The Colonial Motor Company Limited

97th Annual Report

2015

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
CHIEF EXECUTIVE	Graeme D Gibbons
COMPANY SECRETARY	Nicholas K Bartle
GROUP ACCOUNTANT	Deirdre F Doyle
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
REGISTERED OFFICE AND ADDRESS FOR SERVICE	Level 6 57 Courtenay Place PO Box 6159 Wellington 6141 New Zealand Telephone (04) 384-9734 Facsimilie (04) 801-7279 E-mail address cmc@colmotor.co.nz Website www.colmotor.co.nz

PROSPECTIVE DATES FOR 2016

Interim Half Year Report	Late February
Interim Dividend	18 April
Preliminary Full Year Report	Late August
Annual Report	Late September
Final Dividend	17 October
Annual Meeting	4 November

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

The Colonial Motor Company Limited
and Subsidiary Companies

NOTICE OF ANNUAL MEETING

Notice is hereby given that the 97th annual meeting of shareholders of
The Colonial Motor Company Limited
will be held in the
Wakefield Suite, Amora Hotel, 170 Wakefield Street, Wellington, New Zealand
on Friday, 6 November 2015 commencing at 12:00 midday.

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 Graeme Durrad Gibbons as a Director of the Company
   (b) To elect Ashley James Waugh as a Director of the Company
   (c) 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 2015

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 2015 Annual Meeting are G D Gibbons and P J Aitken. G D Gibbons continues to be eligible and offers himself for re-election. P J Aitken is retiring from the Board.

Following a selection process by the Board, Ashley James Waugh has been nominated to stand for election as a Director. If elected Mr Waugh will be an independent director.

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:

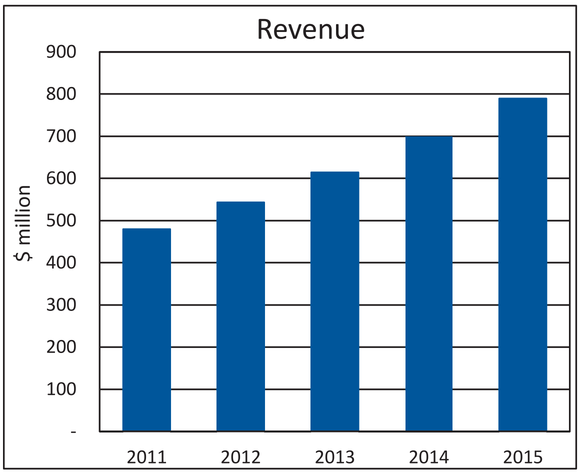
> *"Appointment of representative: A corporation which is a shareholder may appoint a person to attend a meeting of shareholders on its behalf in the same manner as that in which it could appoint a proxy."*

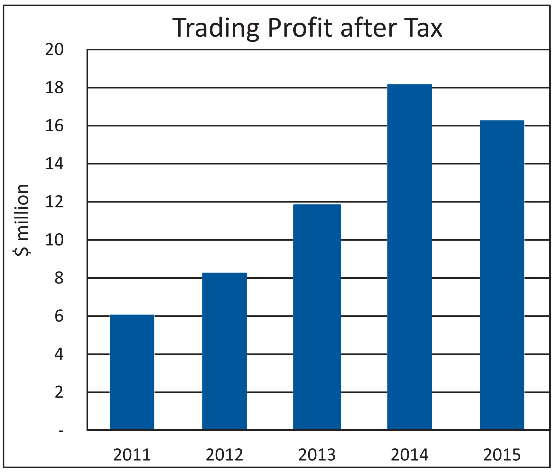
The Colonial Motor Company Limited

and Subsidiary Companies

Facts and Trends at a Glance

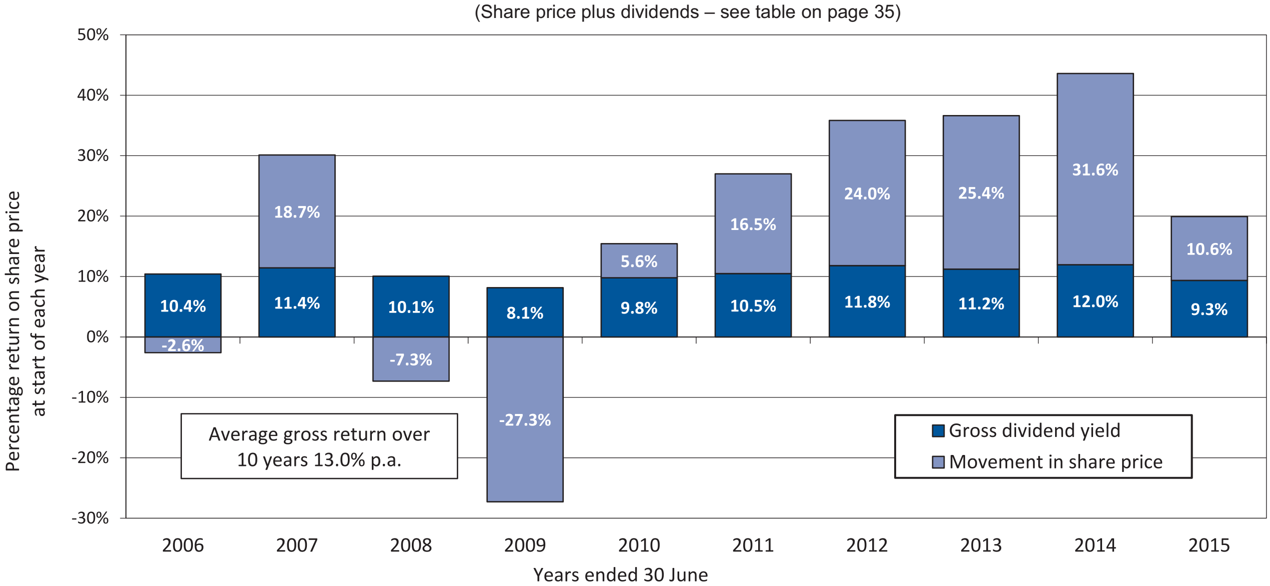
	2015	2014	2013	2012	2011
Revenue ($000)	789,377	699,314	614,407	543,359	479,629
Trading profit after tax (excluding non-trading Items) ($000)	16,326	18,221	13,867	11,835	8,330
Profit after tax attributable to shareholders ($000)	17,597	19,153	13,902	15,123	8,184
Return on average shareholders' funds - trading profit	11.2%	13.4%	10.9%	9.9%	7.2%
- net profit	12.1%	14.1%	10.9%	12.7%	7.1%
Trading profit per dollar of revenue	2.1c	2.6c	2.3c	2.2c	1.7c
Earnings per share - trading profit after tax	49.9c	55.7c	42.4c	36.2c	25.5c
- net profit after tax	53.8c	58.6c	42.5c	46.3c	25.0c
Dividend per share	33.0c	35.0c	30.0c	25.0c	19.0c
Total dividends for the year ($000)	10,789	11,443	9,808	8,174	6,212
Shares on issue at reporting date	32.695m	32.695m	32.695m	32.695m	32.695m
Current ratio	1.6	1.6	1.6	1.5	1.4
Shareholders' equity as a percent of total assets	53.1%	57.0%	59.3%	56.2%	54.9%
Net tangible asset backing per share (after final dividend is paid)	$4.26	$4.05	$3.79	$3.54	$3.37





Shareholder Returns

(Share price plus dividends – see table on page 35)



Directors' Report

Your Directors have pleasure in presenting the 97th annual report and audited financial statements of The Colonial Motor Company Limited ("CMC" or "Company") and its subsidiaries ("Group") for the year ended 30 June 2015.

Revenue and profit
Revenue for the year increased to $789.4m, driven mainly from the new dealerships. This is a 13% increase on the previous year's $699.3m.

The trading profit after tax for the year was $16.3m, down 10% on last year's record $18.2m. Trading profit after tax is a consistent measure of the underlying trading profitability of the Company before valuation changes of assets and deferred tax. The movement from last year reflects the increasing competition in the motor vehicle market. Profit for the year was down 7% on last year to $18.7m.

Statement of financial position
Total assets continued to increase and stood at $282.4m at year end ($246.6m - 2014). Inventory of $115.9m rose from $92.5m in 2014 and was largely funded by a new vehicle floorplan finance facility.

The annual independent revaluation of the Group's property brought about an increase in the revaluation reserve of $1.9m ($1.2m - 2014). At balance date Shareholders' Equity was $149.9m ($140.5m - 2014).

On 30 June 2015, the Company entered into an unconditional sale of all of its Wellington property occupied by Capital City Motors Limited on the corner of Taranaki and Jessie Streets. The Company will lease back the site for two years while alternative facilities in the Wellington region are identified. The value of the property is shown as a current asset in the statement of financial position and the applicable deferred tax has been credited to profit. The transaction was settled on 1 September 2015.

Dividends
Dividends paid in respect of this year will total 33.0 cents per share (35.0 cents per share - 2014). An interim dividend of 13.0 cents per share was paid on 20 April 2015 and a final dividend of 20.0 cents per share will be paid on 19 October 2015, both dividends being fully imputed. The value of the distributions for this year will be $10.8m ($11.4m - 2014) representing 66% (63% - 2014) 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 35. The dividend yield has remained within the range of 8.1% to 12.0% p.a. over the last 10 years.

Directors
The independent directors at 30 June 2015 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 Mr G D Gibbons and Mr P J Aitken. Mr G D Gibbons is seeking re-election. Mr P J Aitken is retiring. Mr P J Aitken joined the Board as an independent director in 2007.

After an extensive and thorough search, including the Institute of Directors director search program, the Board has nominated Ashley Waugh for election to the Board. Mr Waugh has experience in the dairy industry in New Zealand and Australia, with senior roles for the NZ Dairy Board (now Fonterra) and as CEO of National Foods (Australia). He is now an independent director of Seeka Kiwifruit and chairman of Moa Group. Early in his career, Mr Waugh was marketing manager of Ford in New Zealand, and Ford Lio Ho in Taiwan.

Director and company disclosures
Information required to be disclosed by the directors and by the Company, to comply with the Companies Act 1993 and the Listing Rules of the New Zealand Stock Exchange, is detailed on pages 33 and 34. A separate Governance Statement is provided on pages 31 and 32.

For the Directors
22 September 2015

J P Gibbons | P J Aitken

Chief Executive's Report

Following four years of rising profitability this year has seen a small reduction on last year's record result. The external factors that contributed in 2014 – a growing vehicle market, good exchange rates for imported products and desirable new vehicles - have softened in 2015.

Markets

We have experienced mixed fortunes in our car dealerships. In an increasing industry, the sheer numbers of vehicles sold have not reflected through the business because volumes were achieved for less reward.

The Ford brand is reliant on a single product, the Ford Ranger, which became the number one selling commercial vehicle in 2014 and continues as the most popular new vehicle in 2015 to date. However, the overall Ford market share has declined. The dealers and the motoring public are looking forward to the 'never before' right hand drive Mustang later in the year and the new Everest SUV.

Mazda's improving market share is based on a strong and universally acknowledged passenger and SUV range – notably Mazda2, Mazda3, the 'like never before' new Mazda CX3 and CX5.

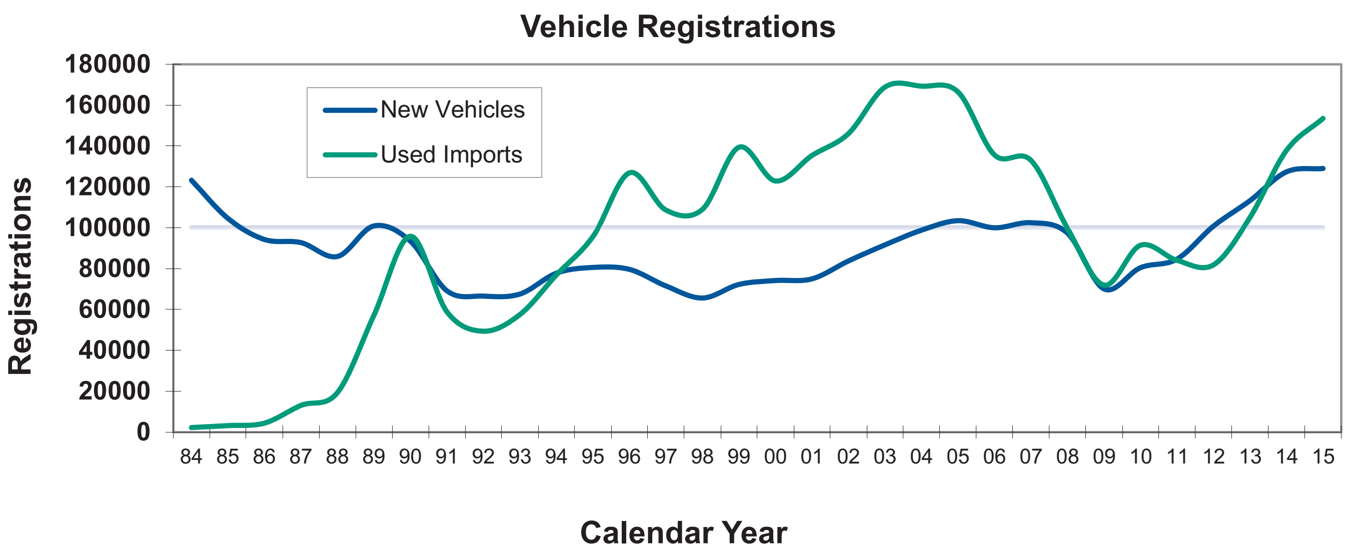
Southpac Trucks have excellent products in Kenworth and DAF that are eminently suited to NZ's high utilisation heavy truck market. Southpac Trucks' continued success comes with a dedication to supporting the product with unsurpassed service to customers.

In Southland and Otago our tractor business is battling the dramatic reversal in fortunes of the dairy industry and the understandable reluctance of farmers to spend in the short term.

We have now experienced twelve months with the BMW & MINI brands at Jeff Gray in Christchurch, Wellington, Manawatu and Hawkes Bay. The business made a small but positive contribution to Group profitability in its first year. Our challenge is to match the brand's strengths in the luxury car market with our need to operate a successful and profitable dealership. Very noticeable is the brand loyalty and customer focus of the Jeff Gray dealership staff. We have significant facility planning ahead as the premises in all four locations are leased and over time changes will be needed for business delivery and requirements of the franchise.

There is no doubt that until recent months NZ's high exchange rate has enabled consumer value in new vehicle pricing at levels never before experienced. This favourable pricing has expanded the new vehicle and used import industry across the board.

Just how purchasers respond as the combination of economic conditions tighten and exchange rates filter through to higher pricing will not be apparent in overall industry data for some months.



Legislation
Existing and new consumer laws combined with the outcomes of various court and tribunal cases are extending the obligations for product reliability to new and sometimes unreasonable levels. For importers and distributors backing their product is paramount. However, at some point, an aged, well-travelled used vehicle is just that and the risks and rewards of ownership should align with the price paid.

Health and Safety
Each dealership goes through an independent audit every two years of their safety systems measured against our Group policies and procedures manual (as part of the ACC Workplace Safety Management Practices programme).

The key to practicable safety in our dealership environment is leadership and internal discipline in terms of understanding the hazards in our workplace and ensuring that, at all levels, our staff operate within the practices the dealership workplace manual and the Health & Safety committee has put in place.

The new Health and Safety at Work legislation 'ups the ante' which may require further adaptation and enhancement to our current practices.

Dealership Developments
At Southpac Trucks we are in the final steps of a complete makeover of the facility at Wiri Station Road, Manukau City. Initiated by the acquisition of the neighbouring property in Hobill Avenue, we first completed the rebuild of the new retail workshop. Last year we expanded the parts warehouse and new truck preparation workshop and this year have rebuilt the parts showroom and offices. The final touches are happening this month.

At South Auckland Motors in Manukau City we rebuilt the Mazda showroom, then refurbished and reconfigured the Ford and Mazda service operations with a new vehicle washbay. Having completed this, our attention moved to the adjacent site where a new showroom and customer reception to house Southern Autos – Manukau has just been completed, along with a refit of the existing workshops and amenities.

In August we finally commenced the build of the new Airport service facility for South Auckland Motors Ford and Mazda with completion expected early in the New Year. The planning and consenting process for even this relatively simple project has taken close to twelve months. As this project progresses we are working on options for a service-only facility in the Takanini / Papakura area.

In New Plymouth we are in the midst of a refurbishment of the Energy City Ford showroom. This building, while modern in appearance and function, was built in the mid 1970's and the makeover will be welcome by Russell Dempster and his team.

In central Christchurch dialogue continues with the Christchurch Central Development Unit (CCDU) and the soon-to-be departing Canterbury Earthquake Recovery Authority (CERA) over the practical implementation of elements of the South Frame concept. Over 12 months ago we provided a full package on what it would take to complete the proposed 'public laneway' that would traverse our site from West to East as part of the Health to Innovation pathway. In many quarters there seems little support for this expensive pathway as the new one-way street system has fully fledged cycleways. In the meantime the dealership, under the leadership of John Hutchinson, is operating very successfully. The paint and panel operation was recently closed as part of preparing for a future change which would reduce our building area. Vehicles sales and servicing are proposed to be a 'discretionary activity' in the new Christchurch Replacement District Plan for the South Frame, we are objecting to this additional constriction on operations.

Outlook
The industry, in overall terms, has continued to show high volumes of vehicle sales. Currently year-to-date August, these exceed the same period last year by about 5% primarily driven by increased rental vehicles. Overhanging the industry is the eventual flow through into vehicle prices of the materially reduced NZ exchange rate and the constrained primary sector incomes in some, but not all, export products. Domestically the economy continues to bubble along – most noticeably in the larger Auckland area driven by immigration and housing. However, over time our national economic wellbeing is derived from success in exporting our goods and services to the world.

As a business and dealership group we, our Dealer Principals and their staff remain focused on making the most of every opportunity and earning our customers' loyalty with exceptional service levels.

G D Gibbons
Chief Executive

GROUP DEALERSHIPS

Company name	Chief Executive / Dealer Principal	Franchises	Location	Web address
Southpac Trucks Ltd	Maarten Durent	Kenworth & DAF Heavy Trucks	Manukau City, Rotorua & Christchurch	www.spt.co.nz
South Auckland Motors Ltd	Matthew Newman Michael Tappenden (DP)	Ford & Mazda	Manukau City, Botany & Pukekohe	www.southaucklandmotors.co.nz
Southern Autos – Manukau Ltd	Matthew Newman Andrew Craw (DP)	Peugeot, Citroen & Isuzu	Manukau City	www.southernautos.co.nz
Energy City Motors Ltd	Russell Dempster	Ford	New Plymouth & Hawera	www.energyford.co.nz
		Hertz Rentals	New Plymouth	
	Shaun Biesiek (DP)	Hyundai	New Plymouth	www.energyhyundai.co.nz
Ruahine Motors Ltd	David Wills	Ford	Waipukurau	www.ruahinemotors.co.nz
The Hawkes Bay Motor Company Ltd	James Ridley (DP)	Nissan	Hastings	www.hawkesbaynissan.co.nz
Fagan Motors Ltd	Keith Allen	Ford & Mazda Suzuki Motorcycles	Masterton	www.faganmotors.co.nz www.fagansuzuki.co.nz
Stevens Motors Ltd	Stuart Gibbons	Ford & Mazda	Lower Hutt	www.stevensmotors.co.nz
Capital City Motors Ltd	Matthew Carman	Ford & Mazda	Wellington, Porirua & Kapiti	www.capitalcitymotors.co.nz
Jeff Gray Ltd (From 19 August 2015)	Hamish Jacob	BMW & MINI	Wellington, Christchurch, Palmerston North & Hastings	www.jeffgraybmw.co.nz www.jeffgray.co.nz www.jeffgraymini.co.nz
M.S. Motors (1998) Ltd	Alan Kirby	Ford	Nelson	www.nelsonford.co.nz
		BP Service Stations	Nelson, Richmond & Blenheim	
		KIA	Nelson	www.nelsonkia.co.nz
Hutchinson Motors Ltd	John Hutchinson	Ford	Christchurch	www.thf.co.nz
Avon City Motors Ltd	John Luxton	Ford	Christchurch & Rangiora	www.acford.co.nz
Avon City Motorcycles Ltd	John Luxton	Suzuki & BMW Motorcycles	Christchurch	www.avoncitysuzuki.co.nz
Timaru Motors Ltd	Wayne Pateman	Ford & Mazda	Timaru	www.timarumotors.co.nz
Dunedin City Motors Ltd	Robert Bain	Ford & Mazda	Dunedin & Oamaru	www.dcmotors.co.nz
Macaulay Motors Ltd	Grant Price	Ford & Mazda	Invercargill & Queenstown	www.macaulaymotors.co.nz
Agricentre South Ltd (Renamed 1 July 2015)	Grant Price	Case IH Tractors & Kuhn Implements	Invercargill, Gore, Milton & Cromwell	www.agricentre.co.nz
		New Holland, Kubota Tractors Norwood Ag Equipment	Invercargill & Gore	

Statement of profit or loss for the year ended 30 June 2015

	Note	2015 $000	2014 $000
Revenue			
Sale of - products		727,760	641,345
- services		59,876	56,844
Other income - interest		131	31
- other		1,610	1,094
Total revenue		789,377	699,314
Less expenses	1		
Cost of products sold		661,033	586,320
Remuneration of staff		63,160	54,342
Depreciation & amortisation		4,180	3,342
Property occupation costs		6,333	4,520
Marketing, promotion & training costs		6,503	5,020
Other operating costs		17,721	15,124
Interest costs		5,356	3,457
Trading profit before tax		25,091	27,189
Less: Income tax expense:	15		
Current		7,582	7,936
Deferred		75	(21)
		17,434	19,274
Less: Non-controlling interest		1,108	1,053
Trading profit after tax		16,326	18,221
Fair value revaluation of property		(7)	761
Deferred tax on property depreciation	15	1,016	171
Fair value revaluation of investments		262	-
Profit for the year attributable to:			
Shareholders		17,597	19,153
Non-controlling interest		1,108	1,053
PROFIT FOR THE YEAR		**18,705**	**20,206**

Statistics per share

	Note	2015	2014
Basic & diluted earnings per share	12		
Profit for the year		53.8 cents	58.6 cents
Trading profit after tax		49.9 cents	55.7 cents
Dividend per share		33.0 cents	35.0 cents
Dividend declared for the year ($000)		10,789	11,443
Net tangible assets per share (pre dividend)		$4.53	$4.27

The statement of accounting policies and the accompanying notes form part of the financial statements

	Note	2015 $000	2014 $000
Statement of comprehensive income for the year ended 30 June 2015			
Profit after tax for the year		18,705	20,206
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss:			
Property revaluation reserve			
Fair value movement		1,946	1,167
Deferred tax	15	(823)	(9)
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange reserve			
Movement in cashflow hedge		3,432	(956)
Deferred tax movement	15	(961)	268
Other comprehensive income for the year		3,594	470
Total comprehensive income for the year		22,299	20,676
Attributable to:			
Shareholders		20,820	19,726
Non-controlling interest		1,479	950
		22,299	20,676

	Note	2015 $000	2014 $000
Statement of changes in equity for the year ended 30 June 2015	22		
Total equity at beginning of year		142,620	133,675
Profit for the year		18,705	20,206
Other comprehensive income		3,594	470
Total comprehensive income		22,299	20,676
Dividends paid to shareholders	14	(11,443)	(11,116)
Dividend paid to non-controlling interest		(900)	(615)
Total equity at end of year		152,576	142,620

	Note	2015 $000	2014 $000
Statement of cash flows for the year ended 30 June 2015			
Cash flows from operating activities			
Receipts from customers		787,117	692,350
Interest received		131	31
Dividends received		147	-
Payments to suppliers & employees		(770,981)	(666,627)
Interest paid		(5,355)	(3,457)
Income taxes paid		(8,035)	(8,288)
Net cash flow from operating activities	21	3,024	14,009
Cash flows from investing activities			
Proceeds from sale of property, plant & equipment		923	2,333
Purchase of property, plant & equipment		(13,054)	(6,468)
Purchase of intangible assets	10	(750)	-
Purchase of investments		(34)	-
Net cash flow from investing activities		(12,915)	(4,135)
Cash flows from financial activities			
Increase in borrowings		18,200	2,700
Increase in deposits		2,686	1,730
Dividends paid to shareholders		(12,343)	(11,116)
Net cash flow from financing activities		8,543	(6,686)
Net increase / (decrease) in cash held		(1,348)	3,188
Opening cash brought forward		7,129	3,941
Closing cash balance		5,781	7,129

The statement of accounting policies and the accompanying notes form part of the financial statements

Statement of financial position as at 30 June 2015

	Note	2015 $000	2014 $000
Shareholders' equity	22		
Share capital	13	15,968	15,968
Retained earnings		94,828	88,674
Property revaluation reserve		37,272	36,149
Foreign exchange cashflow hedge reserve		1,819	(281)
Total shareholders' equity		149,887	140,510
Non-controlling interest		2,689	2,110
Total equity	22	152,576	142,620
Current liabilities			
Bank borrowings	8	29,900	22,400
At-call deposits	9	18,047	15,362
Trade & other payables	7	49,252	42,252
Vehicle floorplan finance	25	10,700	-
Financial liabilities – credit contracts	4	5,819	6,743
Tax payable		2,581	3,034
Financial derivatives – foreign exchange	18	-	507
Total current liabilities		116,299	90,298
Non-current liabilities			
Financial liabilities – credit contracts	4	9,207	10,261
Deferred tax	15	4,271	3,428
Total non-current liabilities		13,478	13,689
Total equity and liabilities		282,353	246,607
Current assets			
Cash & bank accounts	6	5,781	7,129
Property held for sale	5	14,128	-
Trade & other receivables	2	36,707	35,029
Inventory	3	115,941	92,474
Financial derivatives – foreign exchange	18	2,973	-
Financial assets – credit contracts	4	5,669	6,575
Total current assets		181,199	141,207
Non-current assets			
Financial assets – credit contracts	4	9,207	10,261
Intangible assets	10	1,678	1,028
Investments	11	1,111	815
Property, plant & equipment	5	89,158	93,296
Total non-current assets		101,154	105,400
Total assets		282,353	246,607

For the directors
22 September 2015

J P Gibbons

P J Aitken

The statement of accounting policies and the accompanying notes form part of the financial statements

Statement of accounting policies for the year ended 30 June 2015

REPORTING ENTITY

The financial statements presented are for The Colonial Motor Company Limited (“The Company”) and its subsidiaries (“The Group”). The Company is an FMC Reporting Entity under the Financial Markets Conduct Act 2013. This is the first year in which the Financial Markets Conduct Act 2013 has applied. Where an FMC Reporting Entity prepares consolidated financial statements, parent company disclosures are not required and have not been included in these financial statements.

The Group is a Tier 1 For Profit Reporting Entity as set out 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 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 2013 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 2015.

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 reporting period are as follows:

Valuation of inventory
Inventory, particularly of 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.

Recoverability of receivables
Reliance is placed on credit control measures to minimise bad debts but estimates and judgement based on past experience are required in determining the level of possible future impairment of all types of receivables. Amounts owed by customers included in ‘Financial assets and liabilities – credit contracts’ are recoverable over a number of years and involve estimates over longer periods.

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

Measurement base: The financial statements have been prepared on an historical cost basis, modified by the revaluation of certain assets and liabilities to fair value through profit or loss.

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

ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Basis of consolidation: Subsidiaries are entities controlled by the Company. Control requires the investor to have exposure or rights to variable returns and the ability to affect those returns through power over the 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.

Non-controlling interests, presented as a part of equity, represent the portion of the profit or loss and net assets of subsidiaries that is not held by the Group based on their respective ownership interests.

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

Statement of accounting policies for the year ended 30 June 2015

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.

Interest Income comprises interest on funds invested. Interest income is recognised in profit or loss 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 it to the existing location and condition. Due allowance has been made for obsolete and slow moving stock.

Bailment agreement: For a number of brands, new vehicles are funded under bailment agreements whereby the vehicles are owned by finance companies and not included in inventory or creditors. With some minor exceptions there is no contractual obligation to pay the finance companies until the vehicles are sold.

Vehicle floorplan finance: Purchase of vehicles from other brands is either funded from bank borrowings or under vehicle floorplan facilities provided by the distributor. In the latter case, ownership of the vehicles is transferred on delivery but payment is delayed generally until the vehicle is sold.

Financial assets & liabilities – credit contracts: The Group holds credit contract agreements with Motor Trade Finances Limited (MTF) which are shown both as assets and liabilities in the statement of financial position. A liability arises in the event of a customer defaulting on their finance payments. MTF then has recourse for any outstanding balance. The liability is offset by the value of the amount receivable from the customer and, ultimately, the value of the related vehicle that can be repossessed and sold. Allowance is made for the estimated bad debts that may result from such financing agreements.

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.

Financial instruments: Financial instruments primarily comprise cash at bank, receivables, payables, credit contracts, forward exchange contracts, shares in companies, borrowings and loans. All financial instruments are recognised in the financial statements initially at fair value plus any directly attributable transaction costs. Subsequent measurement is detailed under the accounting policy of each specific financial instrument. A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial asset expire or if the Group transfers substantially all the risks and rewards of the asset to another party.

Cash and cash equivalents: Cash and cash equivalents comprise cash on hand and cash at banks, net of overdrafts. In the statement of financial position, 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.

Trade and other payables: Trade and other payables are stated at cost.

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 a 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. Those that do not so qualify are recognised through profit or loss.

Borrowing costs: Interest expense comprises interest on deposits, bank borrowings and bank overdraft facilities. Interest costs are recognised using the effective interest rate method and expensed in the period they are incurred.

Employee benefits: The Group provides for benefits accruing to employees for salaries and wages, annual leave 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.

Property, plant & equipment and depreciation: Property, plant & equipment are carried at cost less accumulated depreciation and impairment losses. Cost includes all expenditure that is directly attributable to the acquisition of the asset. Software that is integral to the functionality of the related equipment is capitalised as part of the asset. Land and buildings, other than properties for sale, are revalued annually to fair value based on independent professional valuations. Land is not depreciated.

Any revaluation surplus is credited to the asset revaluation reserve unless it reverses a revaluation decrease for the same asset previously recognised in profit or loss. In that case, the surplus is credited to profit or loss to the extent of the decrease previously charged.

Any revaluation deficit is recognised in profit or loss unless it directly offsets a previous surplus in the same asset in the property revaluation reserve.

Any accumulated depreciation 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 plant and equipment 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.

Intangible assets: Intangible assets consist of goodwill and other intangibles. 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 individually identified acquired assets and liabilities. Other intangible assets include franchise rights and customer databases acquired in a business combination and are recognised at their fair values.

Intangible assets that are considered to have identifiable useful lives are amortised on a straight line basis over those useful lives. Goodwill and intangibles with indefinite useful lives are subject to impairment testing annually or when events indicate that the carrying amount may not be recoverable and are carried at cost less accumulated impairment losses.

Impairment: The carrying amounts 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 statement of profit or loss.

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.

In respect of all assets (except goodwill and intangibles with indefinite useful lives) an impairment loss is reversed if there has been a change in the estimate used to determine the recoverable amount.

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.

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.

The calculation of deferred tax uses the liability approach which recognises deferred tax assets and liabilities based on differences between the accounting and tax values of specific items in the statement of financial position.

Deferred tax assets and liabilities are carried

- at the tax rates expected to apply when the assets are recovered or liabilities settled.
- on the basis that the Group expects future profits to exceed any reversal of existing temporary differences.

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 statement of profit or loss.

Goods & Services Tax (GST): The financial statements are prepared net of GST with the exception of receivables and payables which are stated including GST.

Notes to the Financial Statements for the year ended 30 June 2015

			2015 $000	2014 $000
1	**Expenditure**			
	Expenditure in the statement of profit or loss includes:			
	Auditor's remuneration	- audit fees	410	356
		- prospectus audit	5	5
		- other services	7	6
	Total auditor's remuneration		422	367
	Operating lease expense		3,045	1,875
	Directors' fees		223	229
	Bad debts written off		165	96
	Donations		19	18
	Superannuation contributions			
	CMC Staff Superannuation Fund		739	761
	KiwiSaver		938	678
	Movement in impairment allowance for:			
	Parts inventory obsolescence (increase) / decrease		(272)	28
	Doubtful debts		17	20
	Credit contracts (increase) / decrease		(18)	4

		2015 $000	2014 $000
2	**Trade and other receivables**		
	Trade receivables	31,887	30,143
	Impairment allowance for doubtful debts	(97)	(80)
		31,790	30,063
	Other receivables	4,645	4,662
	Prepayments	272	304
	Intercompany receivables	-	-
		36,707	35,029

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 $0.113m (2014 $0.057m). 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 2015 is as follows:

	2015	2014
Parts & Service Receivables		
Total outstanding	11,134	10,854
Overdue (not impaired) 30 – 90	1,987	2,116
Overdue (not impaired) 90 Day +	280	341
% Current (not yet due)	80%	77%
% overdue 90 days	3%	3%
Impaired (written off during the year)	113	57
Vehicle receivables		
Total outstanding	20,753	19,290
Overdue (not impaired)	5,553	4,019
Impaired	-	-
Impaired (written off during the year)	-	-
Impairment allowance		
Opening balance	80	60
Bad debts written off	(113)	(57)
Impairment allowance movement	130	77
Closing balance	97	80

	2015 $000	2014 $000

3 Inventory

	2015 $000	2014 $000
Vehicles & implements	99,533	78,909
Parts, accessories, workshop, fuels & gases	18,300	15,825
Impairment allowance for parts obsolescence	(1,892)	(2,260)
	115,941	92,474

Bailment facilities

Most of the subsidiaries have bailment facilities with finance companies to provide funding for new vehicles. The main finance company is UDC Finance Limited a member of the ANZ Banking Group. Under these facilities the finance companies own the 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) for the use of the vehicles. The bailment agreements are subject to financial limits. The vehicles are purchased from the finance companies at the same time as they are sold to customers.

If the subsidiaries breach the bailment agreements, the finance companies retain 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.

The cost of vehicles funded under bailment plans at 30 June 2015 was $44.8m (2014: $38.6m).

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 reporting period.

Total Inventory write down including parts, parts obsolescence and vehicles for the year ended 30 June 2015 was $0.234m (2014: $0.111m).

4 Financial asset & 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 Motor Trade Finances Limited (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.

At each reporting date the Group had outstanding vehicle financing agreements with MTF in potential liabilities and receivables of $15.026m before impairment allowance (2014: $17.004m) with the following repayment schedule:

Repayments are due from financing agreements over the following periods

	2015	2014
Up to 1 year	5,819	6,743
1 to 2 years	4,843	5,189
2 to 3 years	2,998	3,348
3 to 4 years	1,211	1,458
4 to 5 years	155	266
Total	15,026	17,004
Impairment allowance	(150)	(168)
Carrying value of receivable at balance date	14,876	16,836

	2015	2014
Number of loans	1,008	1,138
Value of impaired accounts written off in the year ($'000)	52	39
Actual arrears/amounts past due at 30 June ($'000)	21	37
Arrears as % of total	0.14%	0.22%
Total value of accounts in arrears at 30 June ($'000)	920	1,510
Accounts in arrears as % of total	6.18%	8.88%

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

4 Financial asset & financial liabilities – credit contracts - continued

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.

5 Property, plant & equipment

	Land & buildings $000	Furniture, fittings & equipment $000	Service vehicles $000	Total $000
Cost at 30 June 2013	62,544	19,194	5,831	87,569
Accumulated depreciation	(11,202)	(13,699)	(2,351)	(27,252)
Revaluation	30,258	-	-	30,258
Net book value at 30 June 2013	81,600	5,495	3,480	90,575
Additions	2,366	1,965	2,137	6,468
Disposals	-	(82)	(2,251)	(2,333)
Depreciation	(1,140)	(1,403)	(799)	(3,342)
Movement in revaluation	1,928	-	-	1,928
Net book value at 30 June 2014	84,754	5,975	2,567	93,296
Cost at 30 June 2014	64,905	20,255	4,754	89,914
Accumulated depreciation	(12,337)	(14,280)	(2,187)	(28,804)
Revaluation	32,186	-	-	32,186
Net book value at 30 June 2014	84,754	5,975	2,567	93,296
Additions	7,678	3,439	2,280	13,397
Reclassification	(14,128)	-	-	(14,128)
Disposals	(23)	(245)	(998)	(1,266)
Depreciation	(1,229)	(1,895)	(956)	(4,080)
Movement in revaluation	1,939	-	-	1,939
Net book value at 30 June 2015	78,991	7,274	2,893	89,158
Comprised of:				
Cost at 30 June 2015	61,988	21,557	5,090	88,635
Accumulated depreciation	(11,296)	(14,283)	(2,197)	(27,776)
Revaluation	28,299	-	-	28,299
Net book value at 30 June 2015	78,991	7,274	2,893	89,158

All land & buildings were independently valued at reporting date by QV Asset & 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.

All property has been classified as level 2 in the fair value hierarchy specified in NZ IFRS 13 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.

All property was valued at its highest and best use by applying a direct sales comparison approach which derives fair values by comparing the property to similar assets that have recently sold on the open market.

The revaluation of property to the latest valuation resulted in a loss through profit or loss of $(0.007)m (2014: gain of $0.761m).

Land and buildings owned by the Company are categorised as property, plant & equipment because they are owned specifically for use in the revenue generating operations of its subsidiaries.

At balance date the dealership property on the corner of Taranaki and Jessie Streets in Wellington was subject to an unconditional contract for sale with settlement on 1 September 2015. It has been reclassified as a property held for sale at balance date included in current assets at the lower of carrying value and fair value less costs to sell. The property is to be leased from the new owners for two years for which the rental has been included in the operating lease commitments in Note 17.

Net book value of land & buildings at balance date includes capital work in progress of $2,027,785 (2014 - $527,000).

		2015 $000	2014 $000
6	**Cash and bank accounts**		
	Bank accounts in funds	6,624	8,543
	Bank accounts in overdraft	(843)	(1,414)
	Net cash and bank balance	5,781	7,129

This balance includes all cash and cash equivalents.

The Company guarantees the amounts owing by its subsidiaries under overdraft facilities and the subsidiaries guarantee the indebtedness of the Company. The aggregate limit on bank overdrafts is $6.9m.

		2015 $000	2014 $000
7	**Trade & other payables**		
	Trade payables	35,881	32,978
	Employee benefits	5,815	5,866
	Other payables	7,556	3,408
		49,252	42,252

		2015 $000	2014 $000
8	**Bank borrowings**		
	Bank borrowings	29,900	22,400

The Group 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 $56.5m in total. Wholesale borrowing is transacted only by the Company. Its indebtedness is guaranteed by its trading subsidiaries to the full extent of the facilities. All borrowing at balance date was repayable at call.

The agreements with each of the banks are very similar and require the Group to meet financial criteria based on ratios derived from its financial statements. The Group 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.

See note 19 (c) for interest rate disclosures.

9 At call deposits

The Company offers for subscription unsecured call debt securities ("Deposits"). Acceptance of Deposits is restricted to shareholders, employees and their associates. The Deposits are constituted by, issued under and are described in a trust deed dated 21 September 1994 as amended by various Deeds of Modification and Supplemental Deeds all made between the Company, its guaranteeing subsidiaries (as therein defined) and New Zealand Permanent Trustees Limited as trustee for the holders of Deposits (“the Depositors").

Under the terms of the Trust Deed the 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 currently accepted under the terms of a prospectus issued by the Company and registered on 31 October 2014 with the New Zealand Companies Office. Transition to the new regime being introduced by the Financial Markets Conduct Act 2013 will be completed by the deadline in the legislation of 1 December 2016.

The maximum amount of Deposits on offer at 30 June 2015 is $20 million. Actual Deposits at 30 June 2015 were $18.0m (2014 $15.4m).

Interest is payable on Deposits at rates that vary from time to time as disclosed to the Depositors on the application form or as subsequently notified to Depositors in writing. The interest rate applicable at 30 June 2015 was 4.25% (2014: 4.0%). This has subsequently been reduced to 3.75%.

10 Intangible assets

	Intangibles with indefinite lives		Intangibles with finite lives	Total
	Goodwill $000	Franchise rights $000	Customer databases $000	$000
Balance at 30 June 2014	1,028	-	-	1,028
Acquired during the year	-	450	300	750
Impairment loss during the year	-	-	-	-
Amortisation during the year	-	-	(100)	(100)
Balance at 30 June 2015	1,028	450	200	1,678
Cost	1,028	450	300	1,778
Accumulated amortisation & impairment	-	-	(100)	(100)
Balance at 30 June 2015	1,028	450	200	1,678

The intangible assets acquired during the year formed part of the business acquisition more fully described in note 25.

The carrying value of intangible assets was reviewed at 30 June 2015 and considered to be fair value.

The value of intangibles is compared with the “value in use” of the affected dealerships, which have been identified as the cash generating units associated with the intangibles. Impairment of the intangible assets is recognised if there is considered to be a permanent reduction of the “value in use”.

The calculations of “value in use” are based on the actual results for the past five reporting periods together with the projected results for the next five reporting periods. It was assumed that there would be no real 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 10.11% (2014: 10.15%).

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 intangible assets to exceed their recoverable amount.

11 Investments

	2015 $000	2014 $000
Shares in Motor Trade Finances Limited (MTF)	1,077	815
Other	34	-
Total	1,111	815

MTF shares are traded in a quoted but restricted market and are categorised as level two in the fair value hierarchy.
Shares are carried at fair value with changes in value recognised through profit or loss.

12 Earnings per share

Basic and diluted earnings per share is calculated by dividing the profit after tax attributable to shareholders by the weighted average number of shares outstanding during the year.

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

	2015	2014
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)	16,326	18,221
Profit for the year attributable to shareholders ($000)	17,597	19,153
Basic and diluted earnings per share on:		
Profit attributable to shareholders	53.8 cents	58.6 cents
Trading profit after tax	49.9 cents	55.7 cents

		2015 $000	2014 $000
13	**Share capital**		
	Ordinary shares 32,694,632 (2014: 32,694,632)		
	Total share capital	15,968	15,968

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

			2015 $000	2014 $000
14	**Dividends**			
	Dividends paid during the year ended 30 June 2015			
	Final for the year ended 30 June 2014 paid 20 October 2014	(22.0 cps)	7,193	6,866
	Interim for the year ended 30 June 2015 paid 20 April 2015	(13.0 cps)	4,250	4,250
	Amount provided in the financial statements		11,443	11,116

These dividends include the supplementary dividends paid to overseas shareholders.

		2015 $000	2014 $000
15	**Income tax expense**		
	Profit after tax for the year	18,705	20,206
	Components of income tax expense		
	Current tax expense	7,582	7,936
	Deferred tax movement on temporary differences	75	(21)
	Deferred tax on property depreciation	(1,016)	(171)
	Total tax expense	6,641	7,744
	Profit before tax	25,346	27,950
	Expected tax charge at the NZ domestic tax rate of 28%	7,097	7,826
	Tax adjustments for		
	Non-deductible expenses	(87)	374
	Tax exempt income	637	(333)
	Changes in unrecognised temporary differences	(65)	68
	Movement in deferred tax	(941)	(191)
	Actual tax expense	6,641	7,744
	Deferred tax		
	Opening deferred tax liability	(3,428)	(3,878)
	Movement through profit or loss	941	191
	Movement through property revaluation reserve	(823)	(9)
	Movement through foreign currency reserve	(961)	268
	Closing deferred tax liability	(4,271)	(3,428)
	Deferred tax assets and liabilities are attributable to the following:		
	Trade and other payables	56	169
	Trade and other receivables	23	22
	Employee benefits	1,130	1,003
	Inventories	552	633
	Financial derivatives	(832)	142
	Impairment allowance for finance bad debts	42	43
	Property, plant and equipment	(327)	491
	Building depreciation rule change	(4,915)	(5,931)
		(4,271)	(3,428)
	Imputation credit account		
	Imputation credits available for use in subsequent reporting periods	13,341	10,246

The Group has no deferred tax on unused tax losses to be utilised against future taxable profits. (2014: Nil)

		2015 $000	2014 $000
16	**Contingent liabilities / capital commitments**		
	Contingent liabilities	-	-
	Capital commitments for new and developments to dealership facilities	3,400	3,915

		2015 $000	2014 $000
17	**Operating lease commitments & receivables**		
	Commitments under non-cancellable operating leases are due		
	Within one year	2,648	1,541
	Between one and two years	1,805	1,259
	Between two and five years	2,524	1,933
	Over five years	1,767	1,599
		8,744	6,332

The Group owns most of the property from which it operates. However, some Dealerships operate from sites not owned by the Group or have additional premises leased from third parties. These operating lease commitments primarily refer to those properties. The leases are negotiated under normal commercial arrangements with varying terms, escalation clauses and renewal conditions. There are no undue restrictions imposed on these leases or contingent rents due. The Group does not carry any material finance leases.

	2015 $000	2014 $000
Receivables under non-cancellable operating leases are due		
Within one year	371	555
Between one and two years	195	249
Between two and five years	286	117
Over five years	282	-
	1,134	921

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.

		2015 $000	2014 $000
18	**Financial derivatives – foreign exchange**		
	Foreign exchange asset / (liability)		
	Opening balance	(507)	597
	Movement during the year through		
	Other comprehensive income	3,432	(956)
	Profit or loss	48	(148)
	Closing balance	2,973	(507)

Refer Note 19(d) for additional details

19 Financial instruments

19(a) 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.
- 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.

19(b) 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.

The rate of impairment of amounts receivable under credit contracts (Note 4) is low. If the incidence of recourse requiring balance to be written off were to increase by 0.1% it would increase the annual amount written off through profit or loss by $0.015m (2014 - $0.017m).

19(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:

	2015	2014
Bank overdraft	6.40% - 13.90%	10.55% - 11.65%
At-Call Deposits	4.00% - 4.25%	4.00%
Bank facility	4.15% - 5.45%	4.15% - 5.20%

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 2016 to December 2017 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 in profit or loss by $0.479m per annum. (2014: $0.377m).

19(d) Foreign currency risk

The Group enters into fixed rate foreign exchange contracts to create a cash flow 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 profit or loss. The adjustment to fair value is recorded in the statement of financial position as a financial derivative asset or liability.

19 Financial instruments - **continued**

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.

	2015	2014
Currency	$000	$000
Australian dollars	8,013	24,058
Euros	21,856	22,062
United States dollars	-	1,794
TOTAL	29,869	47,914

Due to the close association between foreign currency commitments for imported goods, their selling price 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 2015 or 30 June 2014.

19(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 Group 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.

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

If the finance companies were to withdraw the bailment facilities described in note 3 or were unable to fund as many vehicles as required, the Group 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 Group 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 finance companies.

The extent of the bank facilities is disclosed in note 8 and bailment facilities in note 3.

19(f) Maturity analysis

Financial liabilities in the form of At-Call Deposits and bank borrowings are payable on call. Trade and other payables are due within one year. This arrangement is unchanged from 2014.

The amounts payable, including interest, by customers under the financial assets – credit contracts have the following repayment profile which is the maximum amount the Group may be required to pay if subject to recourse under its contractual obligations.

	2015	2014
	$000	$000
Amount due in		
Less than one year	7,446	8,630
1 to 2 years	5,744	6,244
More than 2 years	4,818	5,666
Total	18,008	20,540

Operating lease commitments are analysed in note 17.

19(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 it continues as a going concern, 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.

The Group complied with all of the financial covenants incorporated in the bank borrowing facilities (Note 8) and the At-Call Deposit trust deed (Note 9) at balance date and at 30 June 2014. There are no other externally imposed capital requirements.

There has been no change in the Group's management of capital during the years ended 30 June 2015 and 2014.

20 Financial instruments by category

2015	Fair value through profit or loss $000	Amortised cost $000	Loans & receivables $000	Financial derivatives $000
Assets				
Cash and bank balances	-	-	5,781	-
Trade receivables	-	-	36,707	-
Credit contracts	-	-	14,876	-
Shares in companies	1,111	-	-	-
Financial derivatives – foreign exchange	-	-	-	2,973
Liabilities				
Bank borrowings	-	29,900	-	-
Deposits	-	18,047	-	-
Trade payables	-	49,252	-	-
Vehicle floorplan finance	-	10,700	-	-
Credit contracts	-	15,026	-	-
2014				
Assets				
Cash and bank balances	-	-	7,129	-
Trade receivables	-	-	35,029	-
Credit contracts	-	-	16,836	-
Shares in companies	815	-	-	-
Liabilities				
Trade payables	-	42,252	-	-
Deposits	-	15,362	-	-
Bank borrowings	-	22,400	-	-
Credit contracts	-	17,004	-	-
Financial derivatives – foreign exchange	-	-	-	507

21 Cashflow reconciliation

	2015 $000	2014 $000
Profit after tax for the year	18,705	20,206
Adjustments for non-cash items		
Depreciation	4,080	3,342
Amortisation	100	-
Revaluation of property and investments	(255)	(761)
Movement in		
Impairment credit contracts	(18)	4
Foreign exchange	(48)	148
Deferred tax	(941)	(192)
Movement in working capital		
Trade & other payables	6,998	10,148
Tax payable	(453)	351
Receivables & prepayments	(1,677)	(6,981)
Inventory	(23,467)	(12,256)
Net cash flow from operating activities	3,024	14,009

22 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**
Balance at 1 July 2013	15,968	34,991	304	80,637	**131,900**	1,775	**133,675**
Dividend paid	-	-	-	(11,116)	**(11,116)**	(615)	**(11,731)**
Total transactions with shareholders	15,968	34,991	304	69,521	**120,784**	1,160	**121,944**
Profit after tax for the year	-	-	-	19,153	**19,153**	1,053	**20,206**
Other comprehensive income							
Property revaluation reserve							
Fair value movement	-	1,167	-	-	**1,167**	**-**	**1,167**
Deferred tax effect	-	(9)	-	-	**(9)**	-	**(9)**
Foreign exchange cashflow hedge reserve							
Movement in hedged items	-	-	(813)	-	**(813)**	(143)	**(956)**
Deferred tax effect	-	-	228	-	**228**	40	**268**
Total comprehensive income	-	1,158	(585)	19,153	**19,726**	950	**20,676**
Balance at 30 June 2014	15,968	36,149	(281)	88,674	**140,510**	2,110	**142,620**
Dividend paid	-	-	-	(11,443)	**(11,443)**	(900)	**(12,343)**
Total transactions with shareholders	15,968	36,149	(281)	77,231	**129,067**	1,210	**130,277**
Profit after tax for the year	-	-	-	17,597	**17,597**	1,108	**18,705**
Other comprehensive income							
Property revaluation reserve							
Fair value movement	-	1,946	-	-	**1,946**	**-**	**1,946**
Deferred tax effect	-	(823)	-	-	**(823)**	-	**(823)**
Foreign exchange cashflow hedge reserve							
Movement in hedged items	-	-	2,917	-	**2,917**	515	**3,432**
Deferred tax effect	-	-	(817)	-	**(817)**	(144)	**(961)**
Total comprehensive income	-	1,123	2,100	17,597	**20,820**	1,479	**22,299**
Balance at 30 June 2015	15,968	37,272	1,819	94,828	**149,887**	2,689	**152,576**

23 Group companies

All subsidiaries are 100% owned (2014: 100%), with the exception of Southpac Trucks Ltd which is 85% owned (2014: 85%) and all subsidiaries have a reporting date of 30 June. All Group companies are registered in New Zealand.

Subsidiary companies operate as motor vehicle dealerships and related or incidental activities. The Colonial Motor Company Limited provides administrative and financial services to the subsidiaries as well as leasing them at market rates many of the properties they occupy.

Trading subsidiaries

Agricentre South Ltd, Avon City Motorcycles Ltd, Avon City Motors Ltd, Capital City Motors Ltd, Dunedin City Motors Ltd, Energy City Motors Ltd, Fagan Motors Ltd, Hutchinson Motors Ltd, Jeff Gray Ltd, M.S. Motors (1998) Ltd, Macaulay Motors Ltd, Ruahine Motors Ltd, South Auckland Motors Ltd, Southern Autos – Manukau Ltd, Southpac Trucks Ltd, Stevens Motors Ltd, The Hawkes Bay Motor Company Ltd, Timaru Motors Ltd.

Non-trading 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 (2012) Ltd, Advance Agricentre Ltd and Southland Tractors Ltd.

24 Segment reporting

The 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, trade receivables 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 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.

	2015			2014		
	Motor vehicle dealerships $000	Corporate and non-trading units $000	Total Group $000	Motor vehicle dealerships $000	Corporate and non-trading units $000	Total Group $000
Revenue	788,814	563	789,377	698,811	503	699,314
Depreciation and amortisation	2,861	1,319	4,180	2,115	1,227	3,342
Interest income	40	91	131	30	1	31
Interest expense	3,110	2,245	5,355	2,279	1,178	3,457
Trading profit before tax	21,868	3,223	25,091	23,827	3,362	27,189
Total assets	190,393	91,960	282,353	157,568	89,039	246,607

25 Business acquired

On 24 July 2014, Jeff Gray Limited, a wholly-owned subsidiary, entered into an unconditional contract to purchase the business of Jeff Gray European Limited.

The acquisition consisted of assets, liabilities, staff and leases relating to four BMW franchise dealerships in Wellington, Christchurch, Hastings and Palmerston North. The Wellington and Christchurch dealerships include MINI Garages. The business operates with its own management team and trades from leased facilities in all four centres under the name of Jeff Gray BMW and MINI.

Settlement was on 18 August 2014 with a total consideration of $4.337m paid in cash and made up as follows. There were no elements of the consideration that were contingent on future events.

		$000
Assets acquired	Inventory	10,853
	Property, plant & equipment	1,301
	Intangible assets	750
	Total assets	12,904
Less liabilities assumed	Vehicle Floorplan Finance	(8,134)
	Trade & other payables	(433)
	Consideration paid	4,337

The intangible assets acquired related to franchise rights and customer databases recognised at their acquisition date fair value. The customer databases have been determined to have a useful life of three years and are being amortised on a straight line basis accordingly.

BMW Financial Services New Zealand Limited provides vehicle floorplan finance to fund new and demonstrator vehicles. Amounts are repaid when the vehicles are sold but can be repaid at any time. The amount outstanding at reporting date was $10.7m.

Revenue recorded by Jeff Gray Limited since acquisition was $59.5m. Its profit after tax was $0.085m. This is not believed to be representative of its future earnings capacity. As the acquisition took place early in the reporting period, the Group revenue and earnings that would have been recorded if the acquisition had taken place on 1 July 2014 would not have been materially different.

26 New standards, interpretations and amendments

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

Standards effective for reporting periods beginning on 1 July 2018:

NZ IFRS 15 Revenue from contracts with customers.
NZ IFRS 9 Financial Instruments

Management has not yet fully evaluated the effect that NZ IFRS 9 or NZ IFRS 15 may have on the Group financial statements.

27 Remuneration of Employees

During the year to 30 June 2015 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 2015	Number of Employees 2014
100,000	-	110,000	27	23
110,001	-	120,000	17	15
120,001	-	130,000	9	14
130,001	-	140,000	13	14
140,001	-	150,000	8	8
150,001	-	160,000	12	8
160,001	-	170,000	4	1
170,001	-	180,000	2	3
180,001	-	190,000	4	8
190,001	-	200,000	5	2
200,001	-	210,000	2	3
210,001	-	220,000	2	2
220,001	-	230,000	2	-
230,001	-	240,000	2	1
240,001	-	250,000	2	-
250,001	-	260,000	-	3
260,001	-	270,000	-	2
270,001	-	280,000	1	-
280,001	-	290,000	-	1
290,001	-	300,000	1	-
300,001	-	310,000	1	-
310,001	-	320,000	-	2
321,001	-	330,000	1	1
330,001	-	340,000	1	1
350,001	-	360,000	-	1
370,001	-	380,000	1	-
390,001	-	400,000	1	-
400,001	-	410,000	1	-
410,001	-	420,000	1	-
440,001	-	450,000	1	1
470,001	-	480,000	-	1
480,001	-	490,000	1	-
570,001	-	580,000	-	1
990,001	-	1,000,000	-	1
1,000,001	-	1,100,000	1	-
			123	117

28 Related party transactions

The Group has related party transactions with key management personnel and the Staff Superannuation Fund.

Transactions with key management personnel were:

	2015 $000	2014 $000
Short term benefits (including salary, incentives, profit share, use of motor vehicle and other benefits)	6,033	6,184
Post-employment benefits (including superannuation contributions)	237	222
Share related benefits	-	-
Total remuneration benefits	6,270	6,406

Key management personnel includes current directors (executive and non-executive), key management at the Group office and chief executives of all trading subsidiaries.

Some key management personnel have funds on deposit with the Company by way of its unsecured call debt securities (see note 9) on the same terms and conditions as all other depositors.

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 4.

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 33 and remuneration of employees – Note 27.

The Colonial Motor Company Limited Staff Superannuation Fund.

The Company is the trustee of The Colonial Motor Company Limited Staff Superannuation Fund (the Fund), a defined contribution scheme in which key management personnel participate. The Company provides administrative services to the Fund and received fees $0.058m (2014 $0.058m) during the year.

The Fund holds 304,196 (2014: 304,196) ordinary shares in the Company through a wholly-owned investment company.

The Fund holds 835,000 (2014: 835,000) MTF perpetual preference shares.

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

29 Events subsequent to balance date

On 19 August 2015 a dividend was declared of 20.0 cents per share to be paid fully imputed on 19 October 2015 representing a total payment of $6.5 million.

The sale of the Wellington property (Note 5) shown as property held for sale in the statement of financial position was settled on 1 September 2015.

Grant Thornton

Independent Auditor's Report

Audit

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To the Shareholders of The Colonial Motor Company Limited

Report on the financial statements

We have audited the accompanying consolidated financial statements on pages 7 to 28 of The Colonial Motor Company Limited (the "Group") which comprise the consolidated statement of financial position as at 30 June 2015, and the consolidated statement of comprehensive income, profit or loss, 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. The Group comprises The Colonial Motor Company Limited and the entities it controlled at 30 June 2015, or from time to time during the reporting period.

Directors' responsibility for the consolidated financial statements

The Directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 overall presentation of the consolidated 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 Group.

Opinion

In our opinion, the accompanying consolidated financial statements on pages 7 to 28 present fairly, in all material respects, the financial position of The Colonial Motor Company Limited and the entities it controlled as at 30 June 2015 and their financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards.

Grant Thornton

Grant Thornton New Zealand Audit Partnership
Wellington, New Zealand
22 September 2015

Governance statement

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

The CMC Group is structured so that each motor vehicle dealership is managed locally 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 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 following reviews in alternate years. 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. Shareholders may register to receive the interim and preliminary reports electronically.

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 market. The statutory registers of directors, their shareholdings and interests are kept at CMC's registered office.

The Board schedules at least eight meetings each 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 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, consisted of all directors, met once.

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

Audit & 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) and P J Aitken 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 NZX 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.

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 and its subsidiary companies, Titan Cranes Limited and Results.Com 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.

(b) Remuneration of directors

Remuneration and all other benefits received by the directors who held office during the year ended 30 June 2015 are disclosed pursuant to section 211(1)(f) of the Act as follows

	Directors' fees 2015 $	Total remuneration 2015 $	Total remuneration 2014 $
J P Gibbons (Chairman)	77,000	101,634	95,316
P J Aitken	47,000	47,000	44,000
F R S Clouston	51,700	51,700	46,750
G D Gibbons	-	912,701	990,148
S B Gibbons	-	185,203	-
M J Newman	-	570,932	584,749
D M Wood	47,000	47,000	44,000
I D Lambie	-	-	48,400
J A Wylie	-	-	57,985

Remuneration for the Chairman, additional to directors' fees, included the provision of a motor vehicle.

F R S Clouston was elected Chairman of the Audit & Compliance Committee in November 2013 and received additional directors' fees commensurate with the position from that date.

Executive directors do not receive directors' fees for acting as a director of the Company or of any subsidiary. Executive directors acting in their capacity as employees of the Company or of a subsidiary received total remuneration including salary, incentives, superannuation contributions, use of a motor vehicle and other benefits in the year ended 30 June 2015 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 Group Chief Executive (who is also a director) has a profit performance component. The incentive payment for the year to 30 June 2015 was $514,067 (2014: $591,514). Dealer Principals/CEOs of subsidiary companies receive a profit performance component of their remuneration based on their dealership profit. The remuneration received by M J Newman and S B Gibbons as executives is shown for the full twelve months to 30 June 2015 and includes a profit performance component of $316,251 and $14,122 respectively (2014 - $338,901 for M J Newman). S B Gibbons was appointed as a director after 30 June 2014.

In accordance with clause 28.4 of its constitution, the Company may provide for directors retirement benefits. The total provided at 30 June 2015 was $Nil (2014 - $Nil). Directors appointed after 1 May 2004 are not eligible to receive a retirement allowance unless authorised by shareholder resolution.

As permitted 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 they undertake as directors. Certain actions are specifically excluded, such as incurring penalties and fines that may be imposed in respect of breaches of the law.

Directors' disclosures as required by the Companies Act 1993

(c) Use of company information by directors

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

(d) Share dealings by directors

Directors have disclosed under Section 148(2) of the Act the following acquisition of a relevant interest in shares in the Company between 1 July 2014 and 31 August 2015.

J P Gibbons acquired a non-beneficial interest in 149,203 ordinary shares on 30 March 2015 through an off-market transaction between trusts that did not specify a share price.

Directors disclosed no other transactions in the shares of the Company during the period.

(e) Composition of the Board

All 7 of the Directors and the 13 officers (direct reports to the Group Chief Executive) at the reporting date were male (2014: 7 Directors male, 13 officers, male)

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

(a) Director independence

The following directors were Independent Directors at reporting date:

P J Aitken
F R S Clouston

The following directors were not Independent Directors at reporting date:

J P Gibbons
G D Gibbons
D M Wood
M J Newman
S B Gibbons

(b) Directors' relevant interests at 30 June 2015

	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 person of the director	
	2015	2014	2015	2014	2015	2014
P J Aitken	8,870	8,870	-	-	-	-
G D Gibbons	1,737,849	1,737,849	250,825	250,825	104,520	104,520
J P Gibbons	1,421,081	1,421,081	1,374,206	1,225,003	469,270	469,270
S B Gibbons*	1,905,176	-	176,087	-	-	-
M J Newman	1,000	1,000	-	-	-	-
D M Wood	20,000	20,000	13,825	13,825	578,120	578,120

* *Not a director at 30 June 2014*

Disclosure of substantial security holders

As required by section 26 the Securities Markets Act 1988, the substantial security holders as at 31 August 2015 (from whom a notice under the Act had been received and the date of each such notice) were as follows:

	Date	Shares	%
P C Gibbons	1 April 2014	3,477,938	10.64
J P Gibbons	4 October 2013	2,606,084	8.09
S B Gibbons	16 September 2010	2,031,263	6.21

Issued and fully paid capital as at 30 June 2015 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 2015.

	Number of shareholders		**Number of shares**	
	Number	**%**	**Number**	**%**
1 - 999	235	15.3	111,129	0.3
1,000 - 9,999	964	62.7	3,269,369	10.0
10,000 - 99,999	282	18.3	6,854,893	21.0
100,000 - 999,999	52	3.4	16,217,758	49.6
1,000,000 +	4	0.3	6,241,483	19.1
Total	1,537	100.0	32,694,632	100.0

Five year summary of shareholder return on investment – 30 June year ended

Year	**Share price at 30 June**	**Dividends paid - cps Date**	**Net**	**Gross**	**Gross dividend yield %**	**Change in share price cps**	**Total gross return cps**	**Gross shareholder return %**
2015	$5.75	20/04/15	13.0	48.7	9.3	55.0	103.6	19.9
		20/10/14	22.0					
2014	$5.20	04/04/14	13.0	47.3	12.0	125.0	172.3	43.6
		21/10/13	21.0					
2013	$3.95	05/04/13	9.0	35.4	11.2	80.0	115.4	36.6
		23/10/12	16.0					
2012	$3.15	23/04/12	9.0	30.0	11.8	61.0	91.0	35.8
		25/10/11	12.0					
2011	$2.54	04/04/11	7.0	22.9	10.5	36.0	58.9	27.0
		26/10/10	9.0					

Note: Yields are calculated on the share price at the beginning of each year. The share price at 30 June 2010 was $2.18.

Fifty largest shareholdings as at 31 August 2015

	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
Custodial Services Limited	508,345	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	381,835	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
Public Trust Class 10 Nominees Limited	227,654	0.7
Forsyth Barr Custodians Limited	212,715	0.7
RB & JG Tait & IJ Craig	207,456	0.6
RD Gibbons, SD Wood & GD Gibbons	204,810	0.6
CG & AE Harrison & JA Flygenring & P&H Trustees No 2 Limited	188,118	0.6
JH Smith, AF Peake & SB Gibbons	176,087	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
FNZ Custodians Limited	139,610	0.4
Ian Forbes Michie	135,730	0.4
Forsyth Barr Custodians Limited	125,847	0.4
GH & FT Gibbons & SJ Wilson	122,413	0.4
Sally Blundell Fell	118,174	0.4
Anne Blundell Norman	118,173	0.4
Total of fifty largest shareholdings	21,634,479	66.2
Total shares on issue	32,694,632	100.0

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

The Colonial Motor Company Limited

Today the CMC Group'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 was 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 decendants of Hopeful & Jessie Gibbons, who collectively hold over 60% of the Company shares. There are also many descendants of the original 1902 subscribers to the Rouse & Hurrell Carriage Building Company Limited who remain shareholders today.

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