers, methods of distribution and all operate in the same regulatory environment. On that basis, all of the CMC Group's operating segments have been aggregated into a single reporting segment to most appropriately reflect the nature and financial effects of the business activities in which the Group engages and the economic environments in which it operates.

	2010 $000	2009 $000
Revenue		
Aggregate motor vehicle dealerships	427,176	480,739
Corporate and non-trading units	7,219	6,586
Consolidated Group revenue	434,395	487,325
Trading profit before tax		
Aggregate motor vehicle dealerships	5,094	7,427
Corporate and non-trading units	3,239	2,453
Consolidated Group trading profit before tax.	8,333	9,880
Total Assets		
Aggregate motor vehicle dealerships	121,029	131,234
Corporate and non-trading units	85,843	89,165
Consolidated Group Total Assets	206,872	220,399
Depreciation and Amortisation		
Aggregate motor vehicle dealerships	2,146	2,195
Corporate and non-trading units	1,282	1,221
Consolidated Group Depreciation & Amortisation	3,428	3,416
Interest Income		
Aggregate motor vehicle dealerships	220	278
Corporate and non-trading units	-	16
Consolidated Group Interest Income	220	294
Interest Expense		
Aggregate motor vehicle dealerships	1,222	2,221
Corporate and non-trading units	1,472	2,683
Consolidated Group Interest Expense	2,694	4,904

26 Subsidiary Companies

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
Hutchinson Motors Ltd	John Hutchinson	Ford	Christchurch
Avon City Motors Ltd	John Luxton	Ford	Christchurch South & Rangiora
Avon City Motorcycles Ltd	John Luxton	Suzuki Motorcycles	Christchurch South
Timaru Motors Ltd	Wayne Pateman	Ford & Mazda	Timaru
Dunedin City Motors Ltd	Robert Bain	Ford & Mazda	Dunedin & Oamaru
Macaulay Motors Ltd	Grant Price	Ford & Mazda	Invercargill & Queenstown
Southland Tractors Ltd	Grant Price	New Holland & Kubota Tractors	Invercargill & Gore
Advance Agricentre Ltd	Grant Price	Case IH Tractors & Kuhn implements	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, Metro Motors (Porirua) Ltd and Trucks South 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.

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.

27 Post Balance Day Events

On 16 August 2010 the Parent announced the payment of a final dividend of 9.0 cents per share payable on 26 October 2010. (2009: 9.0 cents)

28 New Standards, Interpretations and Amendments

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 January 2010 or later for which the Group has not early adopted.

The following standards may have an impact on the Group's reporting.

NZ IAS 36 Impairment of Assets (Improvements)
This improvement defines the operating segment unit for allocating goodwill.

NZ IFRS 9 Financial Instruments (effective from 1 January 2013)
The IASB aims to replace NZ IAS 39 *Financial Instruments; Recognition and Measurement* in its entirety by the end of 2010, with the replacement standard to be effective for annual periods beginning on or after 1 January 2013. The development of NZ IFRS 9 has been split into three phases:

Phase 1: Classification and measurement
Phase 2: Impairment methodology
Phase 3: Hedge accounting

Phase 1 of the project was issued in November 2009 and entities that do not wish to adopt early are required to apply the new standard from 1 January 2013. NZ IFRS 9 requires an entity to classify financial assets at either amortised cost or fair value. At present entities are required to classify financial assets into one of four categories: financial assets at fair value through profit and loss, held to maturity investment, loans and receivables and available-for-sale financial assets.

Management have yet to assess the impact this standard is likely to have on financial instruments held. However, they do not expect to implement the standard until all phases of the replacement project have been published and they can comprehensively assess the impact of all changes.

2010 Improvements to IFRS
In May 2010 the IASB issued the annual omnibus of minor amendments to IFRS standards, Management has yet to complete a detailed review of these amendments, however on preliminary review the impact is not expected to be significant.

Grant Thornton

Audit Report

Audit

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To The Shareholders of
The Colonial Motor Company Limited and Group

We have audited the financial statements on pages 6 to 39. The financial statements provide information about the past financial performance and cash flows of the Company and Group for the year ended 30 June 2010 and its financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 11 to 17.

Board of Directors Responsibilities

The Board of Directors are responsible for the preparation and presentation, of financial statements which give a true and fair view of the financial position of the Company and Group as at 30 June 2010 and the financial performance and cash flows for the year ended on that date.

Auditor's Responsibilities

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

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's and Group's circumstances, consistently applied and adequately disclosed.

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

We carry out other assignments for the Company and Group in the areas of taxation advice. In addition to this, we may deal with the Company and Group on normal terms within the course of trading activities of the business. We have no relationships with, or interest in the Company or its subsidiaries.

Chartered Accountants
Member of Grant Thornton International Ltd

Unqualified Opinion

We have obtained all the information and explanations that we have required.

In our opinion:

- proper accounting records have been kept by the Company as far as appears from our examination of those records; and
- the financial statements on pages 6 to 39:
  - 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 Company and Group as at 30 June 2010 and the financial performance and cash flows for the year ended on that date.

Our audit was completed on 22 September 2010 and our unqualified opinion is expressed as at that date.

Grant Thornton

Grant Thornton New Zealand Audit Partnership
Christchurch, New Zealand

Chartered Accountants & Business Advisers
Member of Grant Thornton International Ltd

Governance Statement

Governance is the chain of command through which companies are run. Shareholders, as owners of a company, elect a board to direct its long-term strategy and to appoint a Chief Executive to manage the company. Reporting flows back up the chain to ensure that each link is performing its duties appropriately.

The CMC Group is structured so that each motor vehicle dealership is managed locally under the control of a Dealer Principal who reports to the Chief Executive. Each dealership represents vehicle franchises and the Dealer Principal also has a direct relationship with each franchisor.

Shareholders

The shareholders of CMC adopted the current Constitution in 2004 that specifies the administration of the Company and the relationship between shareholders. Copies of the Constitution are available from the Company or can be downloaded from the Companies Office website.

CMC is a public company listed on the New Zealand Stock Exchange operated by NZX Limited. Computershare Investor Services Limited maintains the register of shareholders.

A condition of listing is that CMC complies with the Listing Rules issued by the Stock Exchange. These include the requirement to continuously disclose market sensitive information. The market acts in the position of all current and potential shareholders and disclosure via the Stock Exchange is generally considered adequate notice. However, CMC has a policy of also communicating directly with its shareholders whenever practical.

Shareholders meet in person at annual meetings to

- consider the Company's financial performance and financial position
- elect or re-elect Directors
- approve the appointment of an external financial Auditor and
- set the maximum level of Director remuneration. The actual amount paid to each Director is disclosed in Annual Reports.

The Board of Directors issues two reports annually - an interim and a full year report - to provide shareholders with the information they need to monitor their investment in the Company. The CMC reports are designed to deliver that information in a clear, concise manner. The reports are mailed to all shareholders and are available for download from CMC's website.

Directors

The Board of Directors acts in a stewardship role on behalf of all shareholders. It approves the strategic direction of the Company, overseas the management of its capital resources, monitors its performance and compliance, ensures its assets are safeguarded and reports to shareholders.

New Directors are identified by the Nomination Committee of the Board or may be nominated by shareholders. The Constitution specifies that all new appointments plus one third of existing Directors must stand for election or re-election by shareholders at each annual meeting. The Constitution also specifies that there should be between five and seven Directors. The Board contains a mix of independent, executive and non-executive Directors.

The Board ensures that, consistent with its history and industry standing, CMC conducts its dealings with all stakeholders with integrity and respect. It maintains a Directors' Manual including a Code of Ethics that extends to all staff and sets out definitive standards of behaviour. In particular, Directors take care to comply with rules requiring disclosure of positions and occupations they have outside of CMC that may involve a conflict of interest.

The Directors have established a securities trading policy to comply with prevailing legislation that requires full disclosure by Directors and senior executives both before and after buying and selling shares in CMC. All share trades by Directors are reported to the Stock Exchange. The statutory registers of Directors, their shareholdings and interests are kept at CMC's registered office.

The Board schedules at least eight meetings each financial year to monitor the progress of management on achieving the targets and objectives that the Board has set. The Board usually meets in Wellington but once a year it holds a meeting at a dealership in order to meet front-line staff and experience operations at first hand. Additional *ad hoc* meetings are held when necessary, sometimes by telephone conference.

During the financial year the Board held eleven meetings, eight in person and three by telephone conference. The Audit & Compliance Committee met six times and the Remuneration Committee met once.

Board Committees

Where additional detailed supervision or consideration is required, the Board establishes committees that operate by making recommendations to the full Board for final resolution. There are three standing committees with specific written terms of reference.

Audit and Compliance Committee

Comprising P D Wilson (Chairman), J P Gibbons and I D Lambie, the Committee meets regularly with management and the external auditors to

- review the adequacy of controls to identify and manage areas of potential risk and to safeguard the assets of the Company;
- maintain the independence of the external Auditor and review the external audit functions generally; and
- evaluate the processes to ensure that financial records and accounting policies are properly maintained in accordance with statutory requirements and financial information provided to shareholders and the Board is accurate and reliable.

Members of the Committee have relevant financial qualifications and/or commercial experience.

Management is delegated the responsibility for developing, maintaining and enforcing the system of internal controls. The same basic set of controls is applied across the CMC Group. Monthly reports from each dealership form a key element of the financial control mechanism.

An Internal Auditor works in conjunction with the external Auditors to complete a review of all dealerships every year for maintenance of the standard of accounting practices and for compliance with the internal policies and procedures. The Internal Auditor regularly reports to the Audit and Compliance Committee.

Remuneration Committee

J A Wylie (Chairman), P J Aitken and P D Wilson make up the Remuneration Committee the purpose of which is to ensure that the Directors and senior executives are fairly and reasonably rewarded for their individual contributions.

Management and Director remuneration is disclosed in the annual report.

Nominations Committee

This Committee has the task of identifying potential Directors with skills that are complementary to the needs of the Company and the Board. It consists of J A Wylie (Chairman), G D Gibbons and J P Gibbons.

External Auditors

The role of external Auditors is to report to shareholders on the truth and fairness of the financial statements prepared by management, authorised by the Board and included in the Annual Report. The Auditors have direct access to the Audit and Compliance Committee to discuss appropriate audit staffing, the extent of non-audit work and issues identified during audits. The primary audit engagement partner (currently Mr G McGlinn of Grant Thornton) is changed periodically to provide a fresh perspective and to ensure greater independence. Fees paid for audit and non-audit work (such as taxation advice) are disclosed in the Annual Report.

Risk management

The range of tools used to mitigate risk includes elements of corporate governance outlined in this report, the system of internal controls and management reporting and accountability. The board reviews the Group insurance programme and assesses which risks to insure with the assistance of an external insurance broker.

The Audit and Compliance Committee has particular responsibility for internal audit and health & safety on which it receives regular reports. Management provides the committee with an annual internal management and regulatory compliance summary report.

CMC operates a group-wide workplace safety management practices programme. Following regular independent audit by ACC approved auditors, all dealerships meet secondary status with many having progressed to tertiary standard.

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 Limited and Kermadec Property Fund Limited. Director of Westpac Banking Corporation, and Farmlands Trading Society. Member of the New Zealand Markets Disciplinary Tribunal 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 Absolutevents Limited and K-netik 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 2010 are disclosed pursuant to section 211(1)(f) of the Act as follows:

	Directors Fees 2010 $	Total Remuneration 2010 $	Total Remuneration 2009 $
J A Wylie (Chairman)	49,500	72,816	72,816
G D Gibbons	-	378,081	360,645
J P Gibbons	-	208,627	230,758
P D Wilson	36,300	36,300	36,300
I D Lambie	33,000	33,000	33,000
P J Aitken	33,000	33,000	33,000

Remuneration for J A Wylie, additional to Directors Fees, included the provision of a motor vehicle. 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 2010 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 2010 is $209,034 (2009: $237,222). Following the retirement of J A Blyth on 31 December 2008, the Board resolved to pay him a retirement allowance over two years. The payments made during this year from the provision amounted to $32,313 (2009: $8,078). Directors appointed after 1 May 2004 are not eligible to receive a retirement allowance unless authorised by shareholder resolution.

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.

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 2009 and 31 August 2010.

Director	Number of shares Acquired	Number of shares Disposed	Date	Price	Relationship
P J Aitken	870		18 January 2010	$2.65	Beneficial
G D Gibbons		44,000	30 September 2009	$2.40	Non-beneficial
	4,000		30 September 2009	$2.40	Non-beneficial
	9,685		18 December 2009	-	Beneficial
	397,549		18 January 2010	$2.65	Beneficial
	82,091		18 January 2010	$2.65	Non-beneficial
J P Gibbons	8,000		17 September 2009	$2.40	Non-beneficial
		500	18 September 2009	-	Non-beneficial
		44,000	30 September 2009	$2.40	Non-beneficial
	2,000		30 September 2009	$2.40	Non-beneficial
	12,000		27 October 2009	$2.67	Non-beneficial
	9,685		18 December 2009	-	Beneficial
	347,628		18 January 2010	$2.65	Beneficial
	232,305		18 January 2010	$2.65	Non-beneficial
I D Lambie	435		18 January 2010	$2.65	Beneficial
P D Wilson	2,609		18 January 2010	$2.65	Beneficial
	2,391		20 May 2010	$2.20	Beneficial
J A Wylie	38,513		18 January 2010	$2.65	Beneficial
	16,891		18 January 2010	$2.65	Non-beneficial

All transactions dated 18 January 2010 relate to the taxable bonus issue of 1 new share for every 5.75 shares already held.

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	
	2010	2009	2010	2009	2010	2009
P J Aitken	5,870	5,000	-	-	-	-
G D Gibbons	2,683,456	2,276,222	489,038	460,590	65,084	51,441
J P Gibbons	2,346,487	1,989,174	1,118,507	976,802	449,550	381,450
I D Lambie	2,935	2,500	-	-	-	-
P D Wilson	20,000	15,000	-	-	-	-
J A Wylie	259,961	221,448	82,930	70,644	31,325	26,720

Disclosure of Substantial Security Holders

As required by section 26 the Securities Markets Act 1988, the Substantial Security Holders as at 17 September 2010 (from whom a notice under the Act had been received and the date of each such notice) were as follows:

	Date	Shares	%
P C Gibbons	19 August 2010	4,377,948	13.39
J P Gibbons	16 September 2010	3,464,994	10.60
S B Gibbons	16 September 2010	2,031,263	6.21

Issued and Fully Paid Capital as at 30 June 2010 was made up of 32,694,632 ordinary shares. The above disclosures 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.

A number of shares indentified under JP Gibbons are also jointly held or have trustees in common with NL, BR Gibbons and PL Bennett.

A number of shares identified under SB Gibbons are also jointly held or have trustees in common with AD Gibbons and LB Rogerson.

Distribution of Shareholders and Shareholdings

This distribution information reflects the position as at 31 August 2010.

	Number of Shareholders		**Number of Shares**	
	Number	**%**	**Number**	**%**
1 - 999	187	14.1	89,450	0.3
1,000 - 9,999	855	64.7	3,108,034	9.5
10,000 - 99,999	223	16.9	5,698,677	17.4
100,000 - 999,999	51	3.9	13,696,717	41.9
1,000,000 +	6	0.4	10,101,754	30.9
Total	**1,322**	**100.0**	**32,694,632**	**100.0**

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

Year	**Share Price @ 30 June**	**Dividends Paid - cps Date**	**Net**	**Gross**	**Gross Dividend Yield %**	**Change in Share Price cps**	**Total Gross Return cps**	**Gross Shareholder Return %**
2010	$2.18	12/04/10	6.0	20.0	9.8%	13.6	33.6	16.4%
		26/10/09	9.0					
2009	$2.40	06/04/09	6.0	26.9	8.1%	-90.0	-63.1	-19.1%
		03/11/08	12.0					
2008	$3.30	09/04/08	11.0	35.8	10.1%	-26.0	9.8	2.8%
		24/10/07	13.0					
2007	$3.56	03/04/07	10.0	34.3	11.4%	56.0	90.3	30.1%
		25/10/06	13.0					
2006	$3.00	03/04/06	11.0	32.1	10.4%	-8.0	24.1	7.8%
		26/10/05	10.5					

Note: Yields are calculated on the share price at the beginning of each year. The figures for 2010 are shown after adjusting for the dilution effect of the taxable bonus issue in January 2010. The share price at 30/06/05 was $3.08.

Forty Largest Shareholdings as at 31 August 2010

	Shares	%
PC Gibbons	2,269,249	6.9
Peter Craig Gibbons	2,108,699	6.4
AD & SB Gibbons & LB Rogerson	1,584,605	4.8
Estate RC Gibbons Deceased, NL, BR & JP Gibbons & PL Bennett	1,445,723	4.4
Florence Theodosia Gibbons	1,287,037	3.9
NL, BR & JP Gibbons & PL Bennett	664,006	2.0
James Ian Urquhart	600,000	1.8
MI & C Louisson & RM Carruthers	593,777	1.8
MA Gibbons, AK Cook & PJ Clark	474,348	1.5
JP & DM Gibbons & PL Bennett	472,055	1.4
JG, J & CG Harrison	458,317	1.4
Accident Compensation Corporation	453,053	1.4
CG Harrison, MA Barton & JP & GD Gibbons	433,820	1.3
Graeme Durrad Gibbons	414,207	1.3
Elevation Capital Managed Funds	410,000	1.3
Citibank Nominees (New Zealand) Limited	392,398	1.2
Diana Durrad Harrison	373,628	1.1
Gillian Durrad Watson	357,619	1.1
Robert Durrad Gibbons	357,480	1.1
Sara Durrad Wood	356,919	1.1
May Alice Gibbons	355,196	1.1
Alison Durrad Beaumont	347,004	1.1
Anita Forbes Peake	332,480	1.0
Nancy Lucy Gibbons	331,710	1.0
KE & C Louisson	328,696	1.0
JG, KS, SKE & J Bale	324,244	1.0
CG, AE & JG Harrison	324,244	1.0
The Colonial Motor Company Ltd Staff Superannuation Fund	304,196	0.9
Rebecca Hope Wilson	293,478	0.9
Leanne Barnes Rogerson	281,410	0.9
Stuart Barnes Gibbons	270,571	0.8
SH Majors, RH & SJ Wilson	268,556	0.8
JA & RN Wylie & JD Hanning	255,735	0.8
Investment Custodial Services Limited	243,593	0.7
CM Louisson & N Tarsa	241,804	0.7
David Grindell	231,200	0.7
National Nominees New Zealand Limited	199,565	0.6
PC Barton & PC & JP Gibbons	189,154	0.6
AC Pegler	188,306	0.6
RB & JG Tait & IJ Craig	187,456	0.6
Total of forty largest shareholdings	21,005,538	64.2
Total shares on issue	32,694,632	100.0

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

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 New Holland, Kubota and Case IH 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 with used import sales being up to double the level of new registrations for over a decade.

In 2007 vehicle exhaust emission regulations for imported vehicles were tightened to define a maximum timing lag for NZ application of US/European and Japanese regulations. This has affected the number of aged used vehicle imports that are eligible for importation.

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.

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. Of interest, the remaining dealerships in AACL – John Andrew and North Harbour were acquired in September 2006 by AHG – a Perth based Australian public listed company.

Seven of the Group's twelve car Dealerships now have both the Ford and Mazda franchises with Dunedin City Motors acquiring the Mazda franchise in January 2009.

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.

In April 2009 we opened Avon City Motorcycles with the Suzuki franchise on the Sockburn site and in July 2009 opened Advance Agricentre – in Southland with the Case IH tractor franchise.

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 the individual decendants of Hopeful & Jessie Gibbons, who collectively hold over 60% 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.

The Colonial Motor Company Limited