



*The
Colonial
Motor Company
Limited*

HALF YEAR REPORT

For Six Months Ended 31 December 2011

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

For the Six Months Ended 31 December 2011

89 Courtenay Place
Wellington
20 February 2012

Dear Shareholder

- **Trading Profit after Tax up 64% to \$5.9m**
- **Interim Dividend up 29% to 9.0 cents per share**

Your Directors are pleased to advise you of the unaudited results of the Group for the six months ended 31 December 2011.

Group Revenue of \$272m is up 17% on the previous comparable period. The Trading Profit after Tax is up 64%, rising from \$3.589m to \$5.907m. The profit attributable to shareholders is \$5.097m after an impairment writedown of \$0.810m.

The result was driven by a strong performance from heavy trucks, combined with an excellent last two months by the car dealerships. Trading was quieter during the World Cup. In the Ford range, the new Diesel Territory has been well received. The new Ford Ranger and Mazda BT50 have had a very strong start, but sales of both have now been severely curtailed as a consequence of the floods in Thailand; there will be material supply constraints for the first half of 2012.

Both Christchurch dealerships have traded very well through the period despite the earthquake repercussions, and made a significant contribution to the overall Group performance. At Hutchinson Motors the earthquake damaged buildings have been demolished, however we still do not have full use of the site. Getting the necessary approvals for remedial work is both slow and frustrating. We continue to work with our insurer on the various claims.

The new Hyundai dealership in New Plymouth has started well. In February we were appointed as the Suzuki motorbike franchisee in the Wairarapa, and will locate that on part of the existing Fagan Motors, Masterton site.

The Directors have reviewed the carrying value of goodwill, and an impairment writedown of \$0.810m has been recognised. This reduction relates to changes in our Wellington business.

At the Annual Meeting in November two new Directors, Falcon Clouston and Denis Wood, were elected to the board. Both are experienced directors.

While the result for the six months has been very good, we do not expect the next six months to be as good. The supply constraints on Ranger and BT50 will impact on the profitability of our dealerships. Our tractor dealerships also have supply constraints. In addition forward orders of heavy trucks are not as strong as they were six months ago.

The Directors have declared a fully imputed dividend of 9.0 cents per share, totalling \$2.943m, to be paid on Monday 23 April 2012. The interim dividend paid in April last year, was 7.0 cps.

For and on behalf of the Board
J P Gibbons
CHAIRMAN

The Colonial Motor Company Limited

The Colonial Motor Company Limited and Subsidiaries Consolidated INCOME STATEMENT For the Six Months ended 31 December 2011	6 Months to 31.12.11 \$M	6 Months to 31.12.10 \$M	12 Months to 30.06.11 \$M
Revenue			
Sale of - Products	243.239	204.957	431.487
- Services	25.308	23.781	47.251
Other Income - Interest	0.197	0.163	0.216
- Other	3.578	3.283	6.996
Total Revenue	272.322	232.184	485.950
Less Expenses			
Cost of Products Sold	222.912	187.580	395.545
Remuneration of Staff	23.269	22.239	43.932
Depreciation & Amortisation	1.595	1.542	3.079
Property Occupation Costs	4.707	4.771	9.156
Marketing, Promotion & Training Costs	2.406	2.038	4.331
Other Operating Costs	7.521	7.078	14.256
Interest Cost	1.322	1.559	3.022
Trading Profit before Tax	8.590	5.377	12.629
Fair Value Revaluation of Goodwill	(0.810)	-	-
Fair Value Revaluation of Property	-	-	0.377
Fair Value Revaluation of Investment	-	-	(0.154)
Profit before Tax	7.780	5.377	12.852
Less: Provision for Tax			
- Current	2.522	1.608	3.716
- Deferred	(0.139)	0.064	0.233
- Deferred (Depreciation Tax Change)	-	-	0.369
Profit after Tax for the period	5.397	3.705	8.534
Attributable to - Shareholders	5.097	3.589	8.184
- Non Controlling Interests	0.300	0.116	0.350
	5.397	3.705	8.534
Trading Profit after Tax (\$M)	5.907	3.589	8.330
Dividend per Share	9.0 cents	7.0 cents	19.0 cents
Dividends to Shareholders (\$M)	2.943	2.289	6.212
Basic & Diluted Earnings per Share (based on weighted average shares outstanding during the period)			
- Profit after Tax	15.6 cents	11.0 cents	25.0 cents
- Trading Profit after Tax	18.1 cents	11.0 cents	25.5 cents
Net Tangible Assets per Share (pre dividend)	\$3.56	\$3.49	\$3.49

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The Colonial Motor Company Limited and Subsidiaries Consolidated Statement of COMPREHENSIVE INCOME For the Six Months ended 31 December 2011	6 Months to 31.12.11 \$M	6 Months to 31.12.10 \$M	12 Months to 30.06.11 \$M
Profit after Tax for the period	5.397	3.705	8.534
Other comprehensive income			
Property Revaluation Reserve			
Fair Value movement	-	-	(1.859)
Transfer Realised Gain	-	-	-
Deferred Tax movement	(0.027)	(0.127)	(0.204)
Foreign Exchange Reserve			
Movement in effective hedge	0.275	(0.295)	(0.732)
Deferred Tax movement	(0.077)	0.079	0.201
Total Comprehensive Income	5.568	3.362	5.940
Attributable to:			
Shareholders	5.237	3.278	5.670
: Non Controlling Interests	0.331	0.084	0.270
	5.568	3.362	5.940

The Colonial Motor Company Limited and Subsidiaries Consolidated Statement of CHANGES IN EQUITY For the Six Months ended 31 December 2011	6 Months to 31.12.11 \$M	6 Months to 31.12.10 \$M	12 Months to 30.06.11 \$M
Total Equity at beginning of period	117.719	117.340	117.340
Total Comprehensive Income	5.568	3.362	5.940
Dividends paid to Shareholders	(3.923)	(2.942)	(5.231)
Dividend Paid to Non Controlling Interest	(0.085)	(0.150)	(0.330)
Total Equity at end of period	119.279	117.610	117.719

The Colonial Motor Company Limited and Subsidiaries Consolidated Statement of CASH FLOWS For the Six Months ended 31 December 2011	6 Months to 31.12.11 \$M	6 Months to 31.12.10 \$M	12 Months to 30.06.11 \$M
Net Cash Flows from:			
Operating activities - Inflows	278.610	233.575	477.640
- Outflows	(274.159)	(227.010)	(468.918)
Net Cash Flow from Operating Activities	4.451	6.565	8.722
Investing activities - Inflows	1.474	1.264	5.562
- Outflows	(3.167)	(2.301)	(6.181)
Net Cash Flow from Investing Activities	(1.693)	(1.037)	(0.619)
Financing activities - Inflows	0.303	2.442	2.916
- Outflows	(4.023)	(5.843)	(8.931)
Net Cash Flow from Financing Activities	(3.720)	(3.401)	(6.015)
Net increase/(decrease) in cash held	(0.962)	2.127	2.088
Cash balance/(overdraft) at beginning of period	6.023	3.935	3.935
Cash balance/(overdraft) at end of period	5.061	6.062	6.023

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The Colonial Motor Company Limited and Subsidiaries Consolidated BALANCE SHEET As at 31 December 2011	Notes	31.12.11	31.12.10	30.06.11
		\$M	\$M	\$M
CURRENT LIABILITIES				
Trade & Other Payables		17.959	16.609	29.060
Provisions		0.570	0.694	0.604
At Call Deposits		14.148	13.485	13.351
Bank Borrowings		17.300	18.200	17.400
Tax Payable		1.377	0.531	1.484
Financial Derivatives – Foreign Exchange	7	0.569	0.486	1.070
Financial Liabilities – Credit Contracts	12	9.937	12.449	10.783
Impairment Allowance – Credit Contracts		0.211	0.236	0.213
TOTAL CURRENT LIABILITIES		62.071	62.690	73.965
NON CURRENT LIABILITIES				
Financial Liabilities – Credit Contracts	12	13.106	16.346	15.100
Deferred Tax	11	4.993	4.658	5.151
TOTAL NON CURRENT LIABILITIES		18.099	21.004	20.251
SHAREHOLDERS EQUITY				
Share Capital		15.968	15.968	15.968
Property Revaluation Reserve		34.179	36.142	34.206
Foreign Exchange Hedging Reserve		(0.391)	(0.291)	(0.559)
Retained Earnings		67.825	64.345	66.652
TOTAL SHAREHOLDER EQUITY		117.581	116.164	116.267
Non Controlling Interest		1.698	1.446	1.452
TOTAL EQUITY		119.279	117.610	117.719
TOTAL EQUITY AND LIABILITIES		199.449	201.304	211.935
CURRENT ASSETS				
Cash & Bank Accounts		5.061	6.062	6.023
Trade & Other Receivables		25.922	24.975	33.298
Inventory		53.750	48.095	54.345
Financial Assets – Credit Contracts	12	9.937	12.449	10.783
TOTAL CURRENT ASSETS		94.670	91.581	104.449
NON CURRENT ASSETS				
Financial Assets – Credit Contracts	12	13.106	16.346	15.100
Goodwill	10	1.028	1.838	1.838
Other Intangible Assets		0.211	0.283	0.247
Shares in Companies		0.781	0.935	0.781
Property, Plant & Equipment	13	89.653	90.321	89.520
TOTAL NON CURRENT ASSETS		104.779	109.723	107.486
TOTAL ASSETS		199.449	201.304	211.935

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The series of "before, during and after" pictures illustrate the tumultuous time Team Hutchinson Ford has been through since re-opening in May 2011.

In March we expect that we will finally regain full access to the workshop and then work to repair and upgrade the remaining showroom building. This will be undertaken together with building a new transportable "sales pavilion" to replace the portacom and a transportable ablutions block to replace the portaloos. The dealership has a power generator that ensures we can continue to operate through the reality of ongoing unplanned power outages.



The Sales Team at Team Hutchinson Ford pictured with the NZ Autocar 2011 "Car and SUV of the Year" – the new Ford Ranger.

From the left: Seth Ovens - Sales Manager; Fiona McDonald - Sales; Nathan Ford - Sales; Deb Macdonald - Business Manager and Kevin Green - Fleet Sales.

The Sales Team is currently operating out of a one car showroom and a portacom.



Access continues to be via our back door on St Asaph Street, however in recent weeks we have gained 'dirt track' access to Colombo Street and just maybe Tuam Street will re-open in the next month.

The front yard was leveled after the building demolitions and has just been resealed.

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After an extended period of study, "High Productivity Vehicles" aimed at improving NZ's transport efficiency and safety are finally operating on our roads.

Permitted for extra length and/or extra overall weight, higher overall weights are available only on approved highway routes which generally relate to bridge capacity and other safety considerations.

Pictured are Kenworth and DAF trucks for specific applications supplied by Southpac Trucks.



Kenworth K108 truck and trailer on highway with nine axle sets and an extended 23 metre overall length.



DAF CF85 car transporter – extended length but light overall weight.

Kenworth T408 at 24.5 metres with 11 axle sets and a maximum of 62 tonnes which carries timber products from mill to port over a short approved route.



DAF CF85 log truck with extended length to improve stability and safety.



In November a group of NZ Mazda staff and dealers visited Mazda in Japan to preview the soon to be launched Mazda CX5 which will feature the full Mazda Skyactiv technology.

Matthew Newman (3rd from L), Hamish Jacob (4th from L) and Stuart Gibbons (8th from L).



Gold watches were awarded in 2011 for 25 years continuous service to – Michael Balogh and David Thomas – Capital City Motors Gary Hanrahan - Avon City Motors Ian Marshall – CMC Group Internal Auditor (left) and Matthew Newman – South Auckland Motors (above right) being congratulated by Group CEO, Graeme Gibbons.



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In November Energy City Motors in New Plymouth launched a new Hyundai dealership on an entirely separate site.



The Sales team picture in front of the new showroom with a new Hyundai i40 (L to R) Con Corrigan; Euan Means and Alan Gulliver



Also pictured in the four bay service shop are (L to R) Brad Ayling; Jason Murphy and Logan Cossill.

They don't come much bigger than this – a Case Magnum 340 with Richard Clapperton (left) – Sales Manager for Advance Agricentre and John McMillan Gore Branch Manager of Advance Agricentre.

Advance Agricentre is the Otago/Southland Case IH dealer with locations at Invercargill, Gore and Milton.



Southland Tractors stand of New Holland tractors at the Southern Field Days at Waimumu.

Fagan Motors was in the right place at the right time to take on the Suzuki Motorcycle franchise for the Wairarapa this month.

The business will occupy previous un-utilised Parts showroom and Workshop space in the dealership.

Fagans has taken on 7 of the 12 staff employed by the previous stand-alone Suzuki motorcycle dealership.



Pictured in front of the showroom: Daniel Wilson – technician; Dave Anderson – Sales; Steve Lyttle – Dealer Principal/CEO; Paul Clark – technician and Steve Hooper – driver/assembler/groomer.

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ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

For the Six Months ended 31 December 2011

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 2011 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 20 February 2012.

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 2011 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 2011).

3. Shares on Issue

The number of shares on issue at 31 December 2011 was 32,694,632 (31 December 2010: 32,694,632, 30 June 2011: 32,694,632).

4. Unaudited Financial Statements

These Half Year Financial Statements for the six months to 31 December 2011 have not been audited.

5. Non Controlling Interest

The Parent Company shareholding in Southpac Trucks Limited remains unchanged from 31 December 2010 and 30 June 2011 at 85%. All other subsidiaries are wholly owned.

6. Capital Commitments & Contingent Liabilities

As at 31 December 2011 the Group had Capital Commitments of \$ NIL (31 December 2010: \$ NIL, 30 June 2011: \$ NIL).

Contingent Liabilities relating to various Parent Company guarantees are unchanged from 30 June 2011. Full details are disclosed in the Annual Report for the year ended 30 June 2011.

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 2011 were \$20.675m (31 December 2010: \$17.222m, 30 June 2011: \$34.022m).

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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 2011 were \$0.495m (31 December 2010: \$0.036m, 30 June 2011: \$0.166m).

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 2011 was \$27.6m (31 December 2010: \$40.0m, 30 June 2011 \$31.5m).

10. Goodwill

Goodwill is 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 an impairment writedown of \$0.810m has been made to reflect 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 liability of \$4.993m at balance date (31 December 2010: \$4.658m liability, 30 June 2011: \$5.151m liability).

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 \$23.043m at 31 December 2011 (31 December 2010: \$28.795m, 30 June 2011: \$25.883m).

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.

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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 31.12.11 \$M	6 Months to 31.12.10 \$M	12 Months to 30.06.11 \$M
Revenue			
Aggregate motor vehicle dealerships	268.676	228.666	478.661
Corporate and non-trading units	3.646	3.518	7.289
Consolidated Group revenue	272.322	232.184	485.950
Trading profit before tax			
Aggregate motor vehicle dealerships	6.911	3.860	9.340
Corporate and non-trading units	1.679	1.517	3.289
Consolidated Group trading profit before tax.	8.590	5.377	12.629
Total Assets			
Aggregate motor vehicle dealerships	116.907	117.166	129.855
Corporate and non-trading units	82.542	84.138	82.080
Consolidated Group Total Assets	199.449	201.304	211.935

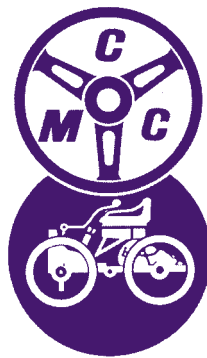
15. Reconciliation of Cash Flows to Operating Profit

	31.12.11 \$M	31.12.10 \$M	30.06.11 \$M
Net Profit after Tax	5.097	3.589	8.184
Adjustments for Non Cash Items:			
Depreciation and Amortisation	1.595	1.542	3.079
Revaluation (Increase)/Decrease of Property	-	-	(0.377)
Movements in Provisions	(0.414)	0.144	1.722
Fair Value Movement of Investment	-	-	0.154
Fair Value Movement of Goodwill	0.810	-	-
Movements in Working Capital:			
Inventory	0.594	4.174	(2.076)
Payables and Deposits	(10.304)	(3.460)	8.857
Receivables	7.376	3.018	(7.905)
Adjustment for Items classified as Investing & Financing Activities	(0.303)	(2.442)	(2.916)
Net Cash Flow from Operating Activities	4.451	6.565	8.722

16. Subsequent Events

On 20 February 2012 the Company announced an interim dividend of 9.0 cents per share payable on 23 April 2012.

There have been no other significant post balance day events.



The Colonial Motor Company Limited

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