The Colonial Motor Company Limited

HALF YEAR REPORT

For Six Months Ended 31 December 2012

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89 Courtenay Place
Wellington
14 February 2013

Dear Shareholder

- **Trading Profit after tax similar to last year**
- **Interim Dividend unchanged at 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 2012.

Trading profit after tax of $5.735 million on revenue of $298 million is down 3% on the corresponding comparable period. The total profit for the period has increased to $6.494 million.

Total new registrations, that is cars, light commercials, and heavy trucks, exceeded 100,000 units for the first time since 2007. Within that Ford's share grew from 10.2% to 11.0%, while Mazda dropped from 7.0% to 6.3%. The market continues to shift to SUV's from large and medium cars. Our sales grew, however supply shortages, especially of the highly successful Ford Ranger, meant that the full potential was missed. Truck orders, in particular for DAF, remain strong with consequential effects on our stock, up $17.9 million and our bank borrowing up $15.9 million on six months ago.

Following the move of our Porirua operations to a smaller location in August we have entered into an unconditional contract of sale for the vacated property. As a consequence the carrying value of the property moves from fixed assets to 'property for sale' under current assets with associated deferred tax adjustments.

The development of Southpac Trucks new workshop facility on Hobill Avenue, Manukau City, was completed on schedule in December 2012. The site adjoins the existing Wiri Station Road property and consolidates all of Southpac's Auckland operations onto one location.

In October we opened a new dealership, 'Hawkes Bay Nissan', in a leased facility in Hastings to operate the Nissan franchise for all of the Hawkes Bay. This new business has made a successful start.

The Directors have declared a fully imputed dividend of 9.0 cents per share totalling $2.943 million to be paid on Monday, 15 April 2013. The record date is Friday, 5 April. The full imputation rate is now 28%.

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 2012	6 Months to 31.12.12 $M	6 Months to 31.12.11 $M	12 Months to 30.06.12 $M
Revenue			
Sale of - Products	271.786	243.239	491.668
- Services	25.605	24.787	49.420
Other Income - Interest	0.036	0.197	0.272
- Other	0.602	0.964	1.999
Total Revenue	298.029	269.187	543.359
Less Expenses			
Cost of Products Sold	249.490	222.912	450.156
Remuneration of Staff	24.606	23.269	47.033
Depreciation & Amortisation	1.741	1.595	3.422
Property Occupation Costs	2.694	2.092	4.338
Marketing, Promotion & Training Costs	2.812	2.406	4.874
Other Operating Costs	6.837	7.001	13.428
Interest Cost	1.445	1.322	2.752
Trading Profit before Tax	8.404	8.590	17.356
Less Income Tax Expense:			
Current	2.411	2.522	5.267
Deferred	(0.064)	(0.139)	(0.218)
	6.057	6.207	12.307
Less: Non Controlling Interest	0.322	0.300	0.472
Trading Profit after Tax	5.735	5.907	11.835
Fair Value Revaluation of Property	-	-	(0.391)
Deferred Tax on Property Depreciation	0.437	-	0.131
Impairment loss on Goodwill	-	(0.810)	(0.810)
Loss on Demolition of property	-	-	(0.131)
Profit after Tax before earthquake recovery	6.172	5.097	10.634
Earthquake Insurance recovery	-	-	4.489
Profit for the year attributable to:			
Shareholders	6.172	5.097	15.123
Non Controlling Interest	0.322	0.300	0.472
PROFIT FOR THE PERIOD	**6.494**	**5.397**	**15.595**
Basic & Diluted Earnings per Share (based on weighted average shares outstanding during the year)			
- Profit for the period	18.9 cents	15.6 cents	46.3 cents
- Trading Profit after Tax	17.5 cents	18.1 cents	36.2 cents
Dividend per Share	9.0 cents	9.0 cents	25.0 cents
Dividends for the period	2.943	2.943	8.174
Net Tangible Assets per Share (pre Dividend)	$3.75	$3.56	$3.70

The Colonial Motor Company Limited

The Colonial Motor Company Limited and Subsidiaries Consolidated Statement of COMPREHENSIVE INCOME For the Six Months ended 31 December 2012	6 Months to 31.12.12 $M	6 Months to 31.12.11 $M	12 Months to 30.06.12 $M
Profit for the period	6.494	5.397	15.595
Other comprehensive income			
Property Revaluation Reserve			
Fair Value movement	-	-	(2.340)
Deferred Tax movement	(0.239)	(0.027)	0.031
Foreign Exchange Reserve			
Movement in effective hedge	1.375	0.275	(0.202)
Deferred Tax movement	(0.385)	(0.077)	0.057
Total Comprehensive Income	7.245	5.568	13.141
Attributable to: Shareholders	**6.774**	**5.237**	**12.691**
Non Controlling Interests	0.471	0.331	0.450
	7.245	5.568	13.141

The Colonial Motor Company Limited and Subsidiaries Consolidated Statement of CHANGES IN EQUITY For the Six Months ended 31 December 2012	6 Months to 31.12.12 $M	6 Months to 31.12.11 $M	12 Months to 30.06.12 $M
Total Equity at beginning of period	123.694	117.719	117.719
Total Comprehensive Income	7.245	5.568	13.141
Dividends paid to Shareholders	(5.231)	(3.923)	(6.866)
Dividend Paid to Non Controlling Interest	(0.450)	(0.085)	(0.300)
Total Equity at end of period	125.258	119.279	123.694

The Colonial Motor Company Limited and Subsidiaries Consolidated Statement of CASH FLOWS For the Six Months ended 31 December 2012	6 Months to 31.12.12 $M	6 Months to 31.12.11 $M	12 Months to 30.06.12 $M
Net Cash Flows from:			
Operating activities - Inflows	298.290	278.610	551.099
- Outflows	(306.106)	(274.159)	(535.199)
Net Cash Flow from Operating Activities	(7.816)	4.451	15.900
Investing activities - Inflows	1.122	1.474	3.942
- Outflows	(5.901)	(3.167)	(8.494)
Net Cash Flow from Investing Activities	(4.779)	(1.693)	(4.552)
Financing activities - Inflows	15.900	0.303	1.155
- Outflows	(5.569)	(4.023)	(9.066)
Net Cash Flow from Financing Activities	10.331	(3.720)	(7.911)
Net increase/(decrease) in cash held	(2.264)	(0.962)	3.437
Cash balance/(overdraft) at beginning of period	9.460	6.023	6.023
Cash balance/(overdraft) at end of period	7.196	5.061	9.460

The Colonial Motor Company Limited and Subsidiaries Consolidated BALANCE SHEET As at 31 December 2012	Notes	31.12.12 $M	31.12.11 $M	30.06.12 $M
CURRENT LIABILITIES				
Trade & Other Payables		34.228	17.959	34.115
Provisions		0.531	0.570	0.505
At Call Deposits		14.893	14.148	14.206
Bank Borrowings		31.100	17.300	15.200
Tax Payable		1.102	1.377	2.375
Financial Derivatives – Foreign Exchange	7	-	0.569	1.090
Financial Liabilities – Credit Contracts	12	8.256	9.937	9.362
TOTAL CURRENT LIABILITIES		90.110	61.860	76.853
NON CURRENT LIABILITIES				
Financial Liabilities – Credit Contracts	12	10.427	13.106	11.849
Deferred Tax	11	4.837	4.993	4.714
TOTAL NON CURRENT LIABILITIES		15.264	18.099	16.563
SHAREHOLDERS EQUITY				
Share Capital		15.968	15.968	15.968
Property Revaluation Reserve		31.658	34.179	31.897
Foreign Exchange Hedging Reserve		0.159	(0.391)	(0.683)
Retained Earnings		75.850	67.825	74.909
TOTAL SHAREHOLDER EQUITY		123.635	117.581	122.091
Non Controlling Interest		1.623	1.698	1.603
TOTAL EQUITY		125.258	119.279	123.694
TOTAL EQUITY AND LIABILITIES		230.632	199.238	217.110
CURRENT ASSETS				
Cash & Bank Accounts		7.196	5.061	9.460
Trade & Other Receivables		25.962	25.922	28.789
Inventory		84.777	53.750	66.916
Financial Derivatives – Foreign Exchange		0.244	-	-
Financial Assets – Credit Contracts	12	8.065	9.726	9.173
Property for Sale	14	2.900	-	-
TOTAL CURRENT ASSETS		129.144	94.459	114.338
NON CURRENT ASSETS				
Financial Assets – Credit Contracts	12	10.427	13.106	11.849
Goodwill	10	1.028	1.028	1.028
Other Intangible Assets		0.139	0.211	0.175
Shares in Companies		0.815	0.781	0.815
Property, Plant & Equipment	13	89.079	89.653	88.905
TOTAL NON CURRENT ASSETS		101.488	104.779	102.772
TOTAL ASSETS		230.632	199.238	217.110

The Colonial Motor Company Limited

The transformation of Hobill Avenue, Manukau City for Southpac Trucks.

The starting position on 2 July 2012

Construction underway in October

The first day of business
Monday 3 December 2012

The Colonial Motor Company Limited

Team Hutchinson Ford two years on.
Despite having over 2,000m2 of building space demolished and the uncertainty of being in the 'south frame', it is very much business as usual.

Dealership reception and the showroom exhibit the same timeless character as before on a much reduced footprint.

Service Reception
(new Ford Focus ST in the foreground),

1987 was a significant year for Murray Baynes, Steve White and Robert Medhurst pictured with Matthew Newman (L) after receiving their gold watches for 25 years service with South Auckland Motors.

Ian Wimms from Stevens Motors being presented with his 25 year service gold watch by Jim Gibbons, Chairman of CMC.

Other recipients this year around the Group were: Steve Toms, M S Ford, Steve Lyttle, Fagan Motors, Robert Kelly, Macaulay Motors and Craig Goodman, Avon City Motors

The new Mazda6 is being launched in March.

CMC Directors - February 2013
Back L to R - Nicholas Bartle (Company Secretary), Falcon Clouston, Peter Aitken, Denis Wood,
Front L to R - Ian Lambie, Jim Gibbons (Chairman), Graeme Gibbons.

The Colonial Motor Company Limited

The day after CMC's Annual Meeting 29 Model T's set out on a re-enactment of the centenary of the first vehicle driven from Wellington to Auckland via the shortest route through the King Country.

The event was organised by Roger Gardner and the Model T Club of NZ and sponsored by CMC (the original sponsor in 1912) and Ford Motor Company.

Roger Gardner and Neil Cremer, President of the Model T Club of NZ, give the drivers briefing at Capital City Ford.

The Model T that completed the journey in 1972 (50 years ago) came from being on display at Southwards Museum to repeat the journey in 2012 (100 years).

A quick service in Taihape in the rain (a new headgasket required) and the joy (or was it relief) of the car starting after the job. (Roger and technical guru Chris Slater). 27 of the 29 Model T's made it to Auckland.

Tim Myers – General Manager, Norwoods, Matt King – General Manager, Case New Holland Australasia & Oceania and Grant Price outside Advance Agricentre's new Gore facility.
Advance Agricentre also have operations in Invercargill and at Milton in Otago.

Not all Model T's were black - until 1915 they even had brass radiators.

Richard Sumner - Dealer Principal (2nd from right) and the team.

Hawkes Bay Nissan commenced operations on 1st October 2012.

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS
For the Six Months ended 31 December 2012

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 2012 which was prepared in accordance with International Financial Reporting Standards (IFRS).

Presentation of Income Statement: The recognition and measurement of financial items is consistent with the previous year. However, the presentation of items in the Income Statement has been changed (including the comparative year) to enable readers to better understand aspects of the core trading performance of the Group and other items comprising the reported result. This presentation is consistent with the Annual Report at 30 June 2012.

These consolidated interim financial statements were approved for issue by the Board of Directors on 14 February 2013.

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 2012 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 2012).

3. Shares on Issue

The number of shares on issue at 31 December 2012 was 32,694,632 (31 December 2011: 32,694,632, 30 June 2012: 32,694,632).

4. Unaudited Financial Statements

These Half Year Financial Statements for the six months to 31 December 2012 have not been audited.

5. Non Controlling Interest

The Parent Company shareholding in Southpac Trucks Limited remains unchanged from 31 December 2011 and 30 June 2012 at 85%. All other subsidiaries are wholly owned.

6. Capital Commitments & Contingent Liabilities

As at 31 December 2012 the Group had Capital Commitments of $ NIL (31 December 2011: $ NIL, 30 June 2012: $2.494m).

Contingent Liabilities relating to various Parent Company guarantees are unchanged from 30 June 2012. Full details are disclosed in the Annual Report for the year ended 30 June 2012.

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 2012 were $29.360m (31 December 2011: $20.675m, 30 June 2012: $38.693m).

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 2012 were $0.141m (31 December 2011: $0.495m, 30 June 2012: $0.293m).

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 2012 was $23.3m (31 December 2011: $27.6m, 30 June 2012: $40.6m).

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 2012 and considered to be fair value. (31 December 2011: $0.810m writedown, 30 June 2012: $0.810m writedown).

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 $4.837m at balance date (31 December 2011: $4.993m liability, 30 June 2012: $4.714m 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 $18.683m before impairment allowance at 31 December 2012 (31 December 2011: $23.043m, 30 June 2012: $21.211m).

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. Property for Sale

The property at Porirua previously occupied by Capital City Motors until August has been reclassified from Property, Plant & Equipment into Current Assets – Property for Sale at its carrying value. This has resulted in the reversal of the Deferred Tax Liability on this property of $0.4 million. The property is currently subject to an unconditional contract for sale with settlement before year end.

15. 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 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 31.12.12 $M	6 Months to 31.12.11 $M	12 Months to 30.06.12 $M
Revenue			
Aggregate motor vehicle dealerships	297.776	268.676	542.313
Corporate and non-trading units	0.253	0.511	1.046
Consolidated Group revenue	298.029	269.187	543.359
Trading profit before tax			
Aggregate motor vehicle dealerships	7.310	6.911	14.086
Corporate and non-trading units	1.094	1.679	3.270
Consolidated Group trading profit before tax.	8.404	8.590	17.356
Total Assets			
Aggregate motor vehicle dealerships	135.115	116.696	132.556
Corporate and non-trading units	86.331	82.542	84.554
Consolidated Group Total Assets	221.446	199.238	217.110

16. Reconciliation of Cash Flows to Operating Profit

	31.12.12 $M	31.12.11 $M	30.06.12 $M
Net Profit after Tax	6.172	5.097	15.595
Adjustments for Non Cash Items:			
Depreciation and Amortisation	1.741	1.595	3.421
Revaluation (Increase)/Decrease of Property	-	-	0.391
Movements in Provisions	(1.833)	(0.414)	(0.061)
Fair Value Movement of Investment	-	-	-
Fair Value Movement of Goodwill	-	0.810	0.810
Movements in Working Capital:			
Inventory	(17.860)	0.594	(12.572)
Payables and Deposits	0.799	(10.304)	5.911
Receivables	2.827	7.376	4.507
Adjustment for Items classified as Investing & Financing Activities	0.338	(0.303)	(2.102)
Net Cash Flow from Operating Activities	**(7.816)**	**4.451**	**15.900**

17. Subsequent Events

On 14 February 2013 the Company announced an interim dividend of 9.0 cents per share payable on 15 April 2013.

There have been no other significant post balance day events.

The Colonial Motor Company Limited
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