The Colonial Motor Company Limited

93rd Annual Report

2011

The Colonial Motor Company Limited

BOARD OF DIRECTORS	J P (Jim) Gibbons, Chairman	
	John A Wylie	(retires 4 November 2011)
	Graeme D Gibbons	
	Peter D Wilson	(retires 4 November 2011)
	Ian D Lambie	
	Peter J Aitken	
	Falcon R S Clouston	(appointed 1 June 2011)
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	
	Website: www.computershare.co.nz/investorcentre	
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	
PROSPECTIVE DATES FOR 2012	Interim Half Year Report	Late February
	Interim Dividend	23 April
	Preliminary Full Year Report	Late August
	Annual Report	Late September
	Final Dividend	23 October
	Annual Meeting	2 November

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

The Colonial Motor Company Limited
and Subsidiary Companies

Notice of Annual Meeting

NOTICE IS HEREBY GIVEN that the 93rd 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, 4 November 2011 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 James Picot Gibbons as a Director of the Company

   (b) To re-elect Mr Ian David Lambie as a Director of the Company

   (c) To elect Mr Falcon Robert Storer Clouston as a Director of the Company

   (d) To elect Mr Denis Michael Wood as a Director of the Company

   (e) 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
19 September 2011

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 2011 Annual Meeting are J P Gibbons and I D Lambie who are eligible and are standing for re-election.

Mr J A Wylie and Mr P D Wilson are retiring from the Board at the conclusion of the 2011 Annual Meeting.

On 1 June 2011 the Board appointed Mr F R S Clouston as a Director. The Constitution requires that Mr Clouston stands for election at the next Annual Meeting following his appointment. Mr Clouston holds many other appointments, details of which are provided in the Governance Statement later in the Annual Report. The Board considers that Mr Clouston is an Independent Director.

The Board has nominated Mr D M Wood to stand for election at the Annual Meeting. After a career in investment banking, Mr Wood now holds a number of directorships including Tower Limited, Mercy Healthcare Limited and Genesis Power Limited.

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.

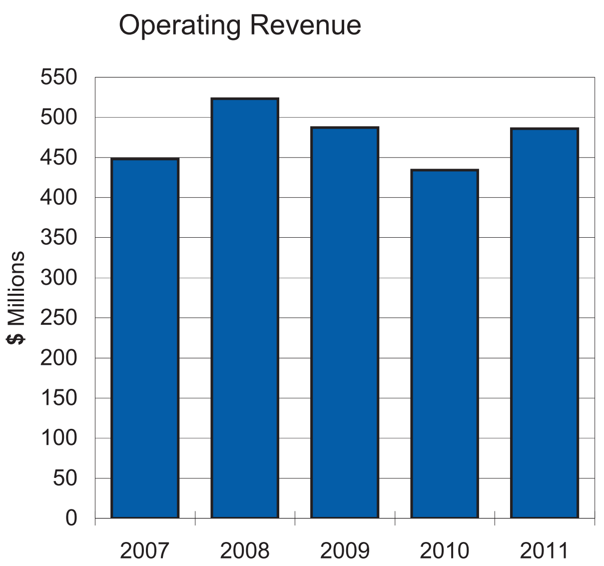
Representatives of Corporations
Corporate bodies appointing a representative to attend the meeting should comply with Clause 23 of the Constitution that reads as follows:

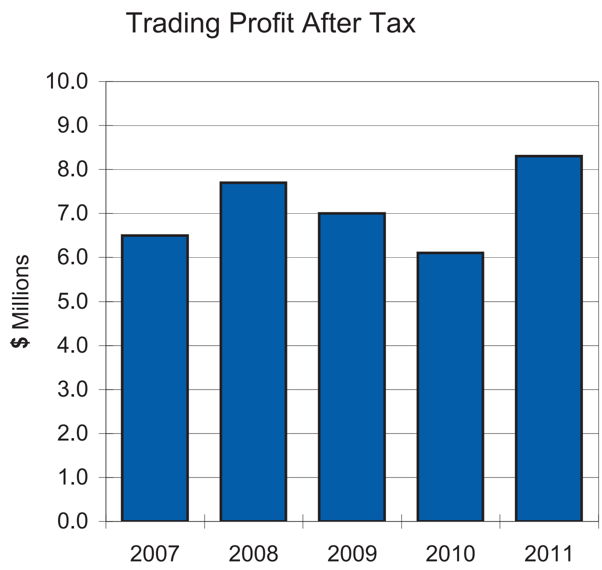
> *"Appointment of representative: A corporation which is a Shareholder may appoint a person to attend a meeting of Shareholders on its behalf in the same manner as that in which it could appoint a proxy."*

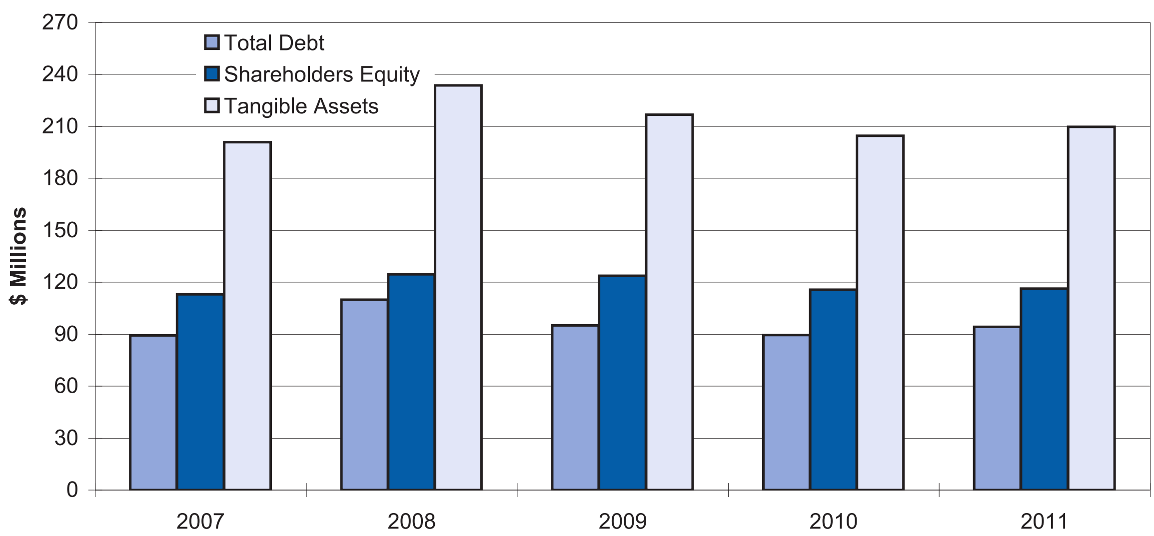
The Colonial Motor Company Limited
and Subsidiary Companies

Facts at a Glance and Five Year Trends

	2011	2010	2009	2008	2007
Reporting Basis	NZ IFRS	NZ IFRS	NZ IFRS	NZ IFRS	NZ IFRS
Operating Revenue ($000)	485,950	434,395	487,325	523,408	454,703
Trading Profit after Tax (excluding Non Trading Items) ($000)	8,330	6,130	7,002	7,660	6,499
Net Profit/(Loss) after Tax Attributable to Shareholders ($000)	8,184	(1,241)	4,614	7,217	6,499
Return on Average Shareholders' Funds - Trading Profit	7.2%	5.1%	5.6%	6.4%	5.8%
- Net Profit	7.1%	(1.0)%	3.7%	6.1%	5.8%
Trading Profit Per Dollar of Revenue	1.7c	1.4c	1.4c	1.5c	1.4c
Earnings per Share - Trading Profit after Tax	25.5c	20.4c	25.1c	27.5c	23.3c
- Net Profit After Tax	25.0c	(4.1)c	16.6c	25.9c	23.3c
Dividend per Share	19.0c	15.0c	15.0c	23.0c	23.0c
Total Dividends for the year ($000)	6,212	4,904	4,178	6,406	6,406
Shares on issue at Balance Date	32.695m	32.695m	27.851m	27.851m	27.851m
Current Ratio	1.4	1.4	1.3	1.3	1.5
Shareholders' Equity as a Percent of Total Assets	54.9%	56.0%	56.2%	52.7%	55.4%
Net Tangible Asset Backing per Share (after final dividend is paid)	$3.37	$3.39	$4.23	$4.27	$3.82







Directors' Report

Your Directors have pleasure in presenting the 93rd 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 2011.

Revenue and Operating Profit

Total revenue for the year was $486.0m ($434.4m in 2010) and the underlying trading profit for the year was $8.3m ($6.1m in 2010). The improvement in profit was a creditable achievement whilst the economy remains suppressed. The profit after tax attributable to shareholders of $8.2m (loss of $1.2m in 2010) was not impacted to the same extent as last year by one-off accounting adjustments.

Property valuation

Our Group property is revalued annually at balance date to "fair value". This year the revaluation resulted in an upward movement to profit of $0.377m and a downward movement in the property revaluation reserve in Comprehensive Income of $1.859m. The majority of this write-down related to Tuam Street in Christchurch which was valued as if the partial demolition had been completed. This compares to last year where we had a downward adjustment to profit of $0.823m.

Dividends

Dividends paid in respect of this year will total 19.0 cents per share (15.0 cents per share in 2010). An interim dividend of 7.0 cents per share was paid on 4 April 2011 and a final dividend of 12.0 cents per share will be paid on 25 October 2011, both dividends being fully imputed. The value of the distributions for this year will be $6.2m ($4.9m in 2010) representing 75% (80% in 2010) of the trading profit after tax.

Directors

The Independent Directors on the Board at 30 June 2011 and the date of this report were P J Aitken, F R S Clouston, I D Lambie, P D Wilson and J A Wylie. G D Gibbons, Chief Executive, was an Executive Director. J P Gibbons (who is not considered independent due to his significant shareholding) took over the position of Chairman from J A Wylie with effect from 1 February 2011.

The Directors to retire by rotation at the 2011 Annual Meeting will be J P Gibbons and I D Lambie who are both eligible and will stand for re-election.

P D Wilson and J A Wylie are retiring from the Board at the conclusion of the Annual Meeting. Earlier in the year, the Directors established a process to identify criteria for selection of their replacements. Four prospective directors, identified from a pool of possible candidates, were interviewed by a panel of Directors in May. Falcon Clouston was appointed by the Board as a Director in June and will stand for election at the Annual Meeting.

In August three further prospective directors were interviewed by a panel of Directors and, as a result, Denis Wood has been nominated by the Board to stand for election at the Annual Meeting.

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 41 to 44. A separate Governance Statement is provided on pages 39 and 40.

For the Directors
19 September 2011

J P Gibbons   J A Wylie

Chief Executive's Report

This year our Trading Profit after Tax has improved to $8.330m compared with $6.130m last year. While total Group revenue increased 11.9% from $434m to $486m, $22m of this increase related to fuel sales now on our account rather than as a commission agent as previously was the case.

Dealerships servicing the primary sector have generally seen a sustained lift in activity as productive assets have been replaced or additional capacity has been acquired after several years of low activity.

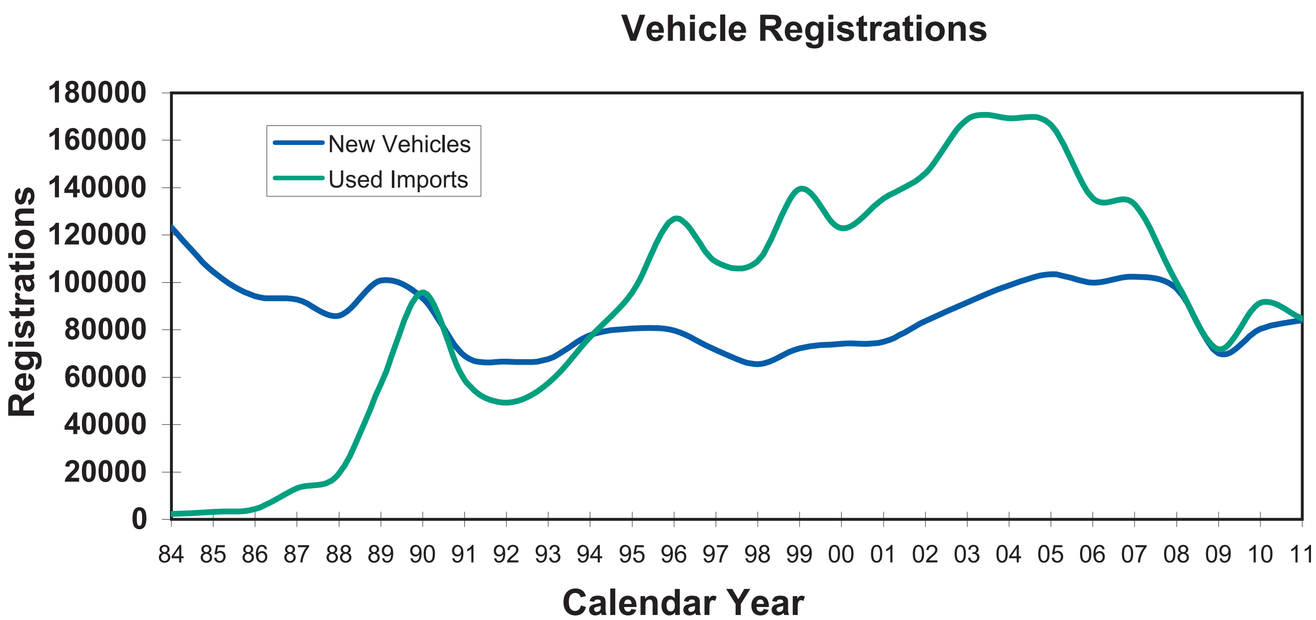
While the country has relied on an export lead recovery on the back of high overseas commodity prices, the high exchange rate has taken the edge off this recovery. In recent months forestry exports have shown signs of market weakness which is a worry for 'NZ inc'.

Southpac Trucks has recently launched the latest Kenworths which are instantly recognisable on the road and DAF product continues to grow its share of the heavy truck market. Planning for the new expanded service facility adjacent to their Manukau dealership is now at consenting stage with a start to building alterations expected in mid 2012 when the current lease ends.

In the heartland of agriculture Advance Agricentre expanded its Case IH business to include Otago in late 2010 and is now represented in Invercargill, Gore and Milton. Page 35 of this report details the various franchises represented by our dealerships.

The domestic consumer market serviced by most of our dealerships has continued to be weak, particularly for consumer durables which includes used car retailing. While vehicle supply following the Japanese earthquake may have been restricted for some products, the overall slower recovery in the new vehicle market may have more to do with underlying economic reality rather than just supply issues. A measure of this economic weakness was that in the second half of our financial year, our "year-over-year" new and used car sales in Christchurch were relatively stronger than our sales in both the Wellington and Auckland markets, despite the earthquake.

For over 12 months now the earthquakes in Christchurch have been foremost in our minds, initially the physical and human impact. Recovery became a bigger issue with each successive earthquake. The Group has four dealership operations in Christchurch, Team Hutchinson Ford in the city, Avon City Ford and Avon City Motorcycles in Sockburn and Southpac Trucks at Hornby. Apart from some minor damage, the only dealership significantly physically and operationally affected was Team Hutchinson Ford which is located inside the Red Zone.



The dealership was inaccessible and closed for five days after the September earthquake and then for eleven weeks following the February earthquake. While Tuam Street remains closed to this day, the dealership resumed operations in May on around 40% of the original footprint and has utilised St Asaph Street as its main entrance.

The facility was a series of six interconnected buildings of various ages dating back to the 1930s. None of the buildings collapsed and earthquake strengthening undertaken in the 1970s did its job. The cumulative damage (above and below ground) and new building code requirements for repairs have eventually led to four of the six buildings being dismantled. Work continues to make good the remaining buildings so that we can regain access to sections of the buildings and yard that have been closed off for safety reasons during this recovery work.

We cannot say enough about the ‘above and beyond’ dedication and determination of John Hutchinson and his team to get the dealership back into business.

CMC and the dealership have received the proceeds of various insurance claims relating to revenue items and these have been taken into account. Claims for building damage and recovery work are in process. All costs have been recognised as they have been incurred.

Both of the car brands our dealerships represent, Ford and Mazda, have a reduced share of the new vehicle market this year. We expect this market share to recover as new products are introduced. For Ford this includes Territory Diesel, new worldwide Focus and Ranger in the 4th quarter. Mazda have the new BT50 later in the year and then the all new CX5 SUV in 2012.

To find out about our dealerships we suggest you go to the CMC website (www.colmotor.co.nz) and click on the link which is on the Dealership page or Google the dealership’s name. In today’s environment web based search for a particular product is generally the first stage in a purchase decision.

From November our Taranaki dealership, Energy City Motors Limited, will open a new Hyundai dealership in a newly built facility separate from its existing business.

New Zealand has adopted a phasing in of emission standards for “new” vehicles to track the standards of major producers of vehicles in Europe, North America and Japan. This phasing in is being largely co-ordinated with Australia. As part of these standards the importation of “used” vehicles into the country are required to meet new standards but with a delay period of four to five years. There has been a lot of emotive debate about some potential short term impacts of this requirement but the reality is that to improve our nation’s emissions requires a consistent, long term approach to renew and even reduce our vehicle fleet. Vehicles produced to the latest standards are more fuel efficient and produce less CO_2. Ensuring vehicles coming into the country for the first time meet these higher standards will result in a cleaner, more fuel efficient fleet over time. The next logical but potentially politically unpopular step would be to introduce “vehicle in service” emission testing as part of the ongoing “warrant of fitness” program.

Early in the year Shareholders were apprised of off-market activity around “unsolicited low ball offers” for shares in listed companies. At the time we were aware of an approach to the Company’s share registrar for a copy of our share register. Subsequently, the new Financial Markets Authority dealt decisively with the promoters of this issue.

Outlook
The prolonged influence of the global financial crises that began in 2008 continues to influence overseas economies and has implications for our export-based economy which also has to overcome the economic consequences of the Christchurch earthquakes. This we have to live with.

This year we have achieved a better result and we are looking to continue to make progress. There is no shortage of challenges but we have a strong management team and great staff in our dealership businesses.

G D Gibbons
Chief Executive

The Colonial Motor Company Limited
and Subsidiary Companies

Income Statement for the year ended 30 June 2011

	NOTE	GROUP 2011 $000	GROUP 2010 $000	PARENT 2011 $000	PARENT 2010 $000
Revenue					
Sale of - Products		431,487	378,801	-	-
- Services		47,251	48,745	1,049	1,091
Other Income - Interest		216	220	1,303	1,541
- Other		6,996	6,629	6,218	6,213
- Intercompany Dividend		-	-	6,860	5,920
Total Revenue		485,950	434,395	15,430	14,765
Less Expenses	1				
Cost of Products Sold		395,545	347,714	-	-
Remuneration of Staff		43,932	43,792	1,283	1,217
Depreciation & Amortisation		3,079	3,428	1,174	1,281
Property Occupation Costs		9,156	9,584	485	445
Marketing, Promotion & Training Costs		4,331	4,427	44	26
Other Operating Costs		14,256	14,423	1,014	1,079
Interest Cost		3,022	2,694	1,298	1,574
Trading Profit before Tax		12,629	8,333	10,132	9,143
Fair Value Revaluation of Property	9	377	(823)	377	(823)
Impairment Loss on Goodwill	8	-	-	-	-
Fair Value Revaluation of Investment	5	(154)	(165)	-	-
Profit before Tax		12,852	7,345	10,509	8,320
Less: Income Tax Expense					
- Current	13	3,716	2,292	1,005	701
- Deferred	13	233	42	(12)	4
- Deferred (Depreciation tax change)	13	369	6,383	369	6,383
Profit / (Loss) after Tax for the Year		8,534	(1,372)	9,147	1,232
Attributable to: Shareholders		**8,184**	**(1,241)**	**9,147**	**1,232**
Non Controlling Interests		350	(131)	-	-
		8,534	(1,372)	9,147	1,232
Trading Profit after Tax	12	**8,330**	**6,130**		
Basic & Diluted Earnings per Share (based on shares on issue from 18 January 2010)					
- Profit after Tax		25.0 cents	(3.8 cents)		
- Trading Profit after Tax		25.5 cents	18.8 cents		
Basic & Diluted Earnings per Share (based on weighted average shares outstanding during the year)					
- Profit after Tax		25.0 cents	(4.1 cents)		
- Trading Profit after Tax		25.5 cents	20.4 cents		
Dividend per Share		19.0 cents	15.0 cents		
Dividends for the year		6,212	4,904		
Net Tangible Assets per Share (pre Dividend)		$3.49	$3.48		

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

Statement of Comprehensive Income for the year ended 30 June 2011

	NOTE	GROUP		PARENT	
		2011 $000	2010 $000	2011 $000	2010 $000
Profit / (Loss) after Tax for the Year		8,534	(1,372)	9,147	1,232
Other Comprehensive Income:					
Realised Gain on Sale of Property	9	-	1,616	-	1,616
Property Revaluation Reserve					
Fair value movement	24	(1,859)	(2,555)	(1,859)	(2,555)
Transfer realised gain	24	-	(1,675)	-	(1,675)
Deferred tax	24	(204)	489	(204)	489
Foreign Exchange Reserve					
Movement in effective hedge	24	(732)	(170)	-	-
Deferred tax movement	24	201	51	-	-
Total Comprehensive Income for the year		5,940	(3,616)	7,084	(893)
Attributable to:					
Shareholders		**5,670**	**(3,466)**	**7,084**	**(893)**
Non Controlling Interests		270	(150)	-	-
		5,940	(3,616)	7,084	(893)

Statement of Changes in Equity

	NOTE	GROUP 2011 $000	GROUP 2010 $000	PARENT 2011 $000	PARENT 2010 $000
Total Equity at beginning of year		117,340	125,424	82,176	87,537
Total Comprehensive income		5,940	(3,616)	7,084	(893)
Dividends paid to Shareholders	11	(5,231)	(4,468)	(5,231)	(4,468)
Dividend paid to Non Controlling Interests		(330)	-	-	-
Total Equity at end of year		117,719	117,340	84,029	82,176

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

Balance Sheet as at 30 June 2011

	NOTE	GROUP		PARENT	
		2011 $000	2010 $000	2011 $000	2010 $000
Current Liabilities					
Trade & Other Payables	3	29,060	22,900	1,131	717
Provisions	6	604	677	212	200
At Call Deposits	16	13,351	10,654	13,351	10,654
Advances from Subsidiaries	21	-	-	1,502	2,627
Bank Borrowings	18(c)	17,400	21,100	17,400	21,100
Tax Payable	13	1,484	374	317	82
Financial Derivatives - Foreign Exchange	17	1,070	251	-	-
Financial Liabilities - Credit Contracts	18(a)	10,783	12,913	-	-
Impairment Allowance - Credit Contracts	18(a)	213	237	-	-
Total Current Liabilities		73,965	69,106	33,913	35,380
Non Current Liabilities					
Financial Liabilities - Credit Contracts	18(a)	15,100	15,880	-	-
Advances from Subsidiaries	21	-	-	2,257	2,257
Deferred Tax	13	5,151	4,546	6,633	6,072
Total Non Current Liabilities		20,251	20,426	8,890	8,329
Shareholders' Equity					
Share Capital	10	15,968	15,968	15,968	15,968
Property Revaluation Reserve	24	34,206	36,269	34,206	36,269
Foreign Exchange Hedging Reserve	24	(559)	(108)	-	-
Retained Earnings	24	66,652	63,699	33,855	29,939
Total Shareholders' Equity		116,267	115,828	84,029	82,176
Non Controlling Interest	24	1,452	1,512	-	-
Total Equity	24	117,719	117,340	84,029	82,176
Total Equity and Liabilities		211,935	206,872	126,832	125,885

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

	NOTE	GROUP		PARENT	
		2011 $000	2010 $000	2011 $000	2010 $000
Current Assets					
Cash & Bank Accounts	2	6,023	3,935	260	103
Trade & Other Receivables	7	33,298	25,393	23,993	21,040
Receivable – Sale of Property		-	2,600	-	2,600
Inventory	4	54,345	52,268	-	-
Advances to Subsidiary Companies	5	-	-	1,300	900
Financial Assets - Credit Contracts	18(a)	10,783	12,913	-	-
Total Current Assets		104,449	97,109	25,553	24,643
Non Current Assets					
Financial Assets - Credit Contracts	18(a)	15,100	15,880	-	-
Goodwill	8	1,838	1,838	-	-
Other Intangible Assets	8	247	320	-	-
Shares in Companies	5	781	935	-	-
Advances & Investments in Subsidiary Companies	5	-	-	20,557	18,708
Property, Plant & Equipment	9	89,520	90,790	80,722	82,534
Total Non Current Assets		107,486	109,763	101,279	101,242
Total Assets		211,935	206,872	126,832	125,885

For the Directors
19 September 2011

J P Gibbons

J A Wylie

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 2011

	NOTE	GROUP 2011 $000	GROUP 2010 $000	PARENT 2011 $000	PARENT 2010 $000
Cash Flows from Operating Activities					
Receipts from Customers		477,424	434,490	6,786	7,004
Interest Received		216	220	1,303	1,541
Dividends Received		-	-	6,860	5,920
Payments to Suppliers & Employees		(463,290)	(411,321)	(3,812)	(5,730)
Interest Paid		(3,022)	(2,964)	(1,298)	(1,574)
Income Taxes Paid		(2,606)	(2,966)	(770)	(714)
Net Cash Flow from Operating Activities	22	8,722	17,459	9,069	6,447
Cash Flows from Investing Activities					
Proceeds from Sale of Property, Plant & Equipment		5,562	3,343	2,859	74
Purchase of Property, Plant & Equipment		(6,181)	(4,757)	(1,081)	(670)
Decrease in Advances to Subsidiaries		-	-	-	6,301
Increase in Advances to Subsidiaries		-	-	(3,332)	-
Net Cash Flow from Investing Activities		(619)	(1,414)	(1,554)	5,705
Cash Flows from Financing Activities					
Increase in Borrowings		-	-	-	-
Decrease in Borrowings		(3,700)	(9,000)	(3,700)	(9,000)
Increase in Deposits		2,916	379	2,698	288
Decrease in Advances from Subsidiaries		-	-	(1,125)	-
Increase in Advances from Subsidiaries		-	-	-	1,018
Dividends Paid to Shareholders		(5,231)	(4,468)	(5,231)	(4,468)
Net Cash Flow from Financing Activities		(6,015)	(13,089)	(7,358)	(12,162)
Net Increase/(Decrease) in Cash Held		2,088	2,956	157	(10)
Opening Cash Brought Forward		3,935	979	103	113
Closing Cash Balance as per Balance Sheet	2	6,023	3,935	260	103

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 2011

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 19 September 2011.

- **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.

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 (marked 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.

- **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.

- **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.

- **Insurance Claims:** Income from insurance claims is only recognised when there is virtual certainty of payment. All costs associated with an insurable event are recognised as they are incurred.

	GROUP 2011 $000	GROUP 2010 $000	PARENT 2011 $000	PARENT 2010 $000

1 Expenditure

Expenditure in the Income Statement includes:				
Auditors' Remuneration - Audit Fees	332	319	77	76
- Prospectus Audit	15	21	15	21
- Taxation Advice	-	1	-	1
Total Auditors' Remuneration	347	341	92	98
Operating Lease Expense	1,830	2,018	203	127
Directors' Fees	205	152	205	152
Bad Debts written off	206	273	-	-
Donations	8	5	-	-
Superannuation Contributions				
- CMC Staff Superannuation Fund	621	597	60	69
- KiwiSaver	256	200	4	3
Movement in Impairment Allowance for:				
- Parts Inventory Obsolescence	13	210	-	-
- Doubtful Debts	6	(31)	-	-
- Credit Contracts	(24)	(35)	-	-

The Company regularly reviews the allocation of expenses to ensure that data is accurately and appropriately disclosed. An amendment has been made to the allocation of some expenses in the comparative figures for 2010 resulting in an increase in cost of products of $9.3m and equivalent reduction in Remuneration of Staff.

2 Cash and Bank Account Balances

Bank Accounts in Funds	6,718	4,545	260	103
Bank Accounts in Overdraft	(695)	(610)	-	-
Net Cash and Bank Balance	6,023	3,935	260	103

This balance includes all cash and cash equivalents.

3 Trade & Other Payables

Employee Benefits	3,866	3,259	290	230
Trade Payables	23,048	17,806	250	368
Other Payables	2,146	1,835	79	67
Intercompany Payables	-	-	512	52
	29,060	22,900	1,131	717

	GROUP		PARENT	
	2011 $000	2010 $000	2011 $000	2010 $000

4 Inventory

	GROUP 2011 $000	GROUP 2010 $000	PARENT 2011 $000	PARENT 2010 $000
Vehicles & Implements	44,005	42,236	-	-
Parts, Accessories, Workshop, Fuels & Gases	12,597	12,276	-	-
Impairment Allowance for Parts Obsolescence	(2,257)	(2,244)	-	-
	54,345	52,268	-	-

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 2011 was $31.5m (2010: $32.5m).

The UDC facility for subsidiaries is guaranteed by the Parent to the agreed Group limit at reporting date of $42.7m. (2010: $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 2011 was $0.166m (2010 $0.512m).

5 Investments

	GROUP 2011 $000	GROUP 2010 $000	PARENT 2011 $000	PARENT 2010 $000
Current				
Advances to Subsidiaries	-	-	1,300	900
Current advances are repayable on demand and attract interest at current bank overdraft rates (refer Note 18(c))				
Non Current				
Shares in Subsidiaries	-	-	12,994	12,994
Advances to Subsidiaries	-	-	7,563	5,714
Investment in Subsidiary Companies	-	-	20,557	18,708
Non current advances are not expected to be repaid in the next year and do not attract interest.				
Shares in Motor Trade Finances Ltd	781	935	-	-

A write down adjustment of $0.154m (2010: $0.165m) has been recognised on the MTF shares due to the carrying value exceeding their fair value.

6 Provisions

	GROUP 2011 $000	GROUP 2010 $000	PARENT 2011 $000	PARENT 2010 $000
Employee Benefits				
Provision at 1 July 2010	677	635	200	195
Increase / (Decrease) during the year	(73)	42	12	5
Provision at 30 June 2011	604	677	212	200

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

7 Trade and Other Receivables

	GROUP 2011 $000	GROUP 2010 $000	PARENT 2011 $000	PARENT 2010 $000
Trade Receivables	28,523	21,245	-	-
Impairment Allowance for Doubtful Debts	(81)	(75)	-	-
	28,442	21,170	-	-
Other Receivables	4,582	3,515	755	275
Prepayments	274	708	73	72
Intercompany Receivables	-	-	23,165	20,693
	33,298	25,393	23,993	21,040

The carrying value 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 $0.040m (2010 $0.099m). 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 2011 is as follows:

	GROUP 2011 $000	GROUP 2010 $000	PARENT 2011 $000	PARENT 2010 $000
Trade Receivables				
Parts & Service Receivables				
- Total Outstanding	8,836	8,278	-	-
- Overdue (not impaired) 30 – 90	1,962	1,595	-	-
- Overdue (not impaired) 90 Day +	143	282	-	-
- % Current (not yet due)	76.18%	77.3%	-	-
- % overdue 90 days	1.62%	3.4%	-	-
- Impaired (written off during the year)	40	99	-	-
Vehicle Receivables				
- Total Outstanding	19,687	12,967	-	-
- Overdue (not impaired)	1,061	32	-	-
- Impaired	-	-	-	-
- Impaired (written off during the year)	-	-	-	-
Impairment Allowance				
- Balance 30 June 2010	75	106	-	-
- Bad Debts written off	(40)	(99)	-	-
- Impairment Allowance movement	46	68	-	-
- Balance 30 June 2011	81	75	-	-

8 Intangible Assets

	GROUP 2011 $000	GROUP 2010 $000	PARENT 2011 $000	PARENT 2010 $000
Goodwill:				
Balance at 30 June 2010				
Deemed Cost	1,838	1,838	-	-
Acquired during the year	-	-	-	-
Impairment Loss during the year	-	-	-	-
Balance at 30 June 2011				
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 (2010: $NIL) has been made following an assessment of its "value in use" at 30 June 2011.

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% (2010: 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.

	GROUP 2011 $000	GROUP 2010 $000	PARENT 2011 $000	PARENT 2010 $000
Other Intangibles:				
Balance at 30 June 2010				
Cost	724	724	-	-
Accumulated Amortisation	(404)	(332)	-	-
Net Book Value	320	392	-	-
Acquired during the year	-	-	-	-
Amortisation during the year	(73)	(72)	-	-
Balance at 30 June 2011				
Cost	724	724	-	-
Accumulated Amortisation	(477)	(404)	-	-
Net Book Value	247	320	-	-

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.

	GROUP		PARENT	
	2011 $000	2010 $000	2011 $000	2010 $000

9 Property Plant & Equipment

Land and Buildings				
Cost at 30 June 2010	60,415	61,210	58,445	59,206
Accumulated Depreciation	(8,379)	(7,451)	(7,445)	(6,642)
	52,036	53,759	51,000	52,564
Revaluation	31,106	36,159	31,106	36,159
Net Book Value	83,142	89,918	82,106	88,723
Additions	295	414	169	351
Disposals	(17)	(991)	-	(929)
Depreciation	(1,063)	(1,146)	(920)	(986)
Movement in Revaluation	(1,109)	(5,053)	(1,109)	(5,053)
Closing Net Book Value at 30 June 2011	81,248	83,142	80,246	82,106
Comprised of:				
Cost at 30 June 2011	60,655	60,415	58,614	58,445
Accumulated Depreciation	(9,404)	(8,379)	(8,365)	(7,445)
Revaluation	29,997	31,106	29,997	31,106
Net Book Value at 30 June 2011	81,248	83,142	80,246	82,106
Net book value includes capital work in progress of	80	131	80	131

All land and buildings, including the Christchurch property affected by the earthquakes, were valued at 30 June 2011. 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 gain / (loss) through the Income Statement of $0.377m (2010: ($0.823m)). This was due to the new valuation being above carrying value and the increase reverses a previous revaluation decrease recognised in the Income Statement.

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.

	GROUP		PARENT	
	2011 $000	2010 $000	2011 $000	2010 $000
9 Property Plant & Equipment (continued)				
Furniture, Fittings & Equipment				
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	4,927	5,563	253	309
Additions	1,195	977	225	197
Disposals	(57)	(306)	(10)	(23)
Depreciation	(1,218)	(1,307)	(194)	(230)
Closing Net Book Value at 30 June 2011	4,847	4,927	274	253
Comprised of:				
Cost at 30 June 2011	17,676	17,545	1,718	1,709
Accumulated Depreciation	(12,829)	(12,618)	(1,444)	(1,456)
Net Book Value at 30 June 2011	4,847	4,927	274	253
Service Vehicles				
Cost at 30 June 2010	4,965	5,111	313	273
Accumulated Depreciation	(2,244)	(1,883)	(138)	(108)
Net Book Value	2,721	3,228	175	165
Additions	4,186	3,349	182	104
Disposals	(2,756)	(2,953)	(118)	(29)
Depreciation	(726)	(903)	(37)	(65)
Closing Net Book Value at 30 June 2011	3,425	2,721	202	175
Comprised of:				
Cost at 30 June 2011	5,284	4,965	300	313
Accumulated Depreciation	(1,859)	(2,244)	(98)	(138)
Net Book Value at 30 June 2011	3,425	2,721	202	175
TOTAL				
Cost at 30 June 2011	83,615	82,925	60,632	60,467
Accumulated Depreciation	(24,092)	(23,241)	(9,907)	(9,039)
	59,523	59,684	50,725	51,428
Revaluation	29,997	31,106	29,997	31,106
Net Book Value at 30 June 2011	89,520	90,790	80,722	82,534

10 Share Capital

	GROUP 2011 $000	GROUP 2010 $000	PARENT 2011 $000	PARENT 2010 $000
Ordinary Shares 32,694,632 (2010: 32,694,632)				
Total Share Capital	15,968	15,968	15,968	15,968

(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.

11 Dividends

	GROUP 2011 $000	GROUP 2010 $000	PARENT 2011 $000	PARENT 2010 $000
Dividends paid during the year ended 30 June 2011				
Final Y/E 30/06/10 – paid 26 Oct 2010 (9.0cps)	2,942	2,506	2,942	2,506
Interim Y/E 30/06/11 – paid 4 April 2011 (7.0cps)	2,289	1,962	2,289	1,962
Amount provided in the Financial Statements	5,231	4,468	5,231	4,468

These dividends include the supplementary dividends paid to overseas shareholders.
A final dividend of 12.0 cents per share will be paid on 25 October 2011.
In line with NZ IFRS, this final dividend has not been provided for in the financial statements for the year ended 30 June 2011.

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

	GROUP 2011	GROUP 2010
Weighted average number of shares	32,694,632	30,027,267
Shares on issue at end of Year	32,694,632	32,694,632

Reconciliation amounts used for calculation of earnings per share are as follows:

	GROUP 2011 $000	GROUP 2010 $000
Trading Profit before Tax	12,629	8,333
Income tax on trading - Current	(3,716)	(2,292)
- Deferred	(233)	(42)
	8,680	5,999
Remove Non Controlling Interest share	(350)	131
Trading Profit after Tax	**8,330**	**6,130**
Non Trading Items		
Fair Value revaluation of property	377	(823)
Impairment loss on Goodwill	-	-
Fair Value revaluation of investment	(154)	(165)
Income Tax on non trading items - Deferred	(369)	(6,383)
Profit / (Loss) attributable to Shareholders	**8,184**	**(1,241)**
Basic and diluted earnings per share on:		
- Trading Profit after Tax	25.5 cents	20.4 cents
- Profit /(Loss) attributable to Shareholders	25.0 cents	(4.1) cents

13 Income Tax

	GROUP 2011 $000	GROUP 2010 $000	PARENT 2011 $000	PARENT 2010 $000
Components of Income Tax Expense				
Current Tax expense	3,716	2,292	1,005	701
Deferred tax movement on temporary differences	233	42	(12)	4
Deferred tax movement on Depreciation rule change	369	6,383	369	6,383
	4,318	8,717	1,362	7,088
Current Tax Expense				
Profit Before Tax	12,852	7,345	10,509	8,320
Non Taxable Income	(812)	(20)	(7,237)	(5,920)
Non deductible expenditure	200	1,526	5	1,051
Change in unrecognised temporary differences	146	(108)	72	(15)
	12,386	8,743	3,349	3,436
Tax charge @ 30%	3,716	2,623	1,005	1,032
Imputation Tax Gain on Change of Tax Rate	-	(331)	-	(331)
	3,716	2,292	1,005	701
Tax paid	2,232	1,918	688	619
Tax payable / (Receivable)	1,484	374	317	82

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

	GROUP 2011 $000	GROUP 2010 $000	PARENT 2011 $000	PARENT 2010 $000
Deferred Tax				
Opening Deferred tax asset / (liability)	(4,546)	1,339	(6,072)	(174)
Movement through Income Statement	(602)	(6,881)	(357)	(6,843)
Movement due to tax rate change to 28%	-	456	-	456
Total Movement through Income Statement	(602)	(6,425)	(357)	(6,387)
Movement through Property Revaluation Reserve	(204)	489	(204)	489
Movement through Foreign Currency reserve	201	51	-	-
Total Movement through Statement of Comprehensive Income	(3)	540	(204)	489
Closing Deferred tax asset / (liability)	(5,151)	(4,546)	(6,633)	(6,072)

Tax rule changes were introduced in the 2011 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 $0.369m (2010: $6.383m).

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

13 Income Tax (continued)

	GROUP 2011 $000	GROUP 2010 $000	PARENT 2011 $000	PARENT 2010 $000
Deferred Tax Assets and Liabilities are attributable to the following:				
Trade and Other Payables	25	27	-	-
Trade and Other Receivables	23	23	-	-
Employee Benefits	699	851	140	129
Inventories	632	672	-	-
Financial Derivatives	300	76	-	-
Impairment Allowance for Finance Bad Debts	59	71	-	-
Property, Plant and Equipment	(137)	117	(21)	183
Building Depreciation Rule Change	(6,752)	(6,383)	(6,752)	(6,383)
	(5,151)	(4,546)	(6,633)	(6,071)

	GROUP %	GROUP $000	PARENT %	PARENT $000
Reconciliation of Effective Tax Rate				
Year Ended 30 June 2011				
Profit for period		8,534		9,147
Total Income Tax Expense		4,318		1,362
Profit excluding Income Tax		12,852		10,509
Income tax using the domestic tax rate	30.0	3,856	30.0	3,153
Non deductible expenses	0.5	60	-	1
Tax exempt Income	(1.9)	(244)	(20.7)	(2,171)
Changes in Unrecognised Temporary Differences	0.3	44	0.2	22
Movement in Deferred Tax	4.7	602	3.4	357
Effective Tax Rate	33.6	4,318	12.9	1,362
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

		GROUP		PARENT	
		2011 $000	2010 $000	2011 $000	2010 $000

14 Imputation Account

		2011 $000	2010 $000	2011 $000	2010 $000
Balance at 1 April 2010		3,632	9,788	3,538	5,982
Add	Net Taxes Paid for the year ended 31 March	2,486	2,049	1,976	2,126
	Imputation Credits Received and Adjustments	53	20	417	3,655
		6,171	11,857	5,931	11,763
	Dividend Imputation to Shareholders	(2,102)	(2,022)	(2,102)	(2,022)
	Taxable Bonus Issue to Shareholders	-	(6,203)	-	(6,203)
Balance at 31 March 2011		4,069	3,632	3,829	3,538

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 2011 $000	Group 2010 $000	Parent 2011 $000	Parent 2010 $000
(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 2011 $000	Group 2010 $000	Parent 2011 $000	Parent 2010 $000
(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	600	-	-	-

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 5 November 2010.

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 2011 is $20 million. Actual Deposits at 30 June 2011 were $13.4m (2010: $10.7m). 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 2011 was 4.0% (2010: 4.25%).

	GROUP		PARENT	
	2011 $000	2010 $000	2011 $000	2010 $000

17 Financial Derivatives – Foreign Exchange

Foreign Exchange Asset / (Liability) at 30 June 2010	(251)	(101)	-	-
Movement during the year through				
- Equity Statement	(732)	(170)	-	-
- Income Statement	(87)	20	-	-
Foreign Exchange Asset / (Liability) at 30 June 2011	(1,070)	(251)	-	-

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 $25.883m (2010: $28.793m).

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.

	2011 $000	2010 $000
Finance Agreements - current	10,783	12,913
- non current	15,100	15,880
Total Value of Finance Agreements at 30 June	25,883	28,793
Impairment Allowance	(213)	(237)
Carrying Value at 30 June	25,670	28,556
Actual Arrears - Value	133	68
- % of Total	0.52%	0.24%
Total Value of Accounts in Arrears - Value	1,818	2,272
- % of Total	7.08%	7.87%
Impaired (written off during the year)	166	177

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. The shares are traded in a quoted but restricted market and are categorised as level two in the fair value hierarchy.

- 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	
	2011	2010
Interest Rate Risk		
• Bank Overdraft	10.55% - 10.95%	10.2% - 10.7%
• At-Call Deposits	4.00%	4.25%
• Bank Facility	3.90% - 4.45%	3.75% - 5.04%

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 March 2012 to December 2012 and are expected to be renewed in the normal course of business. The facilities 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 $0.308m per annum. (2010: $0.318m)

(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 (marked 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	
	2011 $000	2010 $000
Currency		
Australian dollars	21,731	12,716
Euros	10,599	5,357
United States dollars	1,692	1,403
TOTAL	34,022	19,476

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 2011 or 30 June 2010.

(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 March 2012 to December 2012. These facilities are subject to financial covenants relating to the ability to pay interest, debt ratios (gearing) and liquidity. The Parent and Group have 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 2010.

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.

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 2011 and 2010.

19 Financial Instruments by Category

	GROUP $000				PARENT $000		
	Fair Value through P&L	At Ctost	Loans & Receivables	Financial Derivatives	At Cost	Loans & Receivables	Financial Derivatives
2011							
Assets as per Balance Sheet							
Cash and Bank Balances	-	-	6,023	-	-	260	-
Trade Receivables	-	-	33,298	-	-	23,993	-
Credit Contracts	-	-	25,883	-	-	-	-
Investment in Subsidiaries	-	-	-	-	-	21,857	-
Shares in Companies	781	-	-	-	-	-	-
Liabilities as per Balance Sheet							
Trade Payables	-	29,060	-	-	-	1,131	-
Deposits	-	13,351	-	-	-	13,351	-
Bank Borrowings	-	17,400	-	-	-	17,400	-
Credit Contracts	-	25,883	-	-	-	-	-
Advances from Subsidiaries	-	-	-	-	-	3,759	-
Financial Derivatives – Foreign Exchange	-	-	-	1,070	-	-	-
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	-	-	-

Shares in companies have been reclassified as Fair Value through Profit and Loss (previously shown at cost) due to a write down of $0.154m (2010: $0.165m) recognised at reporting date. The shares are traded in a quoted but restricted market and are categorised as level two in the fair value hierarchy.

20 Remuneration of Employees

During the year to 30 June 2011 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 2011	Number of Employees 2010
100,000 - 110,000	28	20
110,001 - 120,000	23	17
120,001 - 130,000	12	10
130,001 - 140,000	4	8
140,001 - 150,000	5	5
150,001 - 160,000	6	3
160,001 - 170,000	2	2
170,001 - 180,000	2	7
180,001 - 190,000	2	5
190,001 - 200,000	2	2
200,001 - 210,000	-	1
210,001 - 220,000	-	1
240,001 - 250,000	1	-
250,001 - 260,000	2	1
280,001 - 290,000	1	-
290,001 - 300,000	-	1
300,001 - 310,000	-	1
360,001 - 370,000	-	1
390,001 - 400,000	1	-
410,001 - 420,000	-	1
420,001 - 430,000	1	-
440,001 - 450,000	1	-
	93	86

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 (10.55% - 10.95%) 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 3.50% or have no fixed repayment terms or interest. All loans are unsecured.

	2011 $000	2010 $000
At-Call loans from Parent to Subsidiaries	1,300	900
Other loans from Parent to Subsidiaries	7,563	5,714
	8,863	6,614
At-Call loans from Subsidiaries to Parent	1,502	2,627
Other loans from Subsidiaries to Parent	2,257	2,257
	3,759	4,884

21 Related Party Transactions (continued)

	2011 $000	2010 $000
• Material transactions between Parent and Subsidiaries were:-		
Interest charged on advances and Inventory financing	1,298	1,541
Rent charged on property	5,442	5,549
Dividends received by the Parent from its Subsidiaries	6,860	5,920
• Guarantees between Parent and Subsidiaries		
The Parent guarantees the bank overdrafts of Subsidiaries		
Balances outstanding at year end	695	610
Maximum guarantee determined by agreed overdraft limits	6,070	6,070

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.

Subsidiaries guarantee the borrowings of the Parent

	2011 $000	2010 $000
Balances outstanding at year end	17,400	21,100
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 $13.5m (2010: $19.3m).

- Transactions with key management personnel were:

	2011 $000	2010 $000
Short term benefits (including salary, incentives, profit share, use of motor vehicle and other benefits)	3,989	3,579
Post Employment Benefits (including Superannuation contributions)	214	203
Share Related Benefits	-	-
Total Remuneration Benefits	4,203	3,782

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 2011 were $11,696 (2010: $4,610) and there were no transactions outstanding at reporting date (2010: 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).

Mr J P Gibbons is a director of the Motor Trade Association. Group operating subsidiaries are members on normal commercial terms and conditions.

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 $0.052m (2010: $0.049m) during the year.

The Fund holds 304,196 (2010: 304,196) ordinary shares in the Parent through a wholly-owned investment 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.

	GROUP		PARENT	
	2011 $000	2010 $000	2011 $000	2010 $000

22 Cashflow Reconciliation

	GROUP 2011 $000	GROUP 2010 $000	PARENT 2011 $000	PARENT 2010 $000
Net Profit after Tax Attributable to Shareholders	8,184	(1,241)	9,147	1,232
Adjustments for non cash items				
- Depreciation	3,006	3,355	1,151	1,281
- Impairment Loss	-	-	-	-
- Amortisation	73	72	-	-
- Revaluation (Increase) / Decrease of Property	(377)	823	(377)	823
- Fair Value Movement of Investment	154	165	-	-
- Movement in				
- Impairment Credit Contracts	(24)	(35)	-	-
- Taxation	1,110	(674)	234	(13)
- Employee Benefits Provision	(73)	42	12	5
- Foreign Exchange	87	(20)	-	-
- Deferred Tax	602	6,424	358	6,387
- Non Controlling Interests share	20	(131)	-	-
Movement in Working Capital				
- Payables & Deposits	8,857	3,895	414	(225)
- Receivables & Prepayments	(7,905)	(394)	(1,870)	(2,985)
- Inventory	(2,076)	5,615	-	-
Items Classified as Investing Activities	-	(58)	-	(58)
Items Classified as Financing Activities	(2,916)	(379)	-	-
Net Cash Flow from Operating Activities	8,722	17,459	9,069	6,447

23 Operating Lease Commitments & Receivables

Commitments under non-cancellable Operating Leases are due:

	GROUP 2011 $000	GROUP 2010 $000	PARENT 2011 $000	PARENT 2010 $000
Within one year	1,685	1,700	193	121
Between one and two years	990	1,175	193	23
Between two and five years	1,137	1,156	225	1
Over five years	-	-	-	-
	3,812	4,031	611	145

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 2011 $000	GROUP 2010 $000	PARENT 2011 $000	PARENT 2010 $000
Within one year	979	977	979	977
Between one and two years	463	873	463	873
Between two and five years	743	219	743	219
Over five years	-	-	-	-
	2,185	2,069	2,185	2,069

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 2011

	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 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**
Dividend Paid				(5,231)	**(5,231)**	(330)	**(5,561)**
Total Transactions with Shareholders	15,968	36,269	(108)	58,468	**110,597**	1,182	**111,779**
Profit after tax for the year	-	-	-	8,184	**8,184**	350	**8,534**
Other Comprehensive income							
Property Revaluation Reserve							
- Fair Value Movement	-	(1,859)	-	-	**(1,859)**	-	**(1,859)**
- Deferred tax effect	-	(204)	-	-	**(204)**	-	**(204)**
Foreign Exchange Reserve							
- Movement in hedged items	-	-	(622)	-	**(622)**	(110)	**(732)**
- Deferred tax effect	-	-	171	-	**171**	30	**201**
Total Comprehensive Income	-	(2,063)	(451)	8,184	**5,670**	270	**5,940**
Balance at 30 June 2011	15,968	34,206	(559)	66,652	**116,267**	1,452	**117,719**

24 Parent Company Changes in Equity for the Year ended 30 June 2011

	Share Capital $000	Property Revaluation Reserve $000	Retained Earnings $000	**Total Equity $000**
Balance at 1 July 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**
Dividend Paid	-	-	(5,231)	**(5,231)**
Total Transactions with Shareholders	15,968	36,269	24,708	**76,945**
Profit after tax for the year	-	-	9,147	**9,147**
Other Comprehensive income				
Property Revaluation Reserve				
- Fair Value Movement	-	(1,859)	-	**(1,859)**
- Deferred tax effect	-	(204)	-	**(204)**
Foreign Exchange Reserve				
- Movement in hedged items	-	-	-	**-**
- Deferred tax effect	-	-	-	**-**
Total Comprehensive Income	-	(2,063)	9,147	**7,084**
Balance at 30 June 2011	15,968	34,206	33,855	**84,029**

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.

	2011 $000	2010 $000
Revenue		
Aggregate motor vehicle dealerships	478,661	427,176
Corporate and non-trading units	7,289	7,219
Consolidated Group revenue	485,950	434,395
Trading profit before tax		
Aggregate motor vehicle dealerships	9,340	5,094
Corporate and non-trading units	3,289	3,239
Consolidated Group trading profit before tax.	12,629	8,333
Total Assets		
Aggregate motor vehicle dealerships	129,855	121,029
Corporate and non-trading units	82,080	85,843
Consolidated Group Total Assets	211,935	206,872
Depreciation and Amortisation		
Aggregate motor vehicle dealerships	1,905	2,146
Corporate and non-trading units	1,174	1,282
Consolidated Group Depreciation & Amortisation	3,079	3,428
Interest Income		
Aggregate motor vehicle dealerships	211	220
Corporate and non-trading units	5	-
Consolidated Group Interest Income	216	220
Interest Expense		
Aggregate motor vehicle dealerships	1,812	1,222
Corporate and non-trading units	1,210	1,472
Consolidated Group Interest Expense	3,022	2,694

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
		KTM Motorcycles & Canam ATV	Pukekohe
Energy City Motors Ltd	Russell Dempster	Ford	New Plymouth
		Hertz Rentals	New Plymouth
Ruahine Motors Ltd	David Wills	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
		Canam ATV	Nelson
		BP Service Stations	Nelson, Richmond & Blenheim
Hutchinson Motors Ltd	John Hutchinson	Ford	Christchurch
Avon City Motors Ltd	John Luxton	Ford	Christchurch & Rangiora
Avon City Motorcycles Ltd	John Luxton	Suzuki Motorcycles	Christchurch
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 & Milton

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 (2010: 100%), with the exception of Southpac Trucks Ltd which is 85% owned (2010: 85%) 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 Expansion of Business

In October 2010 Advance Agricentre Limited expanded its Southland business into South Otago by purchasing trading inventory, plant and equipment from Maclarens Machinery Limited in Milton. The purchase was for Inventory of $1.438m and Plant of $0.068m with the settlement being made in cash on possession.

The staff and business operations have been absorbed into Advance Agricentre Limited. A property lease has been entered into at market rates. The price paid for all the components of the transaction was considered to be at fair value and therefore no goodwill has been recognised.

28 Post Balance Day Events

On 16 August 2011 the Parent announced the payment of a final dividend of 12.0 cents per share payable on 25 October 2011. (2010: 9.0 cents)

In November 2011 Energy City Motors Limited will commence operations as a Hyundai dealer in New Plymouth in a separate facility currently being built.

29 New Standards, Interpretations and Amendments

At the date of authorisation of these financial statements, certain new standards and interpretations to existing standards have been published but not yet effective, and have not been adopted early by the Parent and Group.

Management anticipates that all pronouncements will be adopted in the first accounting period beginning on or after the effective date of the new standard. Information on new standards, amendments and interpretations that are expected to be relevant to the Parent and Group financial statements is provided below. Certain other new standards and interpretations issued but not yet effective, and not expected to have a material impact on the Parent and Group's financial statements, have not been disclosed.

NZ IFRS 9 – Financial instruments *(proposed effective date from 1 January 2015)*

The IASB aims to replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety by the end of 2012, with replacement standard (NZ IFRS 9) to be effective for accounting periods beginning on or after 1 January 2015. The new standard is being issued in phases, with early adoption available as each phase is issued. To date, the chapters dealing with recognition, classification, measurement and de-recognition of financial assets and financial liabilities have been issued. The chapters dealing with impairment and hedge accounting are still being developed.

Management have yet to assess the impact the standard is likely to have on the recognition and measurement of financial assets held by the Parent and Group. However, they do not expect to implement the amendments until all chapters of NZ IFRS 9 have been published and they can comprehensively assess the impact of all changes.

2010 Improvements to IFRSs *(effective for years beginning from 1 July 2010)*

In May 2010 the IASB issued the annual omnibus of minor amendments to IFRS standards affecting the financial statements for the year ended 30 June 2011 and 30 June 2012. Minor amendments effective from July 2010 have been considered in the preparation of these financial statements. Management has yet to complete a detailed review of amendments effective for 2012, however upon preliminary review the impact is not expected to be significant.

Recently issued standards *(effective for years beginning from 1 January 2013)*

In May 2010 the International Accounting Standards Board (IASB) issued the following accounting standards that will be incorporated into NZ IFRS:

IFRS 10 Consolidated Financial Statements
IFRS 11 Joint Arrangements
IFRS 12 Disclosure of Interests in Other Entities

IFRS 13 Fair Value Measurement

Upon preliminary review management do not expect these standards to have a material impact on the Parent and Group financial statements; however a full understanding of the standards has yet to be obtained.

GrantThornton

Independent Auditor's Report

Audit

Grant Thornton New Zealand Audit Partnership
L13, AXA Centre
80 The Terrace
PO Box 10712
Wellington 6143

T +64 (0)4 474 8500
F +64 (0)4 474 8509
www.grantthornton.co.nz

To the Shareholders of The Colonial Motor Company Limited

Report on the Financial Statements

We have audited the parent and group financial statements of The Colonial Motor Company Limited on pages 6 to 36, which comprise the statement of financial position as at 30 June 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibilities

The Directors are responsible for the preparation of parent and group financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities

Our responsibility is to express an opinion on the parent and group financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the parent and group financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the parent and group financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the parent and group financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

We carry out other assignments for the parent and group in the areas of taxation advice. In addition to this, the firm, its partners and staff, may deal with the parent and group on normal terms within the course of trading activities of the business. Other than in our capacity as auditor we have no relationship with, or interests in The Colonial Motor Company Limited.

Opinion

In our opinion, the financial statements on pages 6 to 36:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards;
- give a true and fair view of the financial position of the parent and group as at 30 June 2011 and their financial performance and their cash flows for the year ended on that date.

Report on Other Legal and Regulatory Matters

Per the Financial Reporting Act 1993:

- we have obtained all the information and explanations that we have required;
- in our opinion, proper accounting records have been kept by The Colonial Motor Company Limited as far as appears from an examination of those records.

Grant Thornton

Grant Thornton New Zealand Audit Partnership
Wellington, New Zealand
19 September 2011

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
- record 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, nine in person and two by telephone conference. The Audit & Compliance Committee met five times and the Remuneration Committee met once. The Nominations Committee which, for the purposes of identifying two nominees, consisted of all Directors, met twice.

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 P Gibbons, (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. Due to the need to identify two new nominations, all Directors served on the Nominations Committee during the year.

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 P Gibbons	-	Director of Motor Trade Association
G D Gibbons	-	Director of Motor Trade Finances Limited.
J A Wylie	-	Director of Wylie Associates Limited (and its associated companies).
P D Wilson	-	Chairman of Westpac New Zealand Limited and Kermadec Property Fund Limited. Deputy Chairman of Meridian Energy Limited. Director of Westpac Banking Corporation, and Farmlands Trading Society Limited. Member of the New Zealand Markets Disciplinary Tribunal and Chairman of the Special Division of that body.
P J Aitken	-	Chairman of Stream (NZ) Pty 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.
F R S Clouston	-	Chairman of Kirkcaldie & Stains Limited and Titan Cranes Limited. Director of Kirkcaldie & Stains Properties Limited, The Kirkcaldie & Stains Trustee Company Limited, Palliser Estate Wines of Martinborough Limited and Perpetual Capital Management Limited. Lay member of New Zealand Institute of Chartered Accountants Appeal Tribunal. Member of New Zealand Markets Disciplinary Tribunal, Trustee of NZ Red Cross Foundation.

During the year J A Wylie stood down from all of his directorships of subsidiary companies. At year end J P Gibbons and G D Gibbons were Directors of all of 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 2011 are disclosed pursuant to section 211(1)(f) of the Act as follows:

	Directors Fees 2011	Total Remuneration 2011	Total Remuneration 2010
	$	$	$
J P Gibbons (Chairman)	25,000	202,954	208,627
J A Wylie	51,667	65,268	72,816
G D Gibbons	-	467,852	378,081
P D Wilson	44,000	44,000	36,300
I D Lambie	40,000	40,000	33,000
P J Aitken	40,000	40,000	33,000

Remuneration for the Chairman, 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 2011 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.

The remuneration package of the Chief Executive (who is also a Director) has a profit performance component. The incentive payment for the year to 30 June 2011 was $162,718 (2010: $80,190). Dealer Principals / CEO's of subsidiary companies remuneration includes a profit performance component based on their dealership profit.

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 2011 is $198,625 (2010: $209,034). 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 $24,234 (2010: $32,313). 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 2010 and 31 August 2011.

Director	Number of shares Acquired	Number of shares Disposed	Date	Relationship
G D Gibbons	20,000		18 September 2010	Non-beneficial
		220,000	18 September 2010	Non-beneficial
		213,820	6 July 2011	Non-beneficial
	19,436		22 July 2011	Non-beneficial
J P Gibbons	10,000		18 September 2010	Non-beneficial
		220,000	18 September 2010	Non-beneficial
		213,820	6 July 2011	Non-beneficial
	9,720		22 July 2011	Non-beneficial
J A Wylie		255,735	28 February 2011	Beneficial
	51,783		28 February 2011	Beneficial

No share prices are given because all transactions occurred off-market. Apart from the disposals on 6 July 2011 when G D Gibbons and J P Gibbons ceased to be trustees of a trust, all transactions involved distributions and receipts from trusts.

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**	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
P J Aitken	5,870	5,870	-	-	-	-
G D Gibbons	2,683,456	2,683,456	269,038	489,038	85,084	65,084
J P Gibbons	2,346,487	2,346,487	898,507	1,118,507	459,550	449,550
I D Lambie	2,935	2,935	-	-	-	-
P D Wilson	20,000	20,000	-	-	-	-
J A Wylie	56,009	259,961	82,930	82,930	31,325	31,325

Disclosure of Substantial Security Holders

As required by section 26 the Securities Markets Act 1988, the Substantial Security Holders as at 31 August 2011 (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	22 July 2011	3,031,174	9.27
S B Gibbons	16 September 2010	2,031,263	6.21

Issued and Fully Paid Capital as at 30 June 2011 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 2011.

	Number of Shareholders		**Number of Shares**	
	Number	**%**	**Number**	**%**
1 - 999	185	14.1%	87,652	0.3%
1,000 - 9,999	823	62.6%	2,967,538	9.1%
10,000 - 99,999	250	19.0%	6,385,957	19.5%
100,000 - 999,999	51	3.9%	13,038,530	39.9%
1,000,000 +	6	0.4%	10,214,955	31.2%
Total	1,315	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 %**
2011	$2.54	04/04/11	7.0	22.9	10.5%	36.0	58.9	27.0%
		26/10/10	9.0					
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					

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 30/06/06 was $3.00.

Forty Largest Shareholdings as at 31 August 2011

	Shares	%
PC Gibbons	2,269,249	6.9
Peter Craig Gibbons	2,108,699	6.4
AD & SB Gibbons & LB Rogerson	1,672,105	5.1
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
RJ Field & AJ Palmer	600,000	1.8
MI & C Louisson & RM Carruthers	593,777	1.8
Accident Compensation Corporation	524,311	1.6
MA Gibbons, AK Cook & PJ Clark	474,348	1.4
JP & DM Gibbons & PL Bennett	472,055	1.4
JG, J & CG Harrison	458,317	1.4
Graeme Durrad Gibbons	414,207	1.2
Citibank Nominees (New Zealand) Limited	392,398	1.2
Diana Durrad Harrison	373,628	1.1
Gillian Durrad Watson	357,619	1.0
Robert Durrad Gibbons	357,480	1.0
Sara Durrad Wood	356,919	1.0
May Alice Gibbons	355,196	1.0
Alison Durrad Beaumont	347,004	1.0
Anita Forbes Peake	332,480	1.0
Nancy Lucy Gibbons	331,710	1.0
K Enright & C Louisson	328,696	1.0
JG, KS, SKE & J Bale	324,244	0.9
CG, AE & JG Harrison	324,244	0.9
The Colonial Motor Company Ltd Staff Superannuation Fund	304,196	0.9
Rebecca Hope Wilson	293,478	0.9
HSBC Nominees (NZ) Ltd	285,053	0.8
Leanne Barnes Rogerson	281,410	0.8
SH Majors, RH & SJ Wilson	268,556	0.8
David Grindell	252,000	0.7
Investment Custodial Services Limited	243,593	0.7
CM Louisson & N Tarsa	241,804	0.7
Stuart Barnes Gibbons	233,071	0.7
RB & JG Tait & IJ Craig	217,456	0.6
National Nominees New Zealand Limited	199,565	0.6
PC Barton & JP Gibbons	189,154	0.5
AC Pegler	188,306	0.6
JH Smith, AF Peake & SB Gibbons	176,087	0.5
CG & AE Harrison & DW Farnsworth	168,527	0.5
Total of forty largest shareholdings	20,707,708	63.3
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.