



*The Colonial Motor Company Limited*

**96th Annual Report**

**2014**

# *The Colonial Motor Company Limited*

## BOARD OF DIRECTORS

J P (Jim) Gibbons, Chairman  
Graeme D Gibbons  
Peter J Aitken  
Falcon R S Clouston  
Denis M Wood  
Matthew J Newman  
Stuart B Gibbons, (appointed 4 July 2014)

## CHIEF EXECUTIVE COMPANY SECRETARY GROUP ACCOUNTANT

Graeme D Gibbons  
Nicholas K Bartle  
George A Smith

## AUDITOR

Grant Thornton New Zealand Audit Partnership  
(Partner Kerry Price)

## BANKERS

ANZ Bank New Zealand Limited  
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](http://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](mailto:cmc@colmotor.co.nz)  
Website [www.colmotor.co.nz](http://www.colmotor.co.nz)

## PROSPECTIVE DATES FOR 2015

Interim Half Year Report	Late February
Interim Dividend	13 April
Preliminary Full Year Report	Late August
Annual Report	Late September
Final Dividend	19 October
Annual Meeting	6 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

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NOTICE IS HEREBY GIVEN that the 96<sup>th</sup> Annual Meeting of Shareholders of The Colonial Motor Company Limited will be held at the Registered Office of the Company on Level 1 of the CMC Building, 89 Courtenay Place, Wellington, New Zealand on Friday, 7 November 2014 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 Falcon Robert Storer Clouston as a Director of the Company
  - (b) To re-elect Mr Denis Michael Wood as a Director of the Company
  - (c) To elect Mr Stuart Barnes Gibbons as a Director of the Company
  - (d) To record the on-going appointment of Grant Thornton as Auditor and to authorise the Directors to fix the Auditor's remuneration.
5. General business

By order of the Board



N K Bartle  
Company Secretary  
22 September 2014

### Explanatory notes to resolutions

Ordinary resolutions are passed by a simple majority of votes.

In accordance with the Company's constitution and the NZX listing rules, one third of the directors are required to retire each year. The directors retiring by rotation at the 2014 Annual Meeting are F R S Clouston and D M Wood.

S B Gibbons was appointed as a Director on the Board on 4 July 2014 and stands for election by shareholders.

It is the Board's practice to review Directors' fees every two years. An increase in fees was last authorised by shareholders at the annual meeting in 2012. As detailed in the Directors' Report on page 3, the Board is not seeking a change in the maximum annual fees payable at the 2014 annual meeting. The next review is scheduled for 2016.

Under section 200 of the Companies Act 1993, the Auditor is 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."*

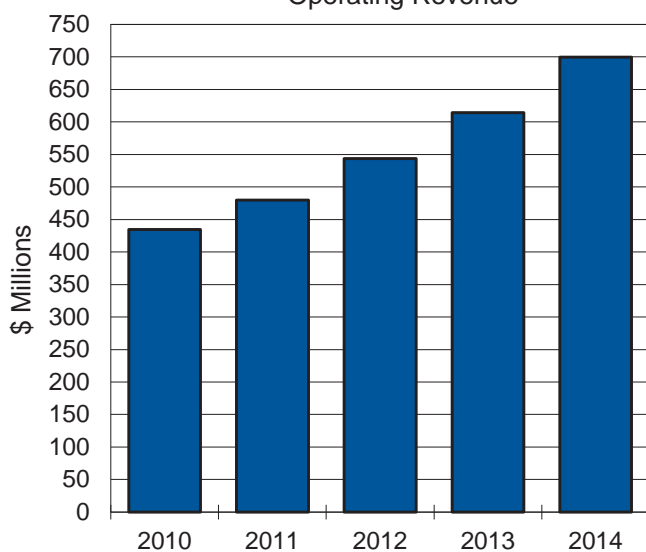
# The Colonial Motor Company Limited

## and Subsidiary Companies

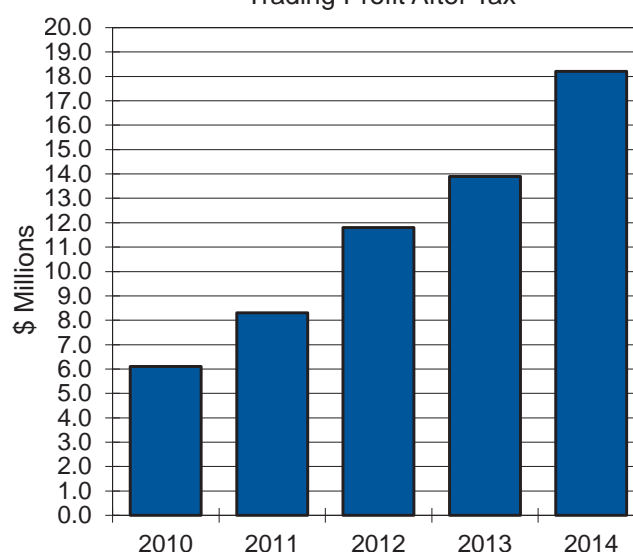
### Facts and Trends at a Glance

	2014	2013	2012	2011	2010
Operating Revenue (\$000)	699,314	614,407	543,359	479,629	434,395
Trading Profit after Tax (excluding Non Trading Items) (\$000)	18,221	13,867	11,835	8,330	6,130
Profit/(Loss) after Tax Attributable to Shareholders (\$000)	19,153	13,902	15,123	8,184	(1,241)
Return on Average Shareholders' Funds - Trading Profit	13.4%	10.9%	9.9%	7.2%	5.1%
- Net Profit	14.1%	10.9%	12.7%	7.1%	(1.0)%
Trading Profit Per Dollar of Revenue	2.6c	2.3c	2.2c	1.7c	1.4c
Earnings per Share - Trading Profit after Tax	55.7c	42.4c	36.2c	25.5c	20.4c
- Net Profit After Tax	58.6c	42.5c	46.3c	25.0c	(4.1)c
Dividend per Share	35.0c	30.0c	25.0c	19.0c	15.0c
Total Dividends for the year (\$000)	11,443	9,808	8,174	6,212	4,904
Shares on issue at Reporting Date	32.695m	32.695m	32.695m	32.695m	32.695m
Current Ratio	1.6	1.6	1.5	1.4	1.4
Shareholders' Equity as a Percent of Total Assets	57.0%	59.3%	56.2%	54.9%	56.0%
Net Tangible Asset Backing per Share (after final dividend is paid)	\$4.05	\$3.79	\$3.54	\$3.37	\$3.39

Operating Revenue

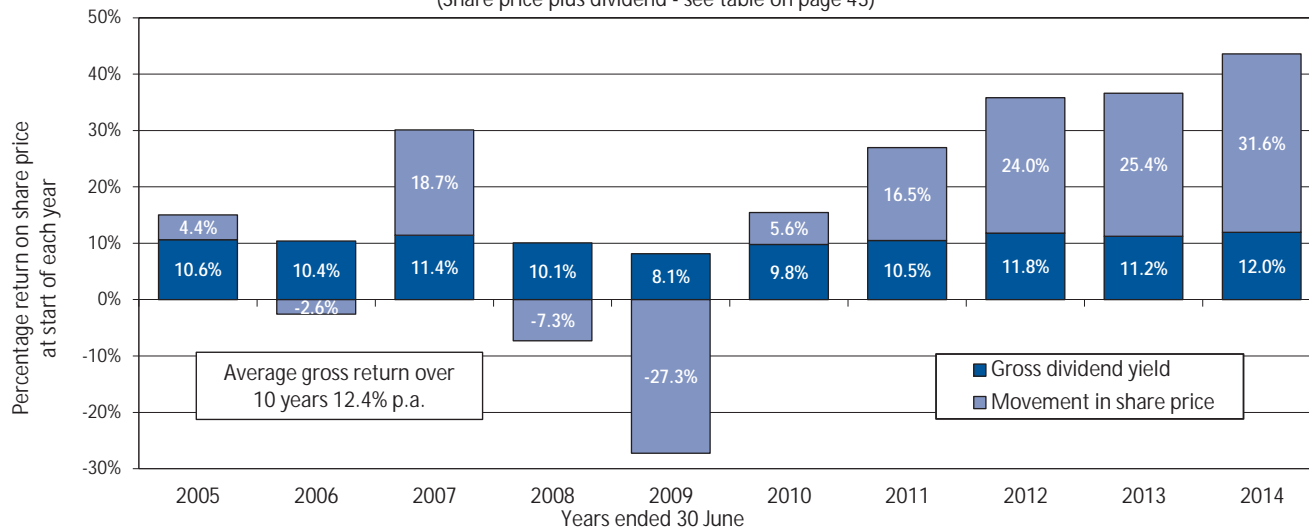


Trading Profit After Tax



Shareholder Returns

(Share price plus dividend - see table on page 43)



# The Colonial Motor Company Limited

## and Subsidiary Companies

### Directors' Report

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Your Directors have pleasure in presenting the 96<sup>th</sup> 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 2014.

#### Revenue and Profit

Total revenue for the year was \$699.3m up 14% on last year's \$614.4m. The underlying trading profit after tax for the year was \$18.2m up 31% on last year's \$13.9m. Total profit for the year was \$20.2m, up 37% on last year's \$14.8m.

#### Balance sheet

Total assets continued to increase and stood at \$246.6m at year end (\$222.6m - 2013). Inventory of \$92.5m (\$80.2m - 2013) again represented a large proportion of current assets and reflected the throughput of products and in particular the number of heavy trucks awaiting delivery to customers. Liabilities have not risen by the same extent as assets reflecting the positive cash flows from trading activities.

The annual independent revaluation of the Group's property brought about an increase in the revaluation reserve of \$1.2m (\$2.5m - 2013) and a credit to income of \$0.8m (debit of \$0.9m - 2013) to reverse previous write-downs of value. At year end, Shareholders' Equity was \$140.5m (\$131.9m - 2013).

#### Dividends

Dividends paid in respect of this year will total 35.0 cents per share (30.0 cents per share - 2013). An interim dividend of 13.0 cents per share was paid on 14 April 2014 and a final dividend of 22.0 cents per share will be paid on 20 October 2014, both dividends being fully imputed. The value of the distributions for this year will be \$11.4m (\$9.8m - 2013) representing 63% (70% - 2013) of the trading profit after tax.

Total shareholder returns over the past five years are shown in the graph on page 2 and the table on page 43. The dividend yield has risen from 9.8% in 2010 to 12.0% in 2014. The increased dividend per share is also reflected in the increased share price.

#### Directors

The Independent Directors at 30 June 2014 and the date of this report were P J Aitken and F R S Clouston.

The Company's Constitution and the NZX Listing Rules require one third of the directors to retire each year. The directors retiring this year will be F R S Clouston and D M Wood.

The Board appointed Stuart B Gibbons as a director on 4 July 2014. In accordance with the Company's Constitution and the NZX Listing Rules, Stuart B Gibbons will stand for election by shareholders at the annual meeting on 7 November 2014. Stuart is the Chief Executive Officer / Dealer Principal of Stevens Motors Ltd, Lower Hutt, a position he has held since 2002. Stuart first joined the Company in 1982 as an apprentice technician at Morrinsville. Stuart is a substantial security holder in the Company.

#### Directors Fees

It is the Board's practice to review the fees paid to Directors in total and to individuals every two years. The last review was undertaken in 2012 when shareholders approved a maximum for total Directors' fees of \$255,000 per annum.

Total fees paid in the year to 30 June 2014 were \$229,000 compared to \$252,000 in 2013. This was due to a change in the makeup of Directors with I D Lambie, a non-executive director retiring and M J Newman, an executive director, being elected in his place. Executive directors do not receive directors fees.

The current approved maximum annual Directors Fees of \$255,000 will remain unchanged. However, based on market research provided by two independent sources, the Board will increase the individual annual directors fees paid as follows:

- |  |          |                 |
|--|----------|-----------------|
| • Non executive directors                      | \$47,000 | (from \$44,000) |
| • Chairman of the Audit & Compliance Committee | \$ 4,700 | (from \$ 4,400) |
| • Chairman of the Board                        | \$77,000 | (from \$72,000) |

This change will result in total Directors fees for this year of \$222,700 based on the current mix of Directors.

#### 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  
22 September 2014



J P Gibbons



P J Aitken

# The Colonial Motor Company Limited

## and Subsidiary Companies

### Chief Executive's Report

This financial year has seen a strong performance across our dealership group in cars, heavy trucks and tractors.

#### Market

We have had a favourable market, growing on the back of a strong New Zealand economy. Some of the products we represent, notably Ford Ranger and Mazda CX5 have dominated their sectors.

This year our dealership management and their teams have delivered on the opportunity that this stronger economy and the product have presented. All of us would say that business doesn't get any easier and that providing the expected levels of customer service on a daily basis continues to challenge each and every member of our dealerships staff.

The benefit to our dealerships of the higher new vehicle industry have been the efficiencies that come from better utilisation of our dealership fixed overhead structure including facilities. However while our new vehicle business has grown, used car retailing for us has stood still and service operations have reflected the growth in new vehicle preparation rather than in purely retail work.

With industry growth comes the desire of franchises to grow their volume and improve their share of the bigger market and particularly in growth areas like Auckland with increased facility and dealership footprint. From an operational point of view dealerships need to manage their fixed overheads in an economy and retail environment that is cyclical.

As the period since our balance date the importance to New Zealand 'Inc' of our primary product exports and the benefits and costs of the NZD exchange rate versus our trading partners has become more apparent. For three years our exchange rate has moved relentlessly upwards, reducing the price of imported goods into the country – cars, trucks and tractors have never been better priced in relative terms and this has been a significant factor in our record market levels.

Balancing and perhaps offsetting the capability of the "new vehicle" industry to fully reflect the NZ economic growth has been the meteoric rise in used imports over the past 18 months driven primarily by the devaluation of the Japanese yen against all currencies and particularly the New Zealand dollar.

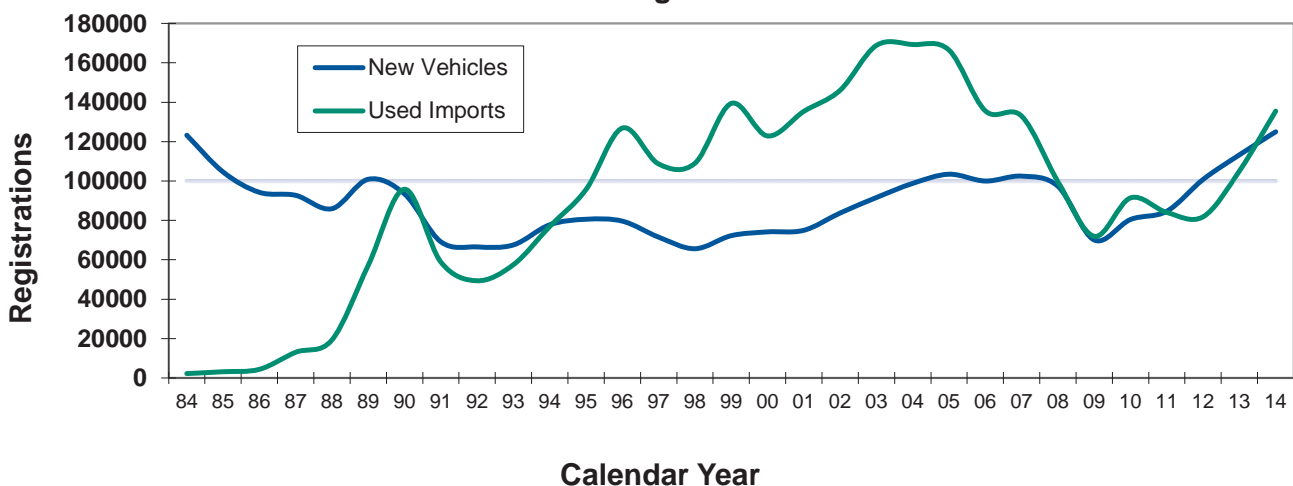
#### South Auckland

In South Auckland we have been working on a number of projects. Earlier this year we identified and acquired land near the airport to build a service operation for South Auckland Motors Ford and Mazda. This facility is now in the design and consent phase with construction expected to start later in the year and be completed by mid next year.

We are currently in the midst of significant works at our Manukau facility to integrate and expand our Mazda showroom, service reception and service business onto a connected footprint, together with rebuilding our vehicle washbay.

On 1 September we started a new dealership, Southern Autos – Manukau Ltd on the Bakerfield Place property we own adjacent to South Auckland Motors. This dealership will represent Peugeot, Citroen and Isuzu light commercials. Over the next six months we will upgrade the service driveway entrance and canopy and then build a new showroom on the front of the existing building replacing the previous 'A frame' structure.

### Vehicle Registrations



# *The Colonial Motor Company Limited*

## and Subsidiary Companies

In making all these changes possible we have changed our management structure for the businesses with Matthew Newman now being Chief Executive of both South Auckland Motors, with a new Dealer Principal, Michael Tappenden, and also Southern Autos – Manukau with Andrew Craw as Dealer Principal. Michael has been Ford New Vehicle Sales Manager for the dealership since 2005 and Andrew has most recently been the Used Car Manager.

### **Other Car Dealerships**

At Fagan Motors, Steve Lyttle has retired after 15 years as Chief Executive / Dealer Principal and 27 years with the dealership. Keith Allen, Vehicle Sales Manager at Fagans and whose first job in the industry was as a parts junior at the dealership in 1982, has been appointed in his place.

The acquisition of the business of Jeff Gray BMW and MINI in August saw the appointment of Hamish Jacob as Chief Executive. Hamish first joined the Group at Team Hutchinson Ford in 1995 and has been CEO / Dealer Principal of Capital City Motors – Ford and Mazda since 2004. The new business has dealership operations in Wellington, Christchurch, Palmerston North and Hastings – all in leased facilities. Matthew Carman who has been the Capital City Motors Sales Manager for Mazda since 2004 has been appointed the CEO / Dealer Principal.

In all, these collectively are significant changes for the Group and our challenge over the next period will be to ensure we represent the brands well and develop these businesses into successful dealerships.

### **Tractors**

On 1 July we merged our two tractor dealerships – Southland Tractors and Advance Agricentre into Agricentre South Ltd and on 1 August moved business to the new leased facility at Lorneville (just north of Invercargill). We have also acquired a property in Gore to expand our New Holland and Norwood Agricultural Equipment product representation and have leased a small facility in Cromwell to represent Case IH tractors.

### **Trucks**

This year marks 50 years of Kenworth sales in New Zealand. Southpac have been part of this history for 20 years now and have marked the occasion with an ongoing theme of “**heritage for a new generation**” which culminated in the ‘Kenworth gathering’ in Tauranga this month. Proudly displayed by their owners were over 300 Kenworth trucks covering the years, the vast majority being working trucks today – regardless of age.

Southpac’s mission statement remains as relevant today as it was in 1994. Our mission is to offer customers the most cost effective transport solutions by optimising truck specification to each application and backing this with a nationwide parts and service network supported by trained, enthusiastic and dedicated personnel. With this vision, our customers success will be our success.

We are close to completing an expansion at Southpac’s Manukau facility to increase our parts warehouse and new truck preparation facility and have plans for a new parts showroom supermarket and sales office in the consent process.

### **Legislation**

2015 will see a new level of Health and Safety legislation. While our current Workplace Safety Management Plan will place us in good stead, we will need to continue to improve our workplace practices in all operations to as far as is practicable place “safety first”, and so further reduce the risk of personal injury.

New Consumer Legislation this year has further enhanced consumer protections, some of which will make some areas in the retail motor industry increasingly difficult – most notably the disposal of older, low value trade-in used vehicles where the realities of age, mileage and condition of a vehicle and the expectations generated for purchasers by the Consumer Guarantee Act are often hard to reconcile. A further, perhaps unintended, consequence of addressing the “door to door sales” provisions relates to additional service work undertaken for a vehicle in the servicing process.

### **Outlook**

In August, at the time of our preliminary full year profit announcement we commented that there were increasing signs that the favourable conditions were easing. Now a month later there have probably been more movements in export markets, commodity prices and a reduction in the NZD exchange rate than in the previous 12 months, adding to the uncertainty for business revolving around the outcome of the general election.

With the new dealerships we have recently opened and acquired our challenge is now to reflect our strengths of people, financial and trading disciplines into these businesses as we do for all the franchises we represent, to provide success in sales, customer service and for shareholders. We are confident that in achieving this we will see further opportunities come our way in the future.

**G D Gibbons**  
Chief Executive



# The Colonial Motor Company Limited

## and Subsidiary Companies

### Income Statement for the year ended 30 June 2014

	NOTE	GROUP		PARENT	
		2014 \$000	2013 \$000	2014 \$000	2013 \$000
<b>Revenue</b>					
Sale of	-				
- Products		641,345	560,301	-	-
- Services		56,844	52,195	1,040	1,065
Other Income	-				
- Interest		31	71	2,557	2,580
- Other		1,094	1,840	6,142	5,915
- Intercompany Dividends		-	-	10,085	10,730
<b>Total Revenue</b>		<b>699,314</b>	<b>614,407</b>	<b>19,824</b>	<b>20,290</b>
<b>Less Expenses</b>					
Cost of Products Sold		586,320	512,512	-	-
Remuneration of Staff		54,342	50,002	1,899	1,614
Depreciation & Amortisation		3,342	3,684	1,227	1,272
Property Occupation Costs		4,520	4,861	714	1,040
Marketing, Promotion & Training Costs		5,020	5,378	52	58
Other Operating Costs		15,124	13,797	1,166	1,111
Interest Cost		3,457	3,267	1,331	1,730
<b>Trading Profit before Tax</b>		<b>27,189</b>	<b>20,906</b>	<b>13,435</b>	<b>13,465</b>
Less Income Tax Expense:					
Current	13	7,936	6,337	1,197	1,064
Deferred	13	(21)	(196)	(45)	(34)
		<b>19,274</b>	<b>14,765</b>	<b>12,283</b>	<b>12,435</b>
Less: Non Controlling Interest		1,053	898	-	-
<b>Trading Profit after Tax</b>		<b>18,221</b>	<b>13,867</b>	<b>12,283</b>	<b>12,435</b>
Fair Value Revaluation of Property	9	761	(941)	761	(941)
Deferred Tax on Property Depreciation	13	171	519	171	519
Impairment of Investment in Subsidiaries	5	-	-	-	(4,601)
Deferred Tax on impairment of investments	13	-	-	-	107
Realised gain on sale of property		-	457	-	457
<b>Profit for the year attributable to:</b>					
Shareholders		19,153	13,902	13,215	7,976
Non Controlling Interest		1,053	898	-	-
<b>PROFIT FOR THE YEAR</b>		<b>20,206</b>	<b>14,800</b>	<b>13,215</b>	<b>7,976</b>
<b>Basic &amp; Diluted Earnings per Share</b> (based on weighted average shares outstanding during the year)					
- Profit for the Year	14	58.6 cents	42.5 cents		
- Trading Profit after Tax	14	55.7 cents	42.4 cents		
Dividend per Share		35.0 cents	30.0 cents		
Dividends declared for the year (\$000)		11,443	9,808		
Net Tangible Assets per Share (pre Dividend)		\$4.27	\$4.00		

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



# The Colonial Motor Company Limited

## and Subsidiary Companies

### Statement of Comprehensive Income for the year ended 30 June 2014

	NOTE	GROUP		PARENT	
		2014 \$000	2013 \$000	2014 \$000	2013 \$000
<b>Profit after Tax for the Year</b>		20,206	14,800	13,215	7,976
<b>Other Comprehensive Income:</b>					
Items that will not be reclassified subsequently to Profit or Loss:					
Property Revaluation Reserve					
Fair value movement	24	1,167	2,522	1,167	2,522
Deferred Tax	24	(9)	572	(9)	572
Items that may be reclassified subsequently to Profit or Loss:					
Foreign Exchange Reserve					
Movement in cashflow hedge	24	(956)	1,612	-	-
Deferred Tax movement	24	268	(451)	-	-
<b>Total Comprehensive Income for the year</b>		<b>20,676</b>	<b>19,055</b>	<b>14,373</b>	<b>11,070</b>
<b>Attributable to:</b>					
<b>Shareholders</b>		<b>19,726</b>	<b>17,982</b>	<b>14,373</b>	<b>11,070</b>
Non Controlling Interest		950	1,073	-	-
		<b>20,676</b>	<b>19,055</b>	<b>14,373</b>	<b>11,070</b>

### Statement of Changes in Equity for the year ended 30 June 2014

Total Equity at beginning of year		133,675	123,694	90,156	87,260
Total Comprehensive Income		20,676	19,055	14,373	11,070
Dividends paid to Shareholders	11	(11,116)	(8,174)	(11,116)	(8,174)
Dividend paid to Non Controlling Interest		(615)	(900)	-	-
Total Equity at end of year		<b>142,620</b>	<b>133,675</b>	<b>93,413</b>	<b>90,156</b>

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

# The Colonial Motor Company Limited

## and Subsidiary Companies

### Balance Sheet as at 30 June 2014

	NOTE	GROUP		PARENT	
		2014 \$000	2013 \$000	2014 \$000	2013 \$000
<b>Current Liabilities</b>					
Trade & Other Payables	3	42,065	30,331	1,172	1,227
Provisions	6	187	416	-	62
At Call Deposits	17	15,362	14,375	15,362	14,375
Advances from Subsidiaries	21	-	-	1,404	3,881
Bank Borrowings	18(c)	22,400	19,700	22,400	19,700
Tax Payable	13	3,034	2,683	403	402
Financial Derivatives - Foreign Exchange	16	507	-	-	-
Financial Liabilities - Credit Contracts	18(a)	6,743	7,569	-	-
<b>Total Current Liabilities</b>		<b>90,298</b>	<b>75,074</b>	<b>40,741</b>	<b>39,647</b>
<b>Non Current Liabilities</b>					
Financial Liabilities - Credit Contracts	18(a)	10,261	9,961	-	-
Advances from Subsidiaries	21	-	-	3,487	2,277
Deferred Tax	13	3,428	3,878	5,013	5,220
<b>Total Non Current Liabilities</b>		<b>13,689</b>	<b>13,839</b>	<b>8,500</b>	<b>7,497</b>
<b>Shareholders' Equity</b>					
Share Capital	10	15,968	15,968	15,968	15,968
Property Revaluation Reserve	24	36,149	34,991	36,149	34,991
Foreign Exchange Cashflow Hedge Reserve	24	(281)	304	-	-
Retained Earnings	24	88,674	80,637	41,296	39,197
<b>Total Shareholders' Equity</b>		<b>140,510</b>	<b>131,900</b>	<b>93,413</b>	<b>90,156</b>
<b>Non Controlling Interest</b>	24	<b>2,110</b>	<b>1,775</b>	<b>-</b>	<b>-</b>
<b>Total Equity</b>	24	<b>142,620</b>	<b>133,675</b>	<b>93,413</b>	<b>90,156</b>
<b>Total Equity and Liabilities</b>		<b>246,607</b>	<b>222,588</b>	<b>142,654</b>	<b>137,300</b>

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

# The Colonial Motor Company Limited

## and Subsidiary Companies

	NOTE	GROUP		PARENT	
		2014 \$000	2013 \$000	2014 \$000	2013 \$000
<b>Current Assets</b>					
Cash & Bank Accounts	2	7,129	3,941	3,863	151
Trade & Other Receivables	7	35,029	28,047	38,515	39,728
Inventory	4	92,474	80,218	-	-
Advances to Subsidiary Companies	5	-	-	1,150	1,100
Financial Derivatives – Foreign Exchange	16	-	597	-	-
Financial Assets - Credit Contracts	18(a)	6,575	7,406	-	-
<b>Total Current Assets</b>		<b>141,207</b>	<b>120,209</b>	<b>43,528</b>	<b>40,979</b>
<b>Non Current Assets</b>					
Financial Assets - Credit Contracts	18(a)	10,261	9,961	-	-
Goodwill	8	1,028	1,028	-	-
Shares in Companies	5	815	815	-	-
Advances & Investments in Subsidiary Companies	5	-	-	14,997	15,276
Property, Plant & Equipment	9	93,296	90,575	84,129	81,045
<b>Total Non Current Assets</b>		<b>105,400</b>	<b>102,379</b>	<b>99,126</b>	<b>96,321</b>
<b>Total Assets</b>		<b>246,607</b>	<b>222,588</b>	<b>142,654</b>	<b>137,300</b>

For the Directors  
22 September 2014



J P Gibbons



P J Aitken

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

# The Colonial Motor Company Limited

## and Subsidiary Companies

### Statement of Cash Flows for the year ended 30 June 2014

	NOTE	GROUP		PARENT	
		2014 \$000	2013 \$000	2014 \$000	2013 \$000
<b>Cash Flows from Operating Activities</b>					
Receipts from Customers		692,350	611,600	6,590	6,931
Interest Received		31	71	2,557	2,580
Dividends Received		-	-	10,085	10,730
Payments to Suppliers & Employees		(666,627)	(604,701)	(3,949)	(4,086)
Interest Paid		(3,457)	(3,267)	(1,331)	(1,730)
Income Taxes Paid		(8,288)	(6,029)	(1,196)	(1,006)
<b>Net Cash Flow from Operating Activities</b>	22	<b>14,009</b>	<b>(2,326)</b>	<b>12,756</b>	<b>13,419</b>
<b>Cash Flows from Investing Activities</b>					
Proceeds from Sale of Property, Plant & Equipment		2,333	9,447	90	6,900
Purchase of Property, Plant & Equipment		(6,468)	(9,046)	(2,474)	(3,542)
Purchase of Investment in Subsidiaries		-	-	-	(250)
Increase in Advances to Subsidiaries		-	-	-	(15,501)
Decrease in Advances to Subsidiaries		-	-	2,036	-
<b>Net Cash Flow from Investing Activities</b>		<b>(4,135)</b>	<b>401</b>	<b>(348)</b>	<b>(12,393)</b>
<b>Cash Flows from Financing Activities</b>					
Increase in Borrowings		2,700	4,500	2,700	4,500
Increase in Deposits		1,730	80	986	169
Increase in Advances from Subsidiaries		-	-	-	2,248
Decrease in Advances from Subsidiaries		-	-	(1,266)	-
Dividends Paid to Shareholders		(11,116)	(8,174)	(11,116)	(8,174)
<b>Net Cash Flow from Financing Activities</b>		<b>(6,686)</b>	<b>(3,594)</b>	<b>(8,696)</b>	<b>(1,257)</b>
Net Increase/(Decrease) in Cash Held		3,188	(5,519)	3,712	(231)
Opening Cash Brought Forward		3,941	9,460	151	382
<b>Closing Cash Balance as per Balance Sheet</b>	2	<b>7,129</b>	<b>3,941</b>	<b>3,863</b>	<b>151</b>

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

# *The Colonial Motor Company Limited*

## and Subsidiary Companies

### Statement of Accounting Policies for the year ended 30 June 2014

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#### REPORTING ENTITY

The Financial Statements presented are for The Colonial Motor Company Limited ("The Parent") and its subsidiaries ("The Group"). The Parent and Group are Issuers under the Financial Reporting Act 1993. They are both Tier 1 For Profit Reporting Entities as set forth in the External Reporting Board's "Accounting Framework". 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 Financial Reporting Standards (NZ IFRS), the Financial Reporting Act 1993 and the Companies Act 1993. They also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The financial statements were authorised for issue by the Directors on 22 September 2014.

- **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 does not exceed net realisable value at reporting 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 requires it to have exposure or rights to variable returns and the ability to affect those returns through power over an investee. 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.

# The Colonial Motor Company Limited

## and Subsidiary Companies

### Statement of Accounting Policies for the year ended 30 June 2014

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- **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.
- **Trading Profit:** Trading profit is defined as Group profit excluding fair value adjustments of non trading assets, plus associated tax and material non-recurring items.
- **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 reporting 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 Cashflow Hedge 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 NZ IAS 23 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. With some minor exceptions there is no contractual obligation to pay UDC until the vehicles are sold.

# The Colonial Motor Company Limited

## and Subsidiary Companies

### Statement of Accounting Policies for the year ended 30 June 2014

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- **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 have been valued at the lower of cost or net realisable 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.

- **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 Cashflow Hedge 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.



# *The Colonial Motor Company Limited*

## and Subsidiary Companies

### Statement of Accounting Policies for the year ended 30 June 2014

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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 over their estimated useful lives. The general rate bands are shown below:-

Service Vehicles	18 - 36%	of Diminishing Value
Furniture, Fittings and Equipment	7.5 - 60%	of Diminishing Value

Carrying values and depreciation rates are reviewed at each reporting 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 liability 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.

# The Colonial Motor Company Limited

## and Subsidiary Companies

### Notes to the Financial Statements for the year ended 30 June 2014

	GROUP		PARENT	
	2014 \$000	2013 \$000	2014 \$000	2013 \$000
<b>1 Expenditure</b>				
Expenditure in the Income Statement includes:				
Auditor's Remuneration - Audit Fees	362	355	87	86
- Prospectus Audit	5	5	5	5
- Other Services	-	-	-	-
Total Auditor's Remuneration	367	360	92	91
Operating Lease Expense	1,875	1,926	185	185
Directors' Fees	229	252	229	252
Bad Debts written off	96	85	-	-
Donations	18	6	-	-
Superannuation Contributions				
- CMC Staff Superannuation Fund	761	698	73	63
- KiwiSaver	678	432	-	-
Movement in Impairment Allowance for:				
- Parts Inventory Obsolescence	28	(151)	-	-
- Doubtful Debts	20	(117)	-	-
- Credit Contracts	4	(26)	-	-

### 2 Cash and Bank Account Balances

Bank Accounts in Funds	8,543	4,316	3,863	151
Bank Accounts in Overdraft	(1,414)	(375)	-	-
Net Cash and Bank Balance	7,129	3,941	3,863	151

This balance includes all cash and cash equivalents.

### 3 Trade & Other Payables

Employee Benefits	5,866	5,338	847	618
Trade Payables	32,978	22,491	245	525
Other Payables	3,221	2,502	60	49
Intercompany Payables	-	-	20	35
	42,065	30,331	1,172	1,227

# The Colonial Motor Company Limited

## and Subsidiary Companies

	GROUP		PARENT	
	2014 \$000	2013 \$000	2014 \$000	2013 \$000
<b>4 Inventory</b>				
Vehicles & Implements	78,909	67,338	-	-
Parts, Accessories, Workshop, Fuels & Gases	15,825	15,112	-	-
Impairment Allowance for Parts Obsolescence	(2,260)	(2,232)	-	-
	92,474	80,218	-	-

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 2014 was \$38.6m (2013: \$38.1m).

The UDC facility for subsidiaries is guaranteed by the Parent to the agreed Group limit at reporting date of \$41.4m (2013: \$46.3m).

Parts Inventory is reviewed regularly for slow moving or obsolete stock. At each 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 2014 was \$0.111m (2013: \$0.621m).

## 5 Investments

Current				
Advances to Subsidiaries	-	-	1,150	1,100
Current advances are repayable on demand and attract interest at current bank overdraft rates (refer Note 19(c) )				
Non Current				
Shares in Subsidiaries	-	-	9,027	9,027
Advances to Subsidiaries	-	-	5,970	6,249
Investment in Subsidiary Companies	-	-	14,997	15,276
Non current advances are not expected to be repaid in the next year and do not attract interest.				
<b>Impairment of investment in subsidiaries</b>				
Shares in subsidiaries	-	-	-	(4,217)
Advances to subsidiaries	-	-	-	(384)
Total impairment of investment in subsidiaries	-	-	-	(4,601)
Shares in Motor Trade Finances Ltd	815	815	-	-

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

# The Colonial Motor Company Limited

## and Subsidiary Companies

	GROUP		PARENT	
	2014 \$000	2013 \$000	2014 \$000	2013 \$000
<b>6 Provisions</b>				
Employee Benefits				
Provision at 1 July 2013	416	505	62	58
Increase / (Decrease) during the year	(229)	(89)	(62)	4
Provision at 30 June 2014	187	416	-	62

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.

<b>7 Trade and Other Receivables</b>				
Trade Receivables	30,143	24,491	-	-
Impairment Allowance for Doubtful Debts	(80)	(60)	-	-
	30,063	24,431	-	-
Other Receivables	4,662	3,361	731	35
Prepayments	304	255	83	80
Intercompany Receivables	-	-	37,701	39,613
	35,029	28,047	38,515	39,728

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 \$0.057m (2013 \$0.040m). 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 Receivables that are past due at 30 June 2014 is as follows:

### Parts & Service Receivables

- Total Outstanding	10,854	9,243	-	-
- Overdue (not impaired) 30 – 90	2,116	1,234	-	-
- Overdue (not impaired) 90 Day +	341	189	-	-
- % Current (not yet due)	77.36%	84.60%	-	-
- % overdue 90 days	3.14%	2.05%	-	-
- Impaired (written off during the year)	57	40	-	-

### Vehicle Receivables

- Total Outstanding	19,290	15,248	-	-
- Overdue (not impaired)	4,019	2,708	-	-
- Impaired	-	-	-	-
- Impaired (written off during the year)	-	-	-	-

### Impairment Allowance

- Balance 30 June 2013	60	177	-	-
- Bad Debts written off	(57)	(40)	-	-
- Impairment Allowance movement	77	(77)	-	-
- Balance 30 June 2014	80	60	-	-

# The Colonial Motor Company Limited

## and Subsidiary Companies

	GROUP		PARENT	
	2014 \$000	2013 \$000	2014 \$000	2013 \$000
<b>8 Intangible Assets</b>				
<b>Goodwill:</b>				
Balance at 30 June 2013				
Deemed Cost	1,028	1,028	-	-
Acquired during the year	-	-	-	-
Impairment Loss during the year	-	-	-	-
Balance at 30 June 2014				
Cost	3,642	3,642	-	-
Accumulated Amortisation & Impairment	(2,614)	(2,614)	-	-
Net Book Value	1,028	1,028	-	-

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.

The carrying value was reviewed at 30 June 2014 and considered to be fair value.

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 10.15% (2013: 10.97%).

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.

### Other Intangibles:

Balance at 30 June 2013				
Cost	724	724	-	-
Accumulated Amortisation	(724)	(549)	-	-
Net Book Value	-	175	-	-
Acquired during the year	-	-	-	-
Amortisation during the year	-	(175)	-	-
Balance at 30 June 2014				
Cost	724	724	-	-
Accumulated Amortisation	(724)	(724)	-	-
Net Book Value	-	-	-	-

# The Colonial Motor Company Limited

## and Subsidiary Companies

	GROUP		PARENT	
	2014 \$000	2013 \$000	2014 \$000	2013 \$000
<b>9 Property Plant &amp; Equipment</b>				
<b>Land and Buildings</b>				
Cost at 30 June 2013	62,544	63,567	60,319	61,540
Accumulated Depreciation	(11,202)	(10,341)	(9,992)	(9,235)
	51,342	53,226	50,327	52,305
Revaluation	30,258	27,266	30,258	27,266
Net Book Value	81,600	80,492	80,585	79,571
Additions	2,366	3,548	2,190	3,308
Disposals	-	(4,300)	-	(4,286)
Depreciation	(1,140)	(1,132)	(1,008)	(1,000)
Movement in Revaluation	1,928	2,992	1,928	2,992
<b>Closing Net Book Value at 30 June 2014</b>	<b>84,754</b>	<b>81,600</b>	<b>83,695</b>	<b>80,585</b>
Comprised of:				
Cost at 30 June 2014	64,905	62,544	62,509	60,319
Accumulated Depreciation	(12,337)	(11,202)	(11,000)	(9,992)
Revaluation	32,186	30,258	32,186	30,258
<b>Net Book Value at 30 June 2014</b>	<b>84,754</b>	<b>81,600</b>	<b>83,695</b>	<b>80,585</b>
Net book value includes capital work in progress of	527	81	527	81
<p>As has been the Parent Company's practice for many years, all property was independently valued at reporting date by QV Asset &amp; Advisory to comply with Property Institute New Zealand Professional Practice Standards and International Valuation Standards. The principal valuer was Andrew Parkyn B Com (VPM) PG Dip Com SPINZ ANZIV Registered Valuer.</p> <p>The introduction of changes to NZ IFRS 13 requires the use of different terminology and the following additional disclosure.</p> <p>All property has been classified as level 2 in the fair value hierarchy specified in the accounting standard. Level 2 is the appropriate classification because, although there is an active and open market for commercial properties, each property is unique in its location, size, age, condition and many other factors.</p> <p>All property was valued at its highest and best use by applying a Direct Sales Comparison approach. The Direct Sales Comparison approach derives fair values by comparing the property to similar assets that have recently sold on the open market.</p> <p>The revaluation of property in the Group to the latest valuation resulted in a gain / (loss) through the Income Statement of \$0.761m (2013: (\$0.941m)).</p> <p>Parent owned Land and Buildings are categorised as Property, Plant &amp; Equipment because they are owned specifically for use in the revenue generating operations of its subsidiaries.</p>				
<b>Furniture, Fittings &amp; Equipment</b>				
Cost at 30 June 2013	19,194	18,202	1,598	1,746
Accumulated Depreciation	(13,699)	(13,286)	(1,309)	(1,446)
Net Book Value	5,495	4,916	289	300
Additions	1,965	1,873	197	202
Disposals	(82)	(53)	(48)	(10)
Depreciation	(1,403)	(1,241)	(164)	(203)
<b>Closing Net Book Value at 30 June 2014</b>	<b>5,975</b>	<b>5,495</b>	<b>274</b>	<b>289</b>
Comprised of:				
Cost at 30 June 2014	20,255	19,194	1,475	1,598
Accumulated Depreciation	(14,280)	(13,699)	(1,201)	(1,309)
<b>Net Book Value at 30 June 2014</b>	<b>5,975</b>	<b>5,495</b>	<b>274</b>	<b>289</b>

# The Colonial Motor Company Limited

## and Subsidiary Companies

	GROUP		PARENT	
	2014 \$000	2013 \$000	2014 \$000	2013 \$000
<b>9 Property Plant &amp; Equipment (continued)</b>				
<b>Service Vehicles</b>				
Cost at 30 June 2013	5,831	5,639	334	334
Accumulated Depreciation	(2,351)	(2,142)	(163)	(110)
Net Book Value	3,480	3,497	171	224
Additions	2,137	3,625	87	31
Disposals	(2,251)	(2,506)	(43)	(16)
Depreciation	(799)	(1,136)	(55)	(68)
<b>Closing Net Book Value at 30 June 2014</b>	<b>2,567</b>	<b>3,480</b>	<b>160</b>	<b>171</b>
Comprised of:				
Cost at 30 June 2014	4,754	5,831	336	334
Accumulated Depreciation	(2,187)	(2,351)	(176)	(163)
<b>Net Book Value at 30 June 2014</b>	<b>2,567</b>	<b>3,480</b>	<b>160</b>	<b>171</b>
<b>TOTAL</b>				
Cost at 30 June 2014	89,914	87,569	64,320	62,251
Accumulated Depreciation	(28,804)	(27,252)	(12,377)	(11,464)
	61,110	60,317	51,943	50,787
Revaluation	32,186	30,258	32,186	30,258
<b>Net Book Value at 30 June 2014</b>	<b>93,296</b>	<b>90,575</b>	<b>84,129</b>	<b>81,045</b>

<b>10 Share Capital</b>				
Ordinary Shares 32,694,632 (2013: 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.				

<b>11 Dividends</b>				
Dividends paid during the year ended 30 June 2014				
Final Y/E 30/06/13 – paid 21 Oct 2013 (21.0 cps)	6,866	5,231	6,866	5,231
Interim Y/E 30/06/14 – paid 14 April 2014 (13.0 cps)	4,250	2,943	4,250	2,943
Amount provided in the Financial Statements	11,116	8,174	11,116	8,174

These dividends include the supplementary dividends paid to overseas shareholders.  
A final dividend of 22 cents per share, fully imputed, is scheduled to be paid on 20 October 2014 representing a total payment of \$7.193m.

<b>12 Imputation Account</b>				
Imputation credits available for use in subsequent reporting periods	10,246	7,265	9,613	7,549



# The Colonial Motor Company Limited

## and Subsidiary Companies

	GROUP		PARENT	
	2014 \$000	2013 \$000	2014 \$000	2013 \$000
<b>13 Income Tax</b>				
<b>Components of Income Tax Expense</b>				
Current Tax expense	7,936	6,337	1,197	1,064
Deferred tax movement on temporary differences	(21)	(196)	(45)	(34)
Deferred tax on Property Depreciation	(171)	(519)	(171)	(519)
Deferred tax on Revaluation of Investments	-	-	-	(107)
	<b>7,744</b>	<b>5,622</b>	<b>981</b>	<b>404</b>
<b>Current Tax Expense</b>				
Profit Before Tax	27,950	20,422	14,196	8,380
Non Taxable Income	(1,190)	(706)	(10,847)	(11,187)
Non deductible expenditure	1,336	2,561	759	6,486
Change in unrecognised temporary differences	245	356	167	122
	<b>28,341</b>	<b>22,633</b>	<b>4,275</b>	<b>3,801</b>
Tax charge @ 28%	7,936	6,337	1,197	1,064
Tax paid	4,902	3,654	794	662
Tax payable / (Receivable)	3,034	2,683	403	402
<b>Deferred Tax</b>				
Opening Deferred tax asset / (liability)	(3,878)	(4,714)	(5,220)	(6,452)
Movement through Income Statement	191	715	216	660
Total Movement through Income Statement	191	715	216	660
Movement through Property Revaluation Reserve	(9)	572	(9)	572
Movement through Foreign Currency reserve	268	(451)	-	-
Total Movement through Statement of Comprehensive Income	259	121	(9)	572
Closing Deferred tax asset / (liability)	(3,428)	(3,878)	(5,013)	(5,220)
The Group has no deferred tax on unused tax losses to be utilised against future taxable profits. (2013: NIL)				
<b>Deferred Tax Assets and Liabilities are attributable to the following:</b>				
Trade and Other Payables	169	152	-	-
Trade and Other Receivables	22	17	107	107
Employee Benefits	1,003	975	238	193
Inventories	633	712	-	-
Financial Derivatives	142	(167)	-	-
Impairment Allowance for Finance Bad Debts	43	42	-	-
Property, Plant and Equipment	491	493	573	582
Building Depreciation Rule Change	(5,931)	(6,102)	(5,931)	(6,102)
	<b>(3,428)</b>	<b>(3,878)</b>	<b>(5,013)</b>	<b>(5,220)</b>

# The Colonial Motor Company Limited

## and Subsidiary Companies

	GROUP		PARENT	
	%	\$000	%	\$000
<b>13 Income Tax (continued)</b>				
<b>Reconciliation of Effective Tax Rate</b>				
<b>Year Ended 30 June 2014</b>				
Profit for the year		20,206		13,215
Total Income Tax Expense		7,744		981
Profit excluding Income Tax		27,950		14,196
Income tax using the domestic tax rate	28.0	7,826	28.0	3,975
Non deductible expenses	1.3	374	1.5	212
Tax exempt Income	(1.2)	(333)	(21.4)	(3,037)
Changes in Unrecognised Temporary Differences	0.3	68	0.3	47
Movement in Deferred Tax	(0.7)	(191)	(1.5)	(216)
Effective Tax Rate	27.7	7,744	6.9	981
<b>Year Ended 30 June 2013</b>				
Profit for the year		14,800		7,976
Total Income Tax Expense		5,622		404
Profit excluding Income Tax		20,422		8,380
Income tax using the domestic tax rate	28.0	5,718	28.0	2,346
Non deductible expenses	3.5	717	21.7	1,816
Tax exempt Income	(1.0)	(198)	(37.4)	(3,132)
Changes in Unrecognised Temporary Differences	0.5	100	0.4	34
Movement in Deferred Tax	(3.5)	(715)	(7.9)	(660)
Effective Tax Rate	27.5	5,622	4.8	404

## 14 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.

There were no dilutive potential ordinary shares outstanding at year end.

	2014	2013
Weighted average number of shares	32,694,632	32,694,632
Shares on issue at end of Year	32,694,632	32,694,632
Trading Profit after Tax (\$000)	18,221	13,867
Profit for the Year Attributable to Shareholders (\$000)	19,153	13,902
Basic and diluted earnings per share on:		
- Profit attributable to Shareholders	58.6 cents	42.5 cents
- Trading Profit after Tax	55.7 cents	42.4 cents

# The Colonial Motor Company Limited

## and Subsidiary Companies

	GROUP		PARENT	
	2014 \$000	2013 \$000	2014 \$000	2013 \$000
<b>15 Contingent Liabilities / Capital Commitments</b>				
(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 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				
(d) Parent Bond to NZX	-	-	75	75
(e) Parent guarantee to the ANZ Bank of New Zealand for fuel accounts	-	-	80	80
(f) Capital Commitments	3,915	-	3,915	-
(g) 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.				

<b>16 Financial Derivatives – Foreign Exchange</b>				
Foreign Exchange Asset / (Liability) at 30 June 2013	597	(1,090)	-	-
Movement during the year through				
- Equity Statement	(956)	1,612	-	-
- Income Statement	(148)	75	-	-
Foreign Exchange Asset / (Liability) at 30 June 2014	(507)	597	-	-
Refer note 18(d) for additional details				

# *The Colonial Motor Company Limited*

## and Subsidiary Companies

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### 17 Deposits

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The Parent offers for subscription unsecured call 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, a Supplemental Trust Deed dated 11 June 2010, a Deed of Amendment dated 24 September 2012 and a Supplemental Trust Deed dated 19 October 2012 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 New Zealand Companies Office. The latest Prospectus was registered on 4 November 2013.

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 2014 is \$20 million. Actual Deposits at 30 June 2014 were \$15.4m (2013: \$14.4m). Interest is payable on Deposits at the rate from time to time offered by the Parent as disclosed to the Depositors on the application form or as notified by the Parent to the Depositors in writing.

The interest rate applicable at 30 June 2014 was 4.0% (2013: 4.0%).

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### 18 Financial Instruments

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(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 & Financial Liabilities – Credit Contracts

Dealerships arrange finance for customers to buy vehicles by acting in an agency style capacity with a number of finance companies. Before the customers enter into the finance agreements, checks are made that the customers meet the creditworthiness and other criteria of the finance companies. Dealerships make the initial loans to the customer but instantaneously assign them to the finance company.

Arrangements with MTF differ from the other finance companies. MTF retains the right of recourse to the dealership if a particular customer defaults on their payments. Accounting for the MTF financing agreements results in creating a receivable from the customer (which is collected by MTF due to the assignment) and an equal and opposite liability for the amount that may become payable to MTF if the customer defaults. There is a risk if customers fail to make the necessary repayments that the receivable will not be recoverable and the liability will remain payable to MTF.

# The Colonial Motor Company Limited

## and Subsidiary Companies

### 18 Financial Instruments (continued)

At each reporting date the Group had outstanding vehicle financing agreements with MTF in potential liabilities and receivables of \$17.004m before impairment allowance (2013: \$17.530m) with the following repayment schedule:

	2014 \$'000	2013 \$'000
Repayments are due from financing agreements over the following periods		
Up to 1 year	6,743	7,569
1 to 2 years	5,189	5,138
2 to 3 years	3,348	3,225
3 to 4 years	1,458	1,383
4 to 5 years	266	215
Total	<u>17,004</u>	<u>17,530</u>
Impairment allowance	(168)	(163)
Carrying value of receivable at 30 June	<u>16,836</u>	<u>17,367</u>
Number of loans	1,138	1,324
Value of impaired accounts written off in the year	39	45
Actual arrears/amounts past due at 30 June	37	116
Arrears as % of total	0.22%	0.67%
Total value of accounts in arrears at 30 June	1,510	2,820
Accounts in arrears as % of total	8.88%	16.24%

In the normal course of business the receivable and liability for each finance deal reduce in parallel as customers make routine repayments. Factors that mitigate the risk of customer default include the credit checks that are carried out when the finance is arranged, timely credit control practices and the number of outstanding loans means there is no concentration of credit risk on a restricted number of debtors. The Group and MTF require security over the vehicles that are financed so that, if other measures fail, the vehicles can be sold to offset bad debts.

If customers default and the sale proceeds of the vehicle do not cover the outstanding balance, the deficit is recognised as an expense. The balances are routinely reviewed for impairment and an allowance is made for amounts that are unlikely to be recovered. The impairment allowance is calculated as a percentage of net 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.

# *The Colonial Motor Company Limited*

## and Subsidiary Companies

(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 each reporting date the specific rates were:

	GROUP AND PARENT	
	2014	2013
Interest Rate Risk		
• Bank Overdraft	10.55% - 11.65%	10.55% - 11.25%
• At-Call Deposits	4.00%	4.00%
• Bank Facility	4.15% - 5.20%	3.90% - 4.45%

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 2015 to March 2016 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 \$0.377m per annum. (2013: \$0.341m)

(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 each reporting date are adjusted to fair value (marked to market). The market rates used at reporting 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 each reporting date were denominated in the following currencies. The values are stated in New Zealand dollars.

	GROUP	
	2014 \$000	2013 \$000
Currency		
Australian dollars	24,058	7,365
Euros	22,062	9,288
United States dollars	1,794	2,071
TOTAL	47,914	18,724

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 ended 30 June 2014 or 30 June 2013.

(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 obtains funding for its operations from several sources. In addition to its shareholders' funds (made up of share capital and reserves), funding is also provided by depositors through this At-Call Deposit scheme, from banks and other financial institutions. The Parent provides a treasury function for its subsidiaries by

- passing on the money it borrows through advances or floorplan facilities for purchasing stock, and
- borrowing from subsidiaries that find themselves with temporary cash surpluses.

# *The Colonial Motor Company Limited*

## and Subsidiary Companies

### *Wholesale Bank Funding*

The Parent has wholesale facilities with BNZ, ANZ and Westpac, three highly-respected international registered trading banks, which enable CMC to borrow at any time amounts up to \$48 million in total. The agreements with each of the banks are very similar and require the Parent to meet financial criteria based on ratios derived from its financial statements. The Parent also pledges to the banks not to grant security over any of its assets i.e. a "negative pledge". The bank facilities are reviewed annually by the banks and have terms of up to three years.

There is a risk that the banks may reduce or withdraw the facilities or will be unable to provide the level of funding required by the Parent. The Parent would then be required to obtain alternative funding which could cost more. If no alternative funding was available, the consequences would disrupt the Parent's cash flows and potentially it may not be able to continue funding its subsidiaries or pay its suppliers and staff or repay depositors.

### *Bailment facilities*

Most of the Parent's subsidiaries have bailment facilities in place with UDC Finance Limited (UDC), a member of the ANZ Banking Group. Under these facilities UDC owns new Ford and Mazda vehicles that are placed in the control of the subsidiaries as bailees and are available to display for sale to the public in the dealerships. The subsidiaries pay bailment fees (similar to interest) to UDC for the use of the vehicles. The bailment agreements are subject to financial limits.

The vehicles are purchased from UDC at the same time as they are sold to customers.

If the subsidiaries breach the bailment agreements, UDC retains the right to repossess and sell the vehicles and the subsidiaries must meet any shortfall of the sale proceeds from the purchase price of the vehicles.

If UDC were to withdraw the facilities or was unable to provide as many vehicles as required, the dealerships would have to seek alternative methods of funding the vehicles. This could involve bailment agreements with other providers or additional bank funding to purchase the vehicles outright. The consequences could include increased costs and disruption to the supply of new vehicles for sale.

The Parent mitigates its funding risk by adopting prudent financial management practices (such as closely monitoring its cash flows, regularly checking compliance with the financial ratios) and by maintaining open and honest relationships with the banks and UDC.

The extent of the facilities provided by UDC is disclosed in Note 4.

### (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 arrangement is unchanged from 2013.

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 2014 and 2013.



# The Colonial Motor Company Limited

## and Subsidiary Companies

GROUP \$000				PARENT \$000	
Fair Value through P&L	At Cost	Loans & Receivables	Financial Derivatives	At Cost	Loans & Receivables

### 19 Financial Instruments by Category

#### 2014

##### Assets as per Balance Sheet

Cash and Bank Balances	-	-	7,129	-	-	3,863
Trade Receivables	-	-	35,029	-	-	38,515
Credit Contracts	-	-	16,836	-	-	-
Investment in Subsidiaries	-	-	-	-	-	16,147
Shares in Companies	815	-	-	-	-	-

##### Liabilities as per Balance Sheet

Trade Payables	-	42,065	-	-	1,172	-
Deposits	-	15,362	-	-	15,362	-
Bank Borrowings	-	22,400	-	-	22,400	-
Credit Contracts	-	17,004	-	-	-	-
Advances from Subsidiaries	-	-	-	-	4,891	-
Financial Derivatives – Foreign Exchange	-	-	-	507	-	-

#### 2013

##### Assets as per Balance Sheet

Cash and Bank Balances	-	-	3,941	-	-	151
Trade Receivables	-	-	28,047	-	-	39,728
Credit Contracts	-	-	17,367	-	-	-
Investment in Subsidiaries	-	-	-	-	-	16,376
Shares in Companies	815	-	-	-	-	-
Financial Derivatives – Foreign Exchange	-	-	-	597	-	-

##### Liabilities as per Balance Sheet

Trade Payables	-	30,331	-	-	1,227	-
Deposits	-	14,375	-	-	14,375	-
Bank Borrowings	-	19,700	-	-	19,700	-
Credit Contracts	-	17,530	-	-	-	-
Advances from Subsidiaries	-	-	-	-	6,158	-
Financial Derivatives - Foreign Exchange	-	-	-	-	-	-

# The Colonial Motor Company Limited

## and Subsidiary Companies

### 20 Remuneration of Employees

During the year to 30 June 2014 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 2014	Number of Employees 2013
100,000 - 110,000	23	32
110,001 - 120,000	15	16
120,001 - 130,000	14	5
130,001 - 140,000	14	15
140,001 - 150,000	8	6
150,001 - 160,000	8	5
160,001 - 170,000	1	2
170,001 - 180,000	3	2
180,001 - 190,000	8	7
190,001 - 200,000	2	2
200,001 - 210,000	3	3
210,001 - 220,000	2	2
220,000 - 230,000	-	2
230,000 - 240,000	1	-
240,001 - 250,000	-	1
250,001 - 260,000	3	2
260,001 - 270,000	2	-
270,000 - 280,000	-	1
280,001 - 290,000	1	-
300,000 - 310,000	-	1
310,001 - 320,000	2	-
321,001 - 330,000	1	-
330,001 - 340,000	1	-
350,001 - 360,000	1	-
370,000 - 380,000	-	1
390,001 - 400,000	-	1
420,001 - 430,000	-	1
440,001 - 450,000	1	-
470,001 - 480,000	1	-
520,000 - 530,000	-	1
570,001 - 580,000	1	-
860,000 - 870,000	-	1
990,001 - 1,000,000	1	-
	117	109

### 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 each reporting date comprised:

At-Call loans subject to interest at current bank overdraft rates (10.55% - 11.65%) 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.

	2014 \$000	2013 \$000
At-Call loans from Parent to Subsidiaries	1,150	1,100
Other loans from Parent to Subsidiaries	5,970	6,250
	7,120	7,350
At-Call loans from Subsidiaries to Parent	1,404	3,881
Other loans from Subsidiaries to Parent	3,487	2,277
	4,891	6,158

# The Colonial Motor Company Limited

## and Subsidiary Companies

### 21 Related Party Transactions (continued)

	2014 \$000	2013 \$000
• Material transactions between Parent and Subsidiaries were:-		
Interest charged on advances and Inventory financing	2,557	2,579
Rent charged on property	5,709	5,451
Dividends received by the Parent from its Subsidiaries	10,085	10,730
Data Processing and Computer system maintenance charged to subsidiaries	884	912
• Guarantees between Parent and Subsidiaries		
The Parent guarantees the bank overdrafts of Subsidiaries		
Balances outstanding at year end	1,414	375
Maximum guarantee determined by agreed overdraft limits	6,120	6,120
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		
Balances outstanding at year end	22,400	19,700
Maximum guarantee determined by facility limits	48,000	48,000

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 \$15.5m (2013: \$18.1m).		
• Transactions with key management personnel were:		
Short term benefits (including salary, incentives, profit share, use of motor vehicle and other benefits)	6,183	5,226
Post Employment Benefits (including Superannuation contributions)	223	257
Share Related Benefits	-	-
Total Remuneration Benefits	6,406	5,483

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

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 41 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 \$0.058m (2013 \$0.055m) during the year.  
The Fund holds 304,196 (2013: 304,196) ordinary shares in the Parent through a wholly-owned investment company.  
The Fund holds 835,000 (2013: 835,000) MTF Perpetual Preference shares.  
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.

# The Colonial Motor Company Limited

## and Subsidiary Companies

	GROUP		PARENT	
	2014 \$000	2013 \$000	2014 \$000	2013 \$000
<b>22 Cashflow Reconciliation</b>				
<b>Profit after tax for the year</b>	20,206	14,800	13,215	7,976
<b>Adjustments for non cash items</b>				
- Depreciation	3,342	3,509	1,227	1,272
- Amortisation	-	175	-	-
- Revaluation (Increase) / Decrease of Property	(761)	941	(761)	941
- Impairment of Investment in Subsidiaries	-	-	-	4,216
- Movement in				
- Impairment Credit Contracts	4	(25)	-	-
- Taxation	351	308	1	58
- Employee Benefits Provision	(228)	(89)	(62)	4
- Foreign Exchange	148	(74)	-	-
- Deferred Tax	(192)	(715)	(216)	(660)
- Advances to Subsidiaries Provision	-	-	-	384
- Non Controlling Interests share	(615)	(900)	-	-
- Used Inventory Provision	-	310	-	-
<b>Movement in Working Capital</b>				
- Payables & Deposits	12,721	(3,616)	(56)	(266)
- Receivables & Prepayments	(6,981)	742	(362)	5,494
- Inventory	(12,256)	(13,612)	-	-
<b>Items Classified as Investing Activities</b>	-	(4,000)	-	(4,000)
<b>Items Classified as Financing Activities</b>	(1,730)	(80)	(230)	(2,000)
<b>Net Cash Flow from Operating Activities</b>	14,009	(2,326)	12,756	13,419

## 23 Operating Lease Commitments & Receivables

Commitments under non-cancellable Operating Leases are due:

Within one year	1,541	1,694	33	178
Between one and two years	1,259	1,209	-	32
Between two and five years	1,933	1,466	-	-
Over five years	1,599	207	-	-
	6,332	4,576	33	210

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 Parent and Group do not carry any material finance leases.

Receivables under non-cancellable Operating Leases are due:

Within one year	555	622	283	347
Between one and two years	249	516	124	249
Between two and five years	117	372	117	247
Over five years	-	-	-	-
	921	1,510	524	843

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.

# The Colonial Motor Company Limited

## and Subsidiary Companies

### 24 Consolidated Group Changes in Equity

	Share Capital	Property Revaluation Reserve	Foreign Exchange Cashflow Hedge Reserve	Retained Earnings	Total Attributable to Shareholders	Non Controlling Interest	Total Equity
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Balance at 1 July 2012</b>	15,968	31,897	(683)	74,909	<b>122,091</b>	1,603	<b>123,694</b>
Dividend Paid	-	-	-	(8,174)	<b>(8,174)</b>	(900)	<b>(9,074)</b>
Total Transactions with Shareholders	15,968	31,897	(683)	66,735	<b>113,917</b>	703	<b>114,620</b>
Profit after tax for the year	-	-	-	13,902	<b>13,902</b>	898	<b>14,800</b>
<b>Other Comprehensive income</b>							
Property Revaluation Reserve							
- Fair Value Movement	-	2,522	-	-	<b>2,522</b>	-	<b>2,522</b>
- Deferred tax effect	-	572	-	-	<b>572</b>	-	<b>572</b>
Foreign Exchange Cashflow Hedge Reserve							
- Movement in hedged items	-	-	1,371	-	<b>1,371</b>	241	<b>1,612</b>
- Deferred tax effect	-	-	(384)	-	<b>(384)</b>	(67)	<b>(451)</b>
Total Comprehensive Income	-	3,094	987	13,902	<b>17,983</b>	1,072	<b>19,055</b>
<b>Balance at 30 June 2013</b>	<b>15,968</b>	<b>34,991</b>	<b>304</b>	<b>80,637</b>	<b>131,900</b>	<b>1,775</b>	<b>133,675</b>
Dividend Paid	-	-	-	(11,116)	<b>(11,116)</b>	(615)	<b>(11,731)</b>
Total Transactions with Shareholders	<b>15,968</b>	<b>34,991</b>	<b>304</b>	<b>69,521</b>	<b>120,784</b>	<b>1,160</b>	<b>121,944</b>
Profit after tax for the year	-	-	-	19,153	<b>19,153</b>	1,053	<b>20,206</b>
<b>Other Comprehensive income</b>							
Property Revaluation Reserve							
- Fair Value Movement	-	1,167	-	-	<b>1,167</b>	-	<b>1,167</b>
- Deferred tax effect	-	(9)	-	-	<b>(9)</b>	-	<b>(9)</b>
Foreign Exchange Cashflow Hedge Reserve							
- Movement in hedged items	-	-	(813)	-	<b>(813)</b>	(143)	<b>(956)</b>
- Deferred tax effect	-	-	228	-	<b>228</b>	40	<b>268</b>
Total Comprehensive Income	-	1,158	(585)	19,153	<b>19,726</b>	950	<b>20,676</b>
<b>Balance at 30 June 2014</b>	<b>15,968</b>	<b>36,149</b>	<b>(281)</b>	<b>88,674</b>	<b>140,510</b>	<b>2,110</b>	<b>142,620</b>

# The Colonial Motor Company Limited

## and Subsidiary Companies

### 24 Parent Company Changes in Equity

	Share Capital	Property Revaluation Reserve	Retained Earnings	Total Equity
	\$000	\$000	\$000	\$000
<b>Balance at 1 July 2012</b>	15,968	31,897	39,395	<b>87,260</b>
Dividend Paid	-	-	(8,174)	<b>(8,174)</b>
Total Transactions with Shareholders	15,968	31,897	31,221	<b>79,086</b>
Profit after tax for the year	-	-	7,976	<b>7,976</b>
<b>Other Comprehensive income</b>				
Property Revaluation Reserve				
- Fair Value Movement	-	2,522	-	<b>2,522</b>
- Deferred tax effect	-	572	-	<b>572</b>
Foreign Exchange Cashflow Hedge Reserve				
- Movement in hedged items	-	-	-	-
- Deferred tax effect	-	-	-	-
Total Comprehensive Income	-	3,094	7,976	<b>11,070</b>
<b>Balance at 30 June 2013</b>	<b>15,968</b>	<b>34,991</b>	<b>39,197</b>	<b>90,156</b>
Dividend Paid	-	-	(11,116)	<b>(11,116)</b>
Total Transactions with Shareholders	<b>15,968</b>	<b>34,991</b>	<b>28,081</b>	<b>79,040</b>
Profit after tax for the year	-	-	13,215	<b>13,215</b>
<b>Other Comprehensive income</b>				
Property Revaluation Reserve				
- Fair Value Movement	-	1,167	-	<b>1,167</b>
- Deferred tax effect	-	(9)	-	<b>(9)</b>
Foreign Exchange Cashflow Hedge Reserve				
- Movement in hedged items	-	-	-	-
- Deferred tax effect	-	-	-	-
<b>Total Comprehensive Income</b>	-	<b>1,158</b>	<b>13,215</b>	<b>14,373</b>
<b>Balance at 30 June 2014</b>	<b>15,968</b>	<b>36,149</b>	<b>41,296</b>	<b>93,413</b>

# The Colonial Motor Company Limited

## and Subsidiary Companies

### 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 Group Chief Executive. The Group 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.

	2014 \$000	2013 \$000
<b>Revenue</b>		
Aggregate motor vehicle dealerships	698,811	613,877
Corporate and non-trading units	503	530
Consolidated Group revenue	<u>699,314</u>	<u>614,407</u>
<b>Trading profit before tax</b>		
Aggregate motor vehicle dealerships	23,827	18,161
Corporate and non-trading units	3,362	2,745
Consolidated Group trading profit before tax.	<u>27,189</u>	<u>20,906</u>
<b>Total Assets</b>		
Aggregate motor vehicle dealerships	157,568	141,005
Corporate and non-trading units	89,039	81,583
Consolidated Group Total Assets	<u>246,607</u>	<u>222,588</u>
<b>Depreciation and Amortisation</b>		
Aggregate motor vehicle dealerships	2,115	2,412
Corporate and non-trading units	1,227	1,272
Consolidated Group Depreciation & Amortisation	<u>3,342</u>	<u>3,684</u>
<b>Interest Income</b>		
Aggregate motor vehicle dealerships	30	70
Corporate and non-trading units	1	1
Consolidated Group Interest Income	<u>31</u>	<u>71</u>
<b>Interest Expense</b>		
Aggregate motor vehicle dealerships	2,279	1,717
Corporate and non-trading units	1,178	1,550
Consolidated Group Interest Expense	<u>3,457</u>	<u>3,267</u>



# The Colonial Motor Company Limited

## and Subsidiary Companies

### 26 Subsidiary Companies

Vehicle Trading Companies	Chief Executive / Dealer Principal	Franchises	Location	Web address
Southpac Trucks Ltd	Maarten Durent	Kenworth & DAF Heavy Trucks	Manukau City, Rotorua & Christchurch	<a href="http://www.spt.co.nz">www.spt.co.nz</a>
South Auckland Motors Ltd	Matthew Newman Mike Tappenden (DP)	Ford & Mazda	Manukau City, Botany & Pukekohe	<a href="http://www.southaucklandmotors.co.nz">www.southaucklandmotors.co.nz</a>
Southern Autos – Manukau Ltd (From 1 September 2014)	Matthew Newman Andrew Crow (DP)	Peugeot, Citroen & Isuzu	Manukau City	<a href="http://www.southernautos.co.nz">www.southernautos.co.nz</a>
Energy City Motors Ltd	Russell Dempster	Ford  Hertz Rentals	New Plymouth & Hawera  New Plymouth	<a href="http://www.energyford.co.nz">www.energyford.co.nz</a>
	James Guillosson (DP)	Hyundai	New Plymouth	<a href="http://www.energycity.hyundai.co.nz">www.energycity.hyundai.co.nz</a>
Ruahine Motors Ltd	David Wills	Ford	Waipukurau	<a href="http://www.ruahinemotors.co.nz">www.ruahinemotors.co.nz</a>
The Hawkes Bay Motor Company Ltd	James Ridley (DP)	Nissan	Hastings	<a href="http://www.hawkesbaynissan.co.nz">www.hawkesbaynissan.co.nz</a>
Fagan Motors Ltd	Keith Allen	Ford & Mazda Suzuki Motorcycles	Masterton	<a href="http://www.faganmotors.co.nz">www.faganmotors.co.nz</a> <a href="http://www.fagansuzuki.co.nz">www.fagansuzuki.co.nz</a>
Stevens Motors Ltd	Stuart Gibbons	Ford & Mazda	Lower Hutt	<a href="http://www.stevensmotors.co.nz">www.stevensmotors.co.nz</a>
Capital City Motors Ltd	Matthew Carman	Ford & Mazda	Wellington, Porirua & Kapiti	<a href="http://www.capitalcitymotors.co.nz">www.capitalcitymotors.co.nz</a>
Jeff Gray Ltd (From 19 August 2014)	Hamish Jacob	BMW & MINI	Wellington, Christchurch, Palmerston North & Hastings	<a href="http://www.jeffgraybmw.co.nz">www.jeffgraybmw.co.nz</a> <a href="http://www.jeffgray.co.nz">www.jeffgray.co.nz</a> <a href="http://www.jeffgraymini.co.nz">www.jeffgraymini.co.nz</a>
M.S. Motors (1998) Ltd	Alan Kirby	Ford	Nelson	<a href="http://www.nelsonford.co.nz">www.nelsonford.co.nz</a>
		BP Service Stations	Nelson, Richmond & Blenheim	
		KIA	Nelson	<a href="http://www.nelsonkia.co.nz">www.nelsonkia.co.nz</a>
Hutchinson Motors Ltd	John Hutchinson	Ford	Christchurch	<a href="http://www.thf.co.nz">www.thf.co.nz</a>
Avon City Motors Ltd	John Luxton	Ford	Christchurch & Rangiora	<a href="http://www.acford.co.nz">www.acford.co.nz</a>
Avon City Motorcycles Ltd	John Luxton	Suzuki Motorcycles	Christchurch	<a href="http://www.avoncitysuzuki.co.nz">www.avoncitysuzuki.co.nz</a>
Timaru Motors Ltd	Wayne Pateman	Ford & Mazda	Timaru	<a href="http://www.timarumotors.co.nz">www.timarumotors.co.nz</a>
Dunedin City Motors Ltd	Robert Bain	Ford & Mazda	Dunedin & Oamaru	<a href="http://www.dcmotors.co.nz">www.dcmotors.co.nz</a>
Macaulay Motors Ltd	Grant Price	Ford & Mazda	Invercargill & Queenstown	<a href="http://www.macaulaymotors.co.nz">www.macaulaymotors.co.nz</a>
Agricentre South Ltd (From 1 July 2014)	Grant Price	Case IH Tractors & Kuhn Implements  New Holland, Kubota Tractors Norwood Ag Equipment	Invercargill, Gore, Milton & Cromwell  Invercargill & Gore	<a href="http://www.agricentre.co.nz">www.agricentre.co.nz</a>

#### 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, Trucks South Ltd, Tower Motors (2013) Ltd, Advance Agricentre Ltd and Southland Tractors Ltd.

All subsidiaries are 100% owned (2013: 100%), with the exception of Southpac Trucks Ltd which is 85% owned (2013: 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.

# *The Colonial Motor Company Limited*

## and Subsidiary Companies

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### 27 Post Balance Day Events

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On 1 July 2014 settlement was completed for the purchase of a property in Gore to be operated by Agricentre South Ltd. The purchase price was \$1.240m.

An unconditional agreement to purchase the business of Jeff Gray BMW and MINI was signed on 23 July 2014 and the acquisition was settled on 19 August for a total of \$13.295 million comprising a cash sum of \$4.447 million and vehicles financed directly by BMW Financial Services of \$8.848 million. The business has operations in Wellington, Christchurch, Palmerston North and Hastings. The assets acquired included plant and equipment, trading assets, intangible assets as well as new and used vehicles. Our subsidiary operating the business, Jeff Gray Limited, also employed the staff and accepted assignment of the facility leases for all four locations.

On 20 August 2014 the Parent announced the payment of a final dividend of 22 cents per share payable on 20 October 2014. (2013: 21.0 cents)

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### 28 New Standards, Interpretations and Amendments

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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.

Standards effective for financial years beginning on or after 1 January 2013:

- NZ IFRS 10 Consolidated Financial Statements
- NZ IFRS 12 Disclosure of Interest in Other Entities
- NZ IFRS 13 Fair Value Measurement
- NZ IFRS 19 Employee Benefits

NZ IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It has not been necessary to change the method of determining fair values but the Group and Parent have included additional disclosures in this regard for material balances.

None of these Standards had a material impact on either the Parent or Group Financial Statements.

Standards effective for financial years beginning on or after 1 January 2017:

- NZ IFRS 15 Revenue from contracts with customers.

Standards effective for financial years beginning on or after 1 January 2018:

- NZ IFRS 9 Financial Instruments

Management does not expect NZ IFRS 9 or NZ IFRS 15 to have a material impact on the Parent and Group financial statements.

# Independent Auditor's Report

## Audit

### Grant Thornton New Zealand Audit Partnership

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## 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 balance sheet as at 30 June 2014, and the statement of comprehensive income, income statement, 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.

The firm, its partners and staff, may deal with the parent and other companies within the group on normal terms within the course of trading activities of the business. Other than these matters and as the company 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 balance sheet of the parent and group as at 30 June 2014 and their financial performance and 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 New Zealand Audit Partnership**  
Wellington, New Zealand  
22 September 2014

# The Colonial Motor Company Limited

## and Subsidiary Companies

### Governance Statement

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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 and reports to the Group Chief Executive. Each dealership also has a direct relationship with each franchisor that it represents.

#### 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 (NZSE) 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 statutory 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 three reports annually - a half year report, a preliminary result 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. [www.colmotor.co.nz](http://www.colmotor.co.nz)

#### Directors

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

New Directors are identified by the Nomination Committee of the Board or may be nominated by shareholders. The Constitution specifies that at least one third of the directors must retire each year. Directors who are eligible may stand for re-election. Directors who have been appointed in the year must stand for election at the next annual meeting as must anyone nominated as a director. 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 NZSE. 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 at least 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 ten meetings, eight 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 once.



# *The Colonial Motor Company Limited*

## and Subsidiary Companies

### **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 F R S Clouston (Chairman), P J Aitken and D M Wood, the Committee meets regularly with management, the internal auditor and the external auditor 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 statutory Auditor 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 D M Wood 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. All Directors serve on the Nominations Committee.

### **External Auditor**

The role of the external Auditor 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 audit partner and the Chairman of the Audit & Compliance Committee meet twice a year and the auditor attends Committee meetings at least three times a year. The scope of discussions is not limited but includes issues identified during audits, audit planning and staffing and the extent of non-audit work by the audit firm. The primary audit partner is changed periodically to provide a fresh perspective and to ensure greater independence. Fees paid for audit and any 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 most having progressed to tertiary standard.

### **Compliance with NZX Corporate Governance Best Practice Code**

The NZSX Listing Rules require issuers to include a statement in their annual reports of material differences between their corporate governance principle and the Corporate Governance Best Practice Code contained in appendix 16 to the Listing Rules.

The Board believes that CMC complies with the Corporate Governance Best practice Code in all material respects. The Corporate Governance Best practice Code encourages directors to take a portion of their remuneration under a performance-based equity security compensation plan or to invest a portion of their cash remuneration in purchasing CMC shares. CMC has no equity-based remuneration plan and does not require its directors to purchase or hold CMC shares.

# The Colonial Motor Company Limited

## and Subsidiary Companies

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

#### (a) Directors' Interests

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

- J P Gibbons - Director of Motor Trade Association and MTA Group Investments Limited.
- G D Gibbons - Director of Motor Trade Finances Limited.
- P J Aitken - Chairman of Stream Group (NZ) Pty Limited. Managing Director of Clear Edge 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, Titan Cranes Limited and Results.Com 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. Trustee of NZ Red Cross Foundation.
- D M Wood - Chairman of Mercy Healthcare Auckland Limited.

At year end J P Gibbons and G D Gibbons were Directors of all of the Company's subsidiaries (listed on page 35).

#### (b) Remuneration of Directors

Remuneration and all other benefits received by the Directors who held office during the year ended 30 June 2014 are disclosed pursuant to section 211(1)(f) of the Act as follows:

	Directors Fees 2014 \$	Total Remuneration 2014 \$	Total Remuneration 2013 \$
J P Gibbons (Chairman)	72,000	95,316	95,316
P J Aitken	44,000	44,000	44,000
F R S Clouston	46,570	46,570	44,000
G D Gibbons	-	990,148	713,005
D M Wood	44,000	44,000	44,000
M J Newman (elected November 2013)	-	584,749	-
I D Lambie (retired November 2013)	16,133	48,400	48,400
J A Wylie (retired November 2011)	-	57,985	57,984

Remuneration for the Chairman, additional to Directors Fees, included the provision of a motor vehicle.

I D Lambie was elected Chairman of the Audit & Compliance Committee on 1 December 2011 and received additional Directors' fees commensurate with the position from that date until his retirement in November 2013 at which point F R S Clouston took over the position.

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 2014 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 2014 was \$591,514 (2013: \$405,871). Dealer Principals / CEOs of subsidiary companies receive a profit performance component of their remuneration based on their dealership profit. M J Newman's remuneration as an executive is shown for the full twelve months to 30 June 2014 and includes a profit performance component of \$338,901.



# The Colonial Motor Company Limited

## and Subsidiary Companies

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

As provided for in clause 28.4 of the Company's Constitution, the Company provides for Directors Retirement Benefits. The total provided at 30 June 2014 was \$Nil (2013 - \$48,400). Directors appointed after 1 May 2004 are not eligible to receive a retirement allowance unless authorised by shareholder resolution.

I D Lambie retired at the conclusion of the 2013 Annual Meeting. The other directors of the board resolved to pay him an allowance equivalent to the directors fees paid to him over the preceding 12 months. Mr Lambie elected to receive the allowance over the 12 months following his retirement. Of the total payable of \$48,400, \$32,267 was paid during the year and the balance of \$16,133 is included in liabilities in the balance sheet.

J A Wylie retired at the conclusion of the 2011 Annual Meeting and was eligible to receive a retirement allowance. The other Directors on the Board resolved to pay an allowance reflecting his 27 years of service on the Board. Mr J A Wylie elected to receive his allowance over a period of 32 months ending on 30 June 2014. \$57,985 was paid in the year (\$57,984 – 2013) and is included in total remuneration above.

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.

#### (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 2013 and 31 August 2014.

Director	Number of shares		Date	Price	Type of holding
	Acquired	Disposed			
G D Gibbons	150,000		1 April 2014	-	Beneficial
		900,000	1 April 2014	-	Beneficial
	195,607		28 May 2014	-	Non-beneficial
		195,607	28 May 2014	-	Beneficial
J P Gibbons		1,445,723	3 October 2013	-	Beneficial
	520,317		3 October 2013	-	Beneficial
	520,316		3 October 2013	-	Non-beneficial
M J Newman	1,000		13 May 2014	\$5.24	Beneficial
D M Wood	150,000		1 April 2014	-	Shares held by an associated person

No share price is given where transactions occurred off-market and involved distributions and receipts from trusts.

#### (e) Composition of the Board

100% of Directors and officers at the reporting date were male (2013: 100%).

### 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	
	2014	2013	2014	2013	2014	2013
P J Aitken	8,870	8,870	-	-	-	-
G D Gibbons	1,737,849	2,683,456	250,825	55,218	104,520	104,520
J P Gibbons	1,421,081	2,346,487	1,225,003	704,687	469,270	469,270
I D Lambie	-	2,935	-	-	-	-
M J Newman	1,000	-	-	-	-	-
D M Wood	20,000	20,000	13,825	13,825	578,120	428,120

# The Colonial Motor Company Limited

## and Subsidiary Companies

### Disclosure of Substantial Security Holders

As required by section 26 the Securities Markets Act 1988, the Substantial Security Holders as at 31 August 2014 (from whom a notice under the Act had been received and the date of each such notice) were as follows:

	Date	Shares	%
<b>P C Gibbons</b>	1 April 2014	3,477,948	10.64
<b>J P Gibbons</b>	4 October 2013	2,606,084	8.09
<b>S B Gibbons</b>	16 September 2010	2,031,263	6.21

Issued and Fully Paid Capital as at 30 June 2014 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 identified 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 2014.

	Number of Shareholders		Number of Shares	
	Number	%	Number	%
1 - 999	210	14.0	101,691	0.3
1,000 - 9,999	948	63.2	3,306,018	10.1
10,000 - 99,999	284	19.0	6,939,864	21.2
100,000 - 999,999	53	3.5	16,105,576	49.3
1,000,000 +	4	0.3	6,241,483	19.1
<b>Total</b>	<b>1,499</b>	<b>100.0</b>	<b>32,694,632</b>	<b>100.0</b>

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

Year	Share Price @ 30 June	Dividends Paid - cps		Gross Dividend Yield %	Change in Share Price cps	Total Gross Return cps	Gross Shareholder Return %
		Date	Net				
2014	\$5.20	04/04/14	13.0	47.3	125.0	172.3	43.6
		21/10/13	21.0				
2013	\$3.95	05/04/13	9.0	35.4	80.0	115.4	36.6
		23/10/12	16.0				
2012	\$3.15	23/04/12	9.0	30.0	61.0	91.0	35.8
		25/10/11	12.0				
2011	\$2.54	04/04/11	7.0	22.9	36.0	58.9	27.0
		26/10/10	9.0				
2010	\$2.18	12/04/10	6.0	20.0	13.6	33.6	16.4
		26/10/09	9.0				

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 June 2009 was \$2.40.

# The Colonial Motor Company Limited

## and Subsidiary Companies

### Fifty Largest Shareholdings as at 31 August 2014

	Shares	%
Peter Craig Gibbons	2,108,699	6.4
AD & SB Gibbons & LB Rogerson	1,672,105	5.1
Florence Theodosia Gibbons	1,287,037	3.9
Peter Craig Gibbons (Trust)	1,173,642	3.6
JP & BR Gibbons & PL Bennett	683,550	2.1
NL, BR & JP Gibbons & PL Bennett (Estate RC Gibbons Deceased)	664,006	2.0
RJ Field & AJ Palmer	600,000	1.8
Graeme Durrad Gibbons	564,207	1.7
MI & C Louisson & RM Carruthers	563,777	1.7
PL & LC Bennett & JP Gibbons	543,794	1.7
BR & CM Gibbons & PL Bennett	528,971	1.6
Diana Durrad Harrison	523,628	1.6
Gillian Durrad Watson	507,619	1.6
Robert Durrad Gibbons	507,480	1.6
Sara Durrad Wood	506,919	1.6
Alison Durrad Beaumont	497,004	1.5
JP & DM Gibbons & PL Bennett	492,055	1.5
MA Gibbons, AK Cook & PJ Clark	474,348	1.5
JG, J & CG Harrison	458,317	1.4
Citibank Nominees (New Zealand) Limited	392,498	1.2
May Alice Gibbons	355,196	1.1
CG, AE & JG Harrison	335,244	1.0
Nancy Lucy Gibbons	331,710	1.0
JG, KS, SKE & J Bale	324,244	1.0
CMC Super Fund Investments Limited	304,196	0.9
Rebecca Hope Wilson	293,478	0.9
Leanne Barnes Rogerson	281,410	0.9
SH Majors, RH & SJ Wilson	268,556	0.8
K Enright & C Louisson	261,566	0.8
Investment Custodial Services Limited	260,216	0.8
David Grindell	254,000	0.8
CM Louisson & N Tarsa	241,804	0.7
Stuart Barnes Gibbons	233,071	0.7
Anita Forbes Peake	232,480	0.7
Forsyth Barr Custodians Limited	224,557	0.7
RB & JG Tait & IJ Craig	207,456	0.6
Public Trust Class 10 Nominees Limited	206,245	0.6
RD Gibbons, SD Wood & GD Gibbons	204,810	0.6
PC Barton & JP Gibbons	189,154	0.6
CG & AE Harrison & DW Farnsworth	188,118	0.6
JH Smith, AF Peake & SB Gibbons	176,087	0.5
Forsyth Barr Custodians Limited	164,429	0.5
Custodian Services Limited	150,669	0.5
Estate of Patricia Craig Barton	149,203	0.5
Judith Gibbons Bale	147,929	0.5
JS & JE Ramson & BK Logan	144,384	0.4
HA Louisson, CJ Warren & JA Piper	140,870	0.4
Ian Forbes Michie	135,730	0.4
GH & FT Gibbons & SJ Wilson	122,413	0.4
Sally Blundell Fell	118,174	0.4
<b>Total of fifty largest shareholdings</b>	<b>21,397,055</b>	<b>65.4</b>
<b>Total shares on issue</b>	<b>32,694,632</b>	<b>100.0</b>

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

# The Colonial Motor Company Limited



Today the CMC Group's core business is the operation of twelve Ford dealerships each holding a franchise in its own right from the Ford Motor Company of NZ Ltd. Seven of these dealerships also hold Mazda franchises. CMC, through Southpac Trucks, is the NZ distributor and retailer of Kenworth and DAF heavy duty trucks. In addition CMC has four BMW dealerships trading as Jeff Gray BMW, and in Southland/Otago, Agricentre South retails New Holland, Case IH and Kubota tractors and equipment.

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. The 'CMC' Building was sold in 2005.

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, local assembly of vehicles and heavy additional sales taxes to control overseas funds. The new vehicle industry under this regime peaked in 1973 and again in 1974 at 123,000 units. The dismantling of controls and the arrival of second hand imports from Japan saw the industry fall to just 66,500 new vehicles in 1992. 2014 will be the highest new vehicle industry since 1984.

The late 1980's and all through the 1990's was a period of change and adaptation. Over a decade most smaller Ford dealerships either closed down or merged with their neighbours. This resulted in fewer, but larger, Ford dealerships. CMC closed or sold its smaller dealerships and acquired others to expand its city and provincial locations. Nelson was acquired during this period. Compounding the changes was the Ford NZ decision to first sell its NZ tractor distribution to Norwoods and then later to close its distribution of heavy trucks in New Zealand.

Most of the CMC company tractor departments were closed, with the exception of Southland. This business has since grown to become Agricentre South Ltd, retailing New Holland & Kubota tractors in Southland and Case IH tractors in Southland / Otago. In 1994 CMC acquired a major interest in Southpac Trucks, the NZ distributor for Kenworth and Foden (since retired) and more recently, DAF, heavy duty trucks which are all part of the USA based PACCAR organisation. Southpac Trucks has since grown into a major player in the NZ heavy truck industry.

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 Malaysia. Over the following years MBM sold down its holding in CMC, with many of the shares acquired by members of the Gibbons family. MBM sold its final block of 24.9% to a large number of individuals in 2003, resulting in the addition of 300 shareholders to CMC.

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.

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.

During the 2000's CMC also acquired the Mazda franchises in Invercargill, Dunedin, Timaru, Wellington, Lower Hutt and Masterton. These were run as dual dealerships with the existing Ford dealerships. The policy of adding Mazda to Ford dealerships ended when Ford USA sold its interest in Mazda Japan in 2009.

It has been part of the Company's philosophy and success to own property sites from which its retail subsidiary companies operate.

More recent additions to CMC include Case IH tractors in Southland and Otago, Suzuki motorbikes in Christchurch and Masterton, Hyundai cars in New Plymouth, Nissan cars in Hastings and Kia cars in Nelson. In 2014, Jeff Gray BMW and MINI with four dealerships in Christchurch, Wellington, Palmerston North and Hastings were added. A new dealership is being established in South Auckland, selling Citroen, Peugeot and Isuzu light commercials.

The current major shareholdings in CMC are with individual descendants 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.