



*The  
Colonial  
Motor Company  
Limited*

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**HALF YEAR REPORT**

For Six Months Ended 31 December 2009

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*The Colonial Motor Company Limited*  
**HALF YEAR REPORT**

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**For the Six Months Ended 31 December 2009**

89 Courtenay Place  
Wellington  
26 February 2010

Dear Shareholder

Your Directors are pleased to advise you of the unaudited results of the Group for the six months ended 31 December 2009.

Profit after tax (attributable to Shareholders) for the period was \$2.594m, compared to \$2.226m in the six months to 31 December 2008.

Group revenue was \$214.268m, down 19% compared to the \$264.737m in the comparable period. To put this into perspective the six months to 31 December 2009 was down only 3.7% compared to the six months from January to June 2009, indicating a more stable environment but at a significantly lower level than 2008.

In 2009 the new vehicle industry was down 28% from 2008 and our new vehicle sales reflect this. However, our used vehicle trading has been at a similar level year-over-year and in an environment where used vehicle prices have generally risen after years of exchange rate led price reductions.

Inventory levels held on balance sheet were only slightly down on 30 June 2009 and 31 December 2008, however new product held under bailment (see note 9) was down from \$40.8m at 30 June 2009 to \$25.7m at 31 December 2009. This shows up as a significant reduction in interest cost.

Around the Group, we have had no capital expenditure projects on our owned dealership properties however Capital City – Kapiti moved into the expanded and refurbished showroom of their leased facility. In July we opened a new tractor dealership – Advance Agricentre in Southland – to represent CASE IH tractors and Kuhn implements. At the end of September Timaru Motors and Trucks South ceased representing Mercedes Benz, Sterling and Mitsubishi Trucks. The truck workshop in Timaru has been leased to the new operator. In Taranaki, the Stratford territory has been added to New Plymouth and the Service department of the former dealership has been appointed a service agent to Energy City Ford.

In general terms the outlook for 2010 is subdued and those areas and businesses that were last to feel the full impact of the recession i.e. provincial New Zealand in particular, will take quite some time to recover. The new normal is at a significantly lower level than in the recent past.

The presentation of the financial statements in this report has changed yet again as we continue to adjust to the evolving accounting and reporting standards. This year the Statement of Changes in Equity has been separated into two statements and there is a new note on Segment Reporting.

On 21 December 2009 the Directors announced a fully imputed taxable bonus issue of one new share for every 5.75 shares a shareholder held.

The interim dividend distribution to shareholders to be paid on Monday, 12 April is being increased to \$1.962m from \$1.671m last year through a 6.0cps fully imputed interim dividend on all shares, including the recently issued bonus shares.

*For and on behalf of the Board*  
**John A Wylie**  
**CHAIRMAN**

# *The Colonial Motor Company Limited*

<b>The Colonial Motor Company Limited and Subsidiaries Consolidated INCOME STATEMENT For the Six Months ended 31 December 2009</b>	<b>6 Months to 31.12.09 \$M</b>	<b>6 Months to 31.12.08 \$M</b>	<b>12 Months to 30.06.09 \$M</b>
<b>Revenue</b>			
Sale of - Products	185.987	235.322	429.241
- Services	24.872	26.309	51.799
Other Income - Interest	0.073	0.146	0.294
- Other	3.336	2.960	5.991
<b>Total Revenue</b>	<b>214.268</b>	<b>264.737</b>	<b>487.325</b>
<b>Less Expenses</b>			
Cost of Products Sold	165.954	210.843	381.856
Remuneration of Staff	27.237	28.992	56.829
Depreciation & Amortisation	1.779	1.864	3.416
Property Occupation Costs	4.964	4.711	9.269
Marketing, Promotion & Training Costs	2.211	3.018	5.572
Other Operating Costs	7.139	7.987	15.599
Interest Cost	1.427	3.089	4.904
<b>Trading Profit before Tax</b>	<b>3.557</b>	<b>4.233</b>	<b>9.880</b>
Revaluation decrease of Property	-	-	(1.825)
Impairment loss on Goodwill	-	(0.563)	(0.563)
<b>Net Profit before Tax</b>	<b>3.557</b>	<b>3.670</b>	<b>7.492</b>
Less: Provision for Tax - Current	1.067	1.298	2.913
- Deferred	0.014	0.117	(0.040)
<b>Profit after Tax for the period</b>	<b>2.476</b>	<b>2.255</b>	<b>4.619</b>
Attributable to: Shareholders	2.594	2.226	4.614
: Non Controlling Interests	(0.118)	0.029	0.005
	2.476	2.255	4.619
Trading Profit after Tax (\$M)	2.594	2.789	7.002
Dividends to Shareholders (\$M)	1.962	1.671	4.178
<b>Based on Shares on Issue at 31 December 2009</b>			
Basic and diluted Earnings per Share on Net Profit After Tax	9.3 cents	8.0 cents	16.6 cents
Dividend per Share	7.0 cents	6.0 cents	15.0 cents
Net Tangible Assets per Share (pre dividend)	\$4.32	\$4.31	\$4.32
<b>Based on Shares on Issue at 18 January 2010</b>			
Basic and diluted Earnings per Share on Net Profit After Tax	7.9 cents		
Dividend per Share	6.0 cents		
Net Tangible Assets per Share (pre dividend)	\$3.68		

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The Colonial Motor Company Limited and Subsidiaries Consolidated Statement of COMPREHENSIVE INCOME For the Six Months ended 31 December 2009	6 Months to 31.12.09 \$M	6 Months to 31.12.08 \$M	12 Months to 30.06.09 \$M
<b>Profit after Tax for the period</b>	2.476	2.255	4.619
<b>Other comprehensive income</b>			
<b>Property Revaluation Reserve</b>			
Fair Value movement	-	-	(0.408)
Deferred Tax movement	(0.138)	-	1.750
<b>Foreign Exchange Reserve</b>			
Movement in effective hedge	0.050	(1.294)	(2.486)
Deferred Tax movement	(0.014)	0.388	0.746
<b>Total Comprehensive Income</b>	<b>2.374</b>	<b>1.349</b>	<b>4.221</b>
Attributable to: Shareholders	2.487	1.456	4.216
: Non Controlling Interests	(0.113)	(0.107)	0.005
	<b>2.374</b>	<b>1.349</b>	<b>4.221</b>

The Colonial Motor Company Limited and Subsidiaries Consolidated Statement of CHANGES IN EQUITY For the Six Months ended 31 December 2009	6 Months to 31.12.09 \$M	6 Months to 31.12.08 \$M	12 Months to 30.06.09 \$M
Total Equity at beginning of period	125.424	126.216	126.216
Total Comprehensive Income	2.374	1.349	4.221
Dividends paid to Shareholders	(2.526)	(3.342)	(5.013)
<b>Total Equity at end of period</b>	<b>125.272</b>	<b>124.223</b>	<b>125.424</b>

The Colonial Motor Company Limited and Subsidiaries Consolidated Statement of CASH FLOWS For the Six Months ended 31 December 2009	6 Months to 31.12.09 \$M	6 Months to 31.12.08 \$M	12 Months to 30.06.09 \$M
<b>Net Cash Flows from:</b>			
Operating activities - Inflows	220.176	267.469	492.631
- Outflows	(211.683)	(255.687)	(475.647)
<b>Net Cash Flow from Operating Activities</b>	<b>8.493</b>	<b>11.782</b>	<b>16.984</b>
Investing activities - Inflows	1.700	1.769	4.400
- Outflows	(2.509)	(10.801)	(15.580)
<b>Net Cash Flow from Investing Activities</b>	<b>(0.809)</b>	<b>(9.032)</b>	<b>(11.180)</b>
Financing activities - Inflows	-	3.700	2.000
- Outflows	(6.053)	(5.934)	(7.873)
<b>Net Cash Flow from Financing Activities</b>	<b>(6.053)</b>	<b>(2.234)</b>	<b>(5.873)</b>
Net increase/(decrease) in cash held	1.631	0.516	(0.069)
Cash balance/(overdraft) at beginning of period	0.979	1.048	1.048
<b>Cash balance/(overdraft) at end of period</b>	<b>2.610</b>	<b>1.564</b>	<b>0.979</b>

# *The Colonial Motor Company Limited*

The Colonial Motor Company Limited and Subsidiaries Consolidated <b>BALANCE SHEET</b> As at 31 December 2009	Notes	31.12.09 \$M	31.12.08 \$M	30.06.09 \$M
<b>CURRENT LIABILITIES</b>				
At Call Bank Borrowings		27.000	31.800	30.100
Trade & Other Payables		15.720	19.482	19.247
Provisions		0.644	0.706	0.635
Tax Payable		0.087	-	1.047
Financial Derivatives – Foreign Exchange	7	-	-	0.101
Financial Liabilities – Credit Contracts	12	13.643	15.705	14.930
Impairment Allowance – Credit Contracts		0.269	0.323	0.272
Deposits		10.476	11.344	10.366
<b>TOTAL CURRENT LIABILITIES</b>		<b>67.839</b>	<b>79.360</b>	<b>76.698</b>
<b>NON CURRENT LIABILITIES</b>				
Deferred Tax	11	-	0.912	-
Financial Liabilities – Credit Contracts	12	16.673	20.456	18.277
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>16.673</b>	<b>21.368</b>	<b>18.277</b>
<b>SHAREHOLDERS EQUITY</b>				
Share Capital		3.375	3.375	3.375
Property Revaluation Reserve		39.872	38.668	40.010
Foreign Exchange Hedging Reserve		0.023	0.703	(0.008)
Retained Earnings		80.453	79.668	80.385
<b>TOTAL SHAREHOLDER EQUITY</b>		<b>123.723</b>	<b>122.414</b>	<b>123.762</b>
Non Controlling Interest		1.549	1.809	1.662
<b>TOTAL EQUITY</b>		<b>125.272</b>	<b>124.223</b>	<b>125.424</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>209.784</b>	<b>224.951</b>	<b>220.399</b>
<b>CURRENT ASSETS</b>				
Cash & Bank Accounts		2.610	1.564	0.979
Trade & Other Receivables		19.045	25.363	24.952
Inventory		55.553	56.927	57.883
Tax Receivable		-	0.003	-
Financial Derivatives – Foreign Exchange	7	0.019	1.256	-
Financial Assets – Credit Contracts	12	13.643	15.705	14.930
Property for Sale		-	-	-
<b>TOTAL CURRENT ASSETS</b>		<b>90.870</b>	<b>100.818</b>	<b>98.744</b>
<b>NON CURRENT ASSETS</b>				
Financial Assets – Credit Contracts	12	16.673	20.456	18.277
Goodwill	10	1.838	1.838	1.838
Intangible Assets		0.356	0.428	0.392
Shares in Companies		1.100	1.026	1.100
Deferred Tax	11	1.172	-	1.339
Property, Plant & Equipment	13	97.775	100.385	98.709
<b>TOTAL NON CURRENT ASSETS</b>		<b>118.914</b>	<b>124.133</b>	<b>121.655</b>
<b>TOTAL ASSETS</b>		<b>209.784</b>	<b>224.951</b>	<b>220.399</b>

# *The Colonial Motor Company Limited*



*The new Mazda facility at Dunedin City Motors arose from reutilising the building that housed the dealership's service division for the past 50 years.*

*Ryan Macdonald – Sales - with a Mazda2 Sport.*



*Robert Bain, Dealer Principal of Dunedin City Motors, receives his gold watch from Director, Ian Lambie.*

*Also receiving gold watches in 2009 for 25 years continuous service were: Stephen Burge – Team Hutchinson Ford, Kerry Nolan – Avon City Ford and Graeme Gibbons – CMC. Year to date 2010 recipients are Bruce Woodd and Grant Price from Macaulay Motors.*

*An aerial view of the completed Dunedin City Motors facility with Mazda on the left and Ford to the right.*



# *The Colonial Motor Company Limited*



Team Hutchinson Ford's new around town runabout, a 1951 Fordson lovingly restored by their Body Shop team.

The Team Hutchinson's Body Shop team.  
From left: Paul Daniels, Dale Powers,  
Brent Stewart & Robin O'Regan at rear  
Front: Stephen Burge (left) and Dealer  
Principal, John Hutchinson.



Our Southland team led by Grant Price,  
established Advance Agricentre to take up the  
Case IH franchise for the province in July.  
(Photo – Southland Times)

The top selling new model Mazda3 in  
'Celestial Blue' in Capital City's Mazda  
showroom.  
The Mazda sales team from left:  
Aubrey Rota, Stephen Mills and Matthew  
Carmen, Mazda Sales Manager.



# *The Colonial Motor Company Limited*



Stevens Motors showroom, Patrick Barry (left) Sales, and Stuart Gibbons, Dealer Principal, with a new Mazda3 MPS and a rare Ford Focus.

*Southpac Trucks delivered nine of the most environmentally friendly trucks available in New Zealand to Halls Refrigerated Transport built specifically to the customer's requirement.*

*The DAF 85CF models are at Euro V emissions level with additional EEV exhausts making them around eight years ahead of NZ vehicle emissions requirements.*



*Russell Dempster, Dealer Principal of Ruahine Motors and member of Central Districts Executive Board with Matthew Sinclair at the scene of Central Districts 20/20 Cup win at Pukekura Park in New Plymouth. Ford are a major sponsor of NZ cricket nationally.*

*'Car of the Year' Ford Fiesta pictured in the expanded and refurbished Capital City Motors Kapiti showroom with Brian Ross, Sales Manager on the left.*





# *The Colonial Motor Company Limited*

## **ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS**

For the Six Months ended 31 December 2009

### **1. Basis of Preparation**

The Financial Statements contained in this Half Year Report have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP) and NZ IAS 34 Interim Financial Reporting, as appropriate for profit oriented entities. They do not include all the notes in the most recent Annual Financial Statements and are to be read in conjunction with the Annual Report for the year ended 30 June 2009 which was prepared in accordance with International Financial Reporting Standards (IFRS).

These consolidated interim financial statements were approved for issue by the Board of Directors on 23 February 2010.

### **2. Accounting Policies**

The accounting policies and methods of computation of The Colonial Motor Company and its subsidiaries and in substance subsidiaries (the Group) results have been applied on a basis consistent with those of the previous Half Year Report and as disclosed in the audited 30 June 2009 annual Financial Statements, with the exception of land and buildings (that are not revalued at the half year and remain at the values disclosed at 30 June 2009).

### **3. Shares on Issue**

The number of shares on issue at 31 December 2009 was 27,850,910 (31 December 2008: 27,850,910, 30 June 2009: 27,850,910).

On 21 December 2009 the Company announced that it was making a taxable bonus issue of shares. The shares were issued on 18 January 2010 on the basis of one new share for every 5.75 existing shares. Following this share issue there will be 32,694,632 shares on issue and all will rank equally.

### **4. Unaudited Financial Statements**

These Half Year Financial Statements for the six months to 31 December 2009 have not been audited.

### **5. Non Controlling Interest**

The Parent Company shareholding in Southpac Trucks Limited remains unchanged from 31 December 2008 and 30 June 2009 at 85%. All other subsidiaries are wholly owned.

### **6. Capital Commitments & Contingent Liabilities**

As at 31 December 2009 the Group had Capital Commitments of \$ NIL (31 December 2008: \$1.100m, 30 June 2009: \$ NIL).

Contingent Liabilities are unchanged from 30 June 2009.

### **7. Financial Derivatives – Foreign Exchange**

These Half Year Financial Statements are presented in New Zealand dollars (rounded to the nearest thousand) which is the functional and presentation currency of the Group.

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

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

Foreign exchange contracts outstanding at balance date are adjusted to fair value (mark to market). Adjustments that qualify as being effectively hedged are recognised through Equity and form the Foreign Exchange Hedging Reserve and those that do not so qualify are recognised through the Income Statement.

Forward Exchange Contracts outstanding at 31 December 2009 were \$3.513m (31 December 2008: \$9.635m, 30 June 2009: \$2.732m).

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## **8. Valuation of Inventory**

New and used vehicles have been valued at fair value. Parts, accessories, workshop stocks, fuels and gases have been valued at cost, using, where applicable, the first in first out method. Cost includes expenditure incurred in acquiring the inventory and bringing to the existing location and condition. Due allowance has been made for obsolete and slow moving stock.

Stock writedowns for the six months ended 31 December 2009 were \$0.062m (31 December 2008: \$0.446m, 30 June 2009: \$0.759m).

## **9. Bailment Agreement**

New Ford and Mazda vehicles are funded by UDC Finance Limited under a bailment plan whereby these vehicles are owned by UDC and not included in the inventory or creditors of either the Dealership subsidiaries or the Group. There is no contractual obligation to pay UDC for these vehicles until they are sold.

The cost of vehicles funded by UDC at 31 December 2009 was \$25.7m (31 December 2008: \$42.4m, 30 June 2009 \$40.8m).

## **10. Goodwill**

Goodwill will be subject to annual impairment testing, or when events indicate that the carrying amount may not be recoverable. The carrying value was reviewed as at 31 December and considered to be fair value.

## **11. Taxation**

The income tax expense for the current period is the tax payable on that period's taxable income, plus any deferred tax adjustment. Changes in deferred tax assets and liabilities, attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements, have resulted in a deferred tax asset of \$1.172m at balance date (31 December 2008: \$0.912m liability, 30 June 2009: \$1.339m asset).

Deferred tax assets and liabilities are recognised at the tax rates expected to apply when the assets are recovered or the liabilities settled.

## **12. Financial Assets & Liabilities – Credit Contracts**

The Group holds credit contract agreements with Motor Trade Finances Ltd (MTF) which are carried at their net settlement value. The Group had outstanding vehicle financing agreements with MTF of \$30.316m at 31 December 2009 (31 December 2008: \$36.161m, 30 June 2009: \$33.207m).

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

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

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

## **13. Property, Plant & Equipment**

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.

## **14. Segment Reporting**

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

# *The Colonial Motor Company Limited*

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

	6 Months to 31.12.09 \$M	6 Months to 31.12.08 \$M	12 Months to 30.06.09 \$M
<b>Revenue</b>			
Aggregate motor vehicle dealerships	210.649	261.576	480.739
Corporate and non-trading units	3.619	3.161	6.586
Consolidated Group revenue	214.268	264.737	487.325
<b>Trading profit before tax</b>			
Aggregate motor vehicle dealerships	1.924	3.171	7.427
Corporate and non-trading units	1.633	1.062	2.453
Consolidated Group trading profit before tax.	3.557	4.233	9.880
<b>Total Assets</b>			
Aggregate motor vehicle dealerships	119.804	132.678	131.234
Corporate and non-trading units	89.980	92.273	89.165
Consolidated Group Total Assets	209.784	224.951	220.399

## 15. Reconciliation of Cash Flows to Operating Profit

	31.12.09 \$M	31.12.08 \$M	30.06.09 \$M
Net Profit after Tax	2.594	2.226	4.614
Adjustments for Non Cash Items:			
Depreciation and Amortisation	1.779	1.864	3.417
Impairment Loss	-	0.563	0.563
Revaluation Decrease of Property	-	-	1.825
Movements in Provisions	(1.129)	0.312	1.239
Movements in Working Capital:			
Inventory	2.331	10.523	9.568
Payables and Deposits	(3.417)	(11.240)	(12.408)
Receivables	5.908	5.692	5.306
Other	-	(0.750)	-
Adjustment for Items classified as Investing & Financing Activities	0.427	2.592	2.860
<b>Net Cash Flow from Operating Activities</b>	<b>8.493</b>	<b>11.782</b>	<b>16.984</b>

## 16. Subsequent Events

On 23 February 2010 the Company announced an interim dividend of 6.0 cents per share payable on 12 April 2010.

Refer Note 3 regarding the bonus share issue.

There have been no other significant post balance day events.



*The Colonial Motor Company Limited*

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