

The
Colonial
Motor Company
Limited

100th Annual Report

2018

“100th” Annual Report is but a part of the journey

- 1859 William Black Coachbuilders established at 89 Courtenay Place
- 1881 Rouse & Hurrell took over the business and grew into the Empire Steam & Carriage Works in a new 3 storey building at 89 Courtenay Place.
- 1902 Grew to become – Rouse & Hurrell Carriage Building Company Limited, a public company.
- 1908 Ford Motor Car agency taken up
- 1911 Name change to:

The Colonial Motor Company Limited

- 1916 Hope Gibbons & family first become shareholders
- 1918 Hope Gibbons & family become majority shareholders
- 1919 Company restructured, new constitution, name retained
The Colonial Motor Company Limited
- 1922 Company built the 9 storey assembly plant at 89 Courtenay Place.
- 1936 Ford Motor Company New Zealand Limited established with a new assembly plant in Seaview, Lower Hutt.
CMC evolved to become a group of 'Ford' franchised motor vehicle dealerships – the basis of the Company in 2018.
- 1962 Company listed on the New Zealand Stock Exchange.
- 1987 Deregulation – import restrictions on 'built up' motor vehicles into NZ ceased.
- 1991 Ford Motor Company sell their worldwide tractor business.
- 1994 Southpac Trucks Limited commenced.
- 1995 GPG (Guinness Peat Group) acquired 33.9% of the shares in the company – sold to MBM of Malaysia in 1997 who sold out in 2003.
- 1998 The last motor vehicle assembly plant in NZ closes. All import tariffs removed
- 1999 First Mazda franchise taken up
- 2003 Centenary of Ford Motor Company
- 2005 89 Courtenay Place sold
- 2011 100 years of The Colonial Motor Company Limited name
- 2018 100th Annual Report for the Company formed in 1919.
Descendants of Hope Gibbons continue to be majority shareholders

BOARD OF DIRECTORS

J P (Jim) Gibbons, Chairman
Graeme D Gibbons
Falcon R S Clouston
Denis M Wood
Matthew J Newman
Stuart B Gibbons
Ashley J Waugh

CHIEF EXECUTIVE
COMPANY SECRETARY

Graeme D Gibbons
Nicholas K Bartle

AUDITOR

Grant Thornton New Zealand Audit Partnership
(Partner Michael Stewart)

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 1142
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 2019

Interim Half Year Report	Late February
Interim Dividend	15 April
Preliminary Full Year Report	Late August
Annual Report	Late September
Final Dividend	21 October
Annual Meeting	15 November

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

Notice of Annual Meeting

Notice is hereby given that the 100th annual meeting of shareholders of
The Colonial Motor Company Limited
will be held at
Shed 6, Queens Wharf, Jervois Quay
Wellington, New Zealand
on Friday, 2 November 2018 commencing at 12:00 midday.

Agenda

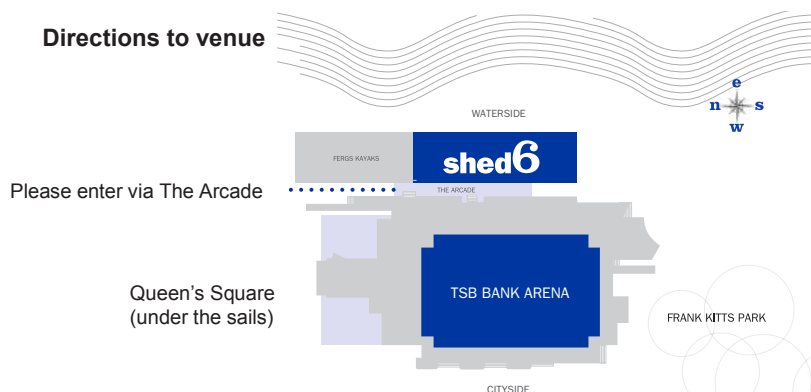
1. The Chairman's introduction
2. Address from the Chairman
3. Shareholder discussion
4. Resolutions (see explanatory notes)
To consider and, if thought fit, pass the following ordinary resolutions
 - (a) To re-elect Mr Graeme Durrad Gibbons as a Director of the Company
 - (b) To re-elect Mr Ashley James Waugh as a Director of the Company
 - (c) To authorise an increase in the annual remuneration payable to directors from \$255,000 to \$280,000 with effect from 1 July 2018.
 - (d) To record the on-going appointment of Grant Thornton as Auditor and to authorise the directors to fix the Auditor's remuneration.
5. General business.

By order of the Board



N K Bartle
Company Secretary
20 September 2018

Directions to venue



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 2018 Annual Meeting are G D Gibbons and A J Waugh. Both continue to be eligible and offer themselves for re-election.

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

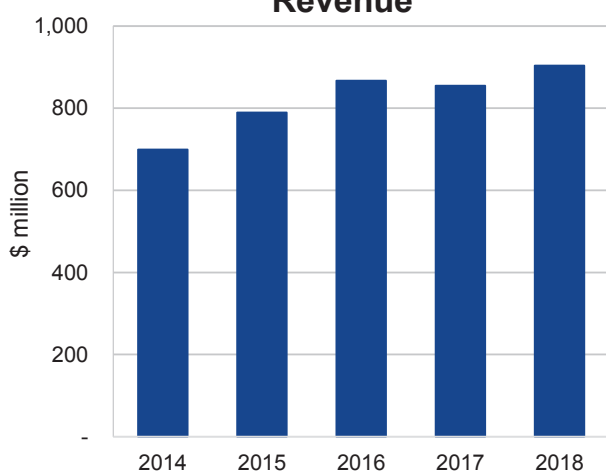
Corporate bodies appointing a representative to attend the meeting should comply with Clause 23 of the Constitution that reads as follows:

"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."

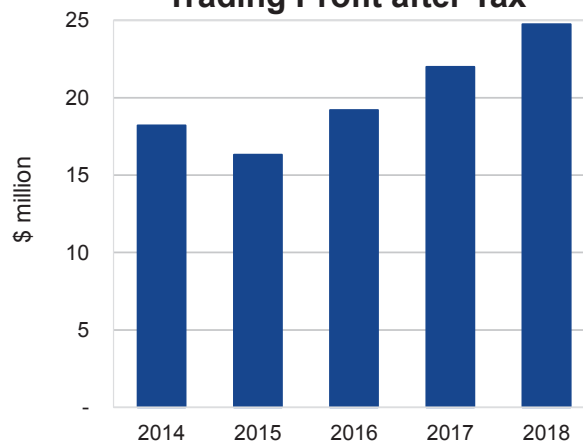
Facts at a glance

	2018	2017	2016	2015	2014
Revenue (\$000)	904,034	854,764	867,237	789,377	699,314
Trading profit after tax (excluding non-trading Items) (\$000)	24,746	22,000	19,207	16,326	18,221
Profit after tax attributable to shareholders (\$000)	24,985	22,232	21,479	17,597	19,153
Return on average shareholders' funds					
- trading profit	13.1%	12.8%	12.2%	11.2%	13.4%
- profit for the year	13.2%	13.0%	13.7%	12.1%	14.1%
Trading margin	2.7%	2.6%	2.2%	2.1%	2.6%
Earnings per share					
- trading profit after tax	75.7c	67.3c	58.7c	49.9c	55.7c
- profit for the year	76.4c	68.0c	65.7c	53.8c	58.6c
Dividend per share	50.0c	44.0c	40.0c	33.0c	35.0c
Total dividends for the year (\$000)	15,693	14,386	13,078	10,789	11,443
Shares on issue at reporting date	\$32.695m	32.695m	32.695m	32.695m	32.695m
Current ratio	1.4	1.6	1.5	1.4	1.4
Shareholders' equity as a percent of total assets	50.6%	57.1%	54.4%	45.9%	49.3%
Net tangible asset backing per share (after final dividend is paid)	\$5.64	\$5.19	\$4.69	\$4.33	\$4.05

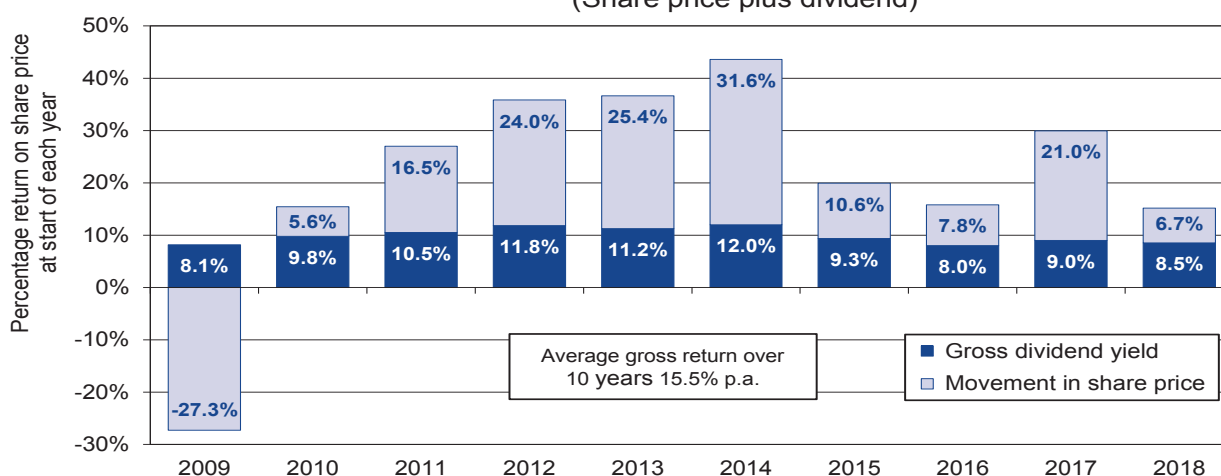
Revenue



Trading Profit after Tax



Shareholder Returns (Share price plus dividend)



Directors' report

Your Directors have pleasure in presenting the 100th 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 2018.

Revenue and profit

Revenue for the year was \$904.0m. This is a 6% increase on the previous year's \$854.8m reflecting the continued strength of the motor vehicle market and, in particular, heavy trucks.

The trading profit after tax for the year was \$24.7m, up 12% on last year's \$22.0m. Trading profit after tax is not specified under Generally Accepted Accounting Practice but is a consistent measure of the underlying trading profitability of the Group before valuation changes of assets and deferred tax. It is also the reference point used by the board when considering dividends. Profit for the year, which included a number of non-trading items such as asset revaluations and related deferred tax, was up 15% on last year to \$27.1m (2017: \$23.5m).

Statement of financial position

Total assets rose to \$389.4m at year end (2017: \$316.9m).

The annual independent revaluation of the Group's property brought about an increase in the revaluation reserve of \$5.4m (2017: \$7.4m). Capital expenditure, mainly incurred to acquire properties in Queenstown and Lower Hutt, contributed to the increase in property values. At balance date Shareholders' equity was \$196.9m (2017: \$180.9m).

Dividends

Dividends paid in respect of this year will total 50.0 cents per share (2017: 44.0 cents per share). An interim dividend of 15.0 cents per share was paid on 16 April 2018 and a final dividend of 35.0 cents per share will be paid on 15 October 2018. Both dividends will be fully imputed. The value of the distributions for this year will be \$16.3m (2017: \$14.4m) representing 66% (2017: 65%) of the trading profit after tax.

Total shareholder returns over the past ten years are shown in the graph on page 4 and the table on page 46. The dividend yield has remained within the range of 8.0% to 12.0% p.a. over the last 10 years.

Directors

The independent Directors at 30 June 2018 and the date of this report were F R S Clouston and A J Waugh.

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 A J Waugh. Both are eligible and are seeking re-election at the forthcoming annual meeting. Also at that meeting Mr F.R.S. Clouston will be retiring after 7 years on the board.

The Board has commenced a search for a new independent director using both the Institute of Directors director search program and an independent consultancy. The board is mindful of the need for board diversity and contributing to the current matrix of experience on the board.

Directors' Fees

It has been the Board's practice to review the fees paid to Directors, in total and to individuals, every two years. The last review was undertaken in 2016.

Total fees paid in the year to 30 June 2018 were \$244,150 (2017: \$244,150). Following the review of Directors' fees in 2018, based on market research by two independent sources, the Board has resolved to increase individual annual fees by 5.8% as follows:

- | | |
|--|------------------------|
| • Non-executive directors | \$54,500 from \$51,500 |
| • Chairman of the Audit & Compliance Committee | \$59,950 from \$56,150 |
| • Chairman of the Board | \$89,500 from \$84,500 |

With the current mix of directors the total annual fees will be \$258,450, above the current approved maximum of \$255,000 set in 2012. Increasing the approved maximum requires shareholder approval and so a resolution will be considered at the upcoming AGM to increase the maximum to \$280,000.

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 43 to 47. A separate Governance Statement is provided on pages 39 to 42.

For the Directors
20 September 2018



J P Gibbons



F R S Clouston

Chief Executive's report

The vehicle industry is now into its ninth year of continuous growth from the low point of the global financial crisis.

CMC, as a group of vehicle dealerships, has benefitted from the strength of the NZ economy which has been behind this industry growth and has again recorded a record result.

Markets

The light end of the market, passenger cars, SUV's and light commercials, have slowed their rate of growth this year. It is now down to around 2.5% year-over-year compared to 14% plus a year ago. The extra heavy truck part of the market while smaller in numbers, has continued to grow at a much stronger rate which is reflected in Southpac Trucks' contribution to our results this year.

The vehicle industry continues to be intensely competitive with every brand pushing for every sale and each point of market share. Product continues to be 'king'. Ford light commercials with Ranger – NZ's number one selling vehicle - and the new Transit Custom and Mazda with its strong SUV range of CX3, CX5, CX8 and CX9 excel in their respective segments. New models and competitors' actions to win back business ensure that we need to be on our game each and every month.

The sheer volume of vehicles coming into the country, both new and used imports, continues to require more capacity than the domestic vehicle distribution system can cater for. It leads to frustrating delays in being able to deliver vehicles to customers.

There is an intense amount of work going on behind the scenes in our dealerships to serve our customers to the highest level. It encompasses keeping in touch, ensuring their vehicles are booked in for scheduled servicing, the service itself and then returning the vehicle to our customers care.

Dealerships

The time frame to achieve any form of facility upgrade or new build continues to stretch out. Initial planning and then the approvals process - resource and building consents - is becoming more complex with Councils countrywide applying the rule book to minute detail. Discretion and judgement are no longer a known language and independent expert reports in all areas are part of the process.

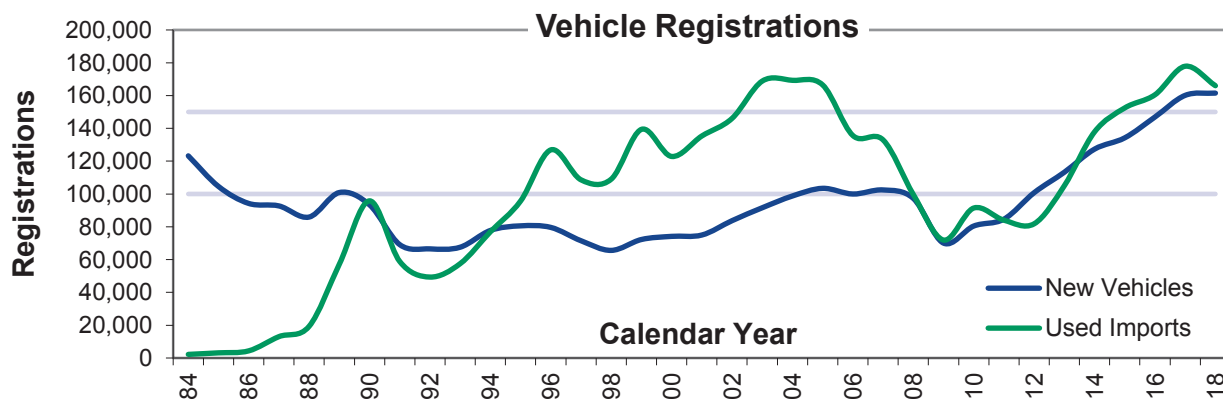
In our car dealerships focus has been on adding capacity primarily in service departments with more technicians and bays for retail service and vehicle preparation. Constraints for vehicle sales are more related to the capacity, enthusiasm and ability of our dealership sales teams and the supply chain for vehicles.

It has never been truer than now that the tried and proven process of identifying and training young people is a cornerstone of our business. We employ them from school, pre-apprenticeship programs or as young adults with work experience and then "nurture and encourage" them through an apprenticeship program. A qualified technician or parts person is highly skilled and has a world of opportunity in front of them. This happens at every dealership on a continuous basis. The current nationwide "got a trade, got it made" campaign covers this training in our industry through MITO (Motor Industry Training Organisation) and the Polytechnics.

Overarching our perpetual work in optimising facilities from an operational perspective are periodic "brand" upgrades. We are now well into the process, which is relatively straightforward in the case of Mazda but more complex and expensive for Ford. Ford's upgrade covers technology as well as facilities and has a complicated sign-off process. As ever, we are working to get the best value possible from the expenditure.

The new Queenstown facility for Macaulay Motors - Ford and Mazda - will be twice the area of the current operation and is expected to be completed by year end. It took around two and a half years from signing the agreement to purchase the land.

In Nelson, M.S. Motors have entered agreements for a "to be built" leased service only facility for Ford in the Annesbrook area and also for the refurbishment and addition of a KIA showroom on the leased Haven Road dealership property.



At Tuam Street in Christchurch, we finally reached agreement with the various Crown authorities in April this year on a perpetual easement for the mid-block “greenway” to go east-west through the centre of Team Hutchinson Ford. This process began in mid-2012 when the “South Frame” was first announced as part of the Christchurch regeneration plan.

The greenway project will involve demolition of a portion of the workshop buildings: ironically the area of the workshop rebuilt post-earthquake as a consequence of the demolition of the two storey structure housing the dealership new car showroom. It will also require the re-orientation of the dealership service reception to work with the greenway crossing point. We aim to complete the project with the new dealership brand presentation by the end of 2019. The financial details of the settlement are set out in Note 10.

In Wellington, the new retail service facility in upper Taranaki Street is nearing completion and Capital City Ford & Mazda expects to be fully operational there this year. Two new leased “brand hubs” on the waterfront are currently being fitted out. The current main dealership facility is occupied on a short term lease basis. We have acquired a number of smaller properties in High Street around the Stevens Motors facility.

At South Auckland Motors, the new leased purpose-built high profile Takanini service facility for Ford and Mazda was opened late in 2017. We are continuing to look toward medium term growth opportunities to match the expansion of Auckland developments in Drury and Pukekohe. For Southern Autos – Manukau, who took up the Suzuki franchise at the start of 2018, we are looking to expand our operations beyond Manukau in the South and East of Auckland.

At Southpac Trucks, the continued high level of the heavy truck industry and increased market share of Kenworth and DAF has meant adding capability and capacity, particularly in the new truck preparation area. During this year we have expanded the new truck engineering shop and nearing completion is a 400m² expansion to the parts warehouse. The new Hamilton location was opened at the beginning of the financial year. In this year we have been delivering around 50 new trucks each month compared to 30 trucks a month two years ago. This increased level of activity reflects through to our overall current asset inventory and receivables levels.

Southpac continues to focus on customer service and product backup through its nationwide parts & service dealer network. Later this month Southpac will open a new parts distribution centre in leased premises in Palmerston North to support its network and complement its Manukau, Hamilton, Rotorua and Christchurch operations.

The main drivers of the demand for heavy trucks have been the export of primary products (including logs), distribution of goods around the country, the building industry and particularly government based infrastructure projects.

Health & Safety

A safe workplace is an every minute, every day part of doing business. It involves all of our dealership staff having safe work practices as part of their DNA. While we have had no “serious harm” incidents in this year, we have been working through the legal consequences of the tractor accident in April 2016 and expect finality in the near future. Learning from accidents that might have happened - ‘near miss incidents’ - is part of a fresh look at risks and hazards that we might have missed and further improvement to our work practices. We have recently introduced a Group-wide external audit process to walk through each dealership’s operations. This audit program replaces what was previously carried out under the now-ended ACC Workplace Safety Management Practices Program audits.

The future of the motor vehicle

Except in the densest of metropolitan city environments the ownership or access to a motor vehicle in New Zealand is a practical reality of everyday life as well as a personal choice. The demand for “park and ride” as a complementary part of public transport in our spread-out cities is a reminder of that choice.

Many of us might consider we have too many vehicles on the road in New Zealand but to reduce this requires a combination of significantly improved public transport systems in Auckland and hard choices. If we are serious about reducing our total emission levels then fewer vehicles, with the most up-to-date emission levels and latest safety features is part of the solution. Taking older, less safe, less economical, higher emission vehicles off our roads is hard enough. Reducing the age of our fleet by restricting the importation of older used vehicles is similarly politically difficult. Politically it is simpler to talk about the future nirvana of driverless autonomous electrical vehicles.

The biggest roadblock restricting the uptake of electric vehicles by anyone other than early adopters and corporate owners are price and range. For all countries the methods of encouraging change are challenging because someone (i.e. the taxpayer, other vehicle owners or road users) have to pay for any subsidies or tax breaks that might be granted to offset the currently substantial price differential between conventional and electric technologies.

Our dealerships are dependent on our brand franchises to bring these new technology products to the market when they are ready. New Zealand, with its high level of renewable electricity generation, is ideally placed to benefit when the product and price are right.

Outlook

The factors that have driven the New Zealand and world economies for the last decade are changing - economic fundamentals and international trade policies have the potential to disrupt. The political tune in NZ is leading to change. What is unsure is how these changes might affect our future economic prospects. Meanwhile we will continue to look to the future, make the most of today and be prepared to adapt and change at any time.

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, Hamilton, Rotorua & Christchurch	www.spt.co.nz
South Auckland Motors Ltd	Matthew Newman Michael Tappenden (DP)	Ford & Mazda	Manukau City, Auckland Airport, Botany, Takanini & Pukekohe	www.southaucklandmotors.co.nz
Southern Autos – Manukau Ltd	Matthew Newman Andrew Craw (DP)	Suzuki, Peugeot, Citroen & Isuzu	Manukau City	www.southernautos.co.nz
Energy City Motors Ltd	Russell Dempster	Ford Hertz Rentals	New Plymouth & Hawera New Plymouth	www.energyford.co.nz
Energy Motors Ltd	Shaun Biesiek (DP)	Hyundai & Isuzu	New Plymouth	www.energyhyundai.co.nz www.energymotorsisuzu.co.nz
Ruahine Motors Ltd	David Wills	Ford	Waipukurau	www.ruahinemotors.co.nz
The Hawkes Bay Motor Company Ltd	Paul Bond (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
M.S. Motors (1998) Ltd	Alan Kirby	Ford KIA	Nelson Richmond	www.nelsonford.co.nz www.nelsonkia.co.nz
Hutchinson Motors Ltd	John Hutchinson	Ford Bridgestone Tyres	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 & Alexandra	www.dcmotors.co.nz
Macaulay Motors Ltd	Grant Price	Ford & Mazda	Invercargill & Queenstown	www.macaulaymotors.co.nz
Agricentre South Ltd	Grant Price	Case IH Tractors & Kuhn Implements New Holland, Kubota Tractors Norwood Ag Equipment	Invercargill, Gore, Milton & Cromwell Invercargill & Gore	www.agricentre.co.nz

Consolidated statement of financial performance for the year ended 30 June 2018

	Notes	2018 \$000	2017 \$000
Revenue			
Revenue		902,076	852,860
Other income		1,958	1,904
Total revenue	1	904,034	854,764
Trading expenses			
Cost of products and services sold		755,544	716,611
Remuneration of staff		71,181	69,172
Depreciation and amortisation		3,741	3,750
Property occupation costs		6,571	6,607
Marketing, promotion and training		5,847	6,246
Other operating costs		18,744	16,476
Interest	3	4,565	3,852
Total trading expenses	2	866,193	822,714
Trading profit before tax		37,841	32,050
Taxation			
Current tax		11,354	9,075
Deferred tax		(366)	(328)
Total tax on trading	4	10,988	8,747
Non-controlling interest		2,107	1,303
Trading profit after tax		24,746	22,000
Non-trading items			
Fair value revaluation of property		(406)	(119)
Realised gain on sale of property		-	9
Fair valuation of investments		476	544
Impairment of intangible assets		-	(315)
Total non-trading item before tax		70	119
Taxation			
Deferred tax	4	(169)	(113)
Non-trading items after tax		239	232
Profit attributable to shareholders		24,985	22,232
Profit for the year			
Profit attributable to:			
Shareholders			
Trading profit after tax		24,746	22,000
Non-trading items after tax		239	232
Total attributable to shareholders		24,985	22,232
Non-controlling interest		2,107	1,303
Profit for the year	6	27,092	23,535
Statistics per share			
Basic and diluted earnings per share	7		
Profit for the year (cents)		76.4	68.0
Trading profit after tax (cents)		75.7	67.3
Dividends			
Dividends (cents per share)		50.0	44.0
Total dividends (\$'000)		16,347	14,386
Net tangible assets per share (\$)		5.99	5.50

The consolidated financial statements should be read in conjunction with the accompanying notes.

Consolidated statement of comprehensive income for the year ended 30 June 2018

	Notes	2018 \$000	2017 \$000
Profit for the year		27,092	23,535
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Property revaluation reserve			
Fair value movement		5,430	7,414
Deferred tax	4	108	(9)
Items that will be reclassified subsequently to profit or loss when specific conditions are met			
Cash flow hedge reserve			
Movement in fair value of hedge derivatives		862	789
Deferred tax	4	(241)	(221)
Total other comprehensive income for the year		6,159	7,973
Total comprehensive income for the year		33,251	31,508
Total comprehensive income for the year attributable to:			
Shareholders		31,051	30,120
Non-controlling interest		2,200	1,388
Total comprehensive income for the year		33,251	31,508

Consolidated statement of changes in equity for the year ended 30 June 2018

	Notes	2018 \$000	2017 \$000
Total equity at beginning of the year		182,885	165,805
Comprehensive income			
Profit for the year		27,092	23,535
Other comprehensive income		6,159	7,973
Total comprehensive income		33,251	31,508
Dividends paid to shareholders	22	(15,040)	(13,078)
Dividends paid to non-controlling interest		(1,350)	(1,350)
Total equity at end of year	20	199,746	182,885

The consolidated financial statements should be read in conjunction with the accompanying notes.

Consolidated statement of financial position at 30 June 2018

	Notes	2018 \$000	2017 \$000
Shareholders' equity			
Share capital	21	15,968	15,968
Retained earnings		130,698	120,753
Property revaluation reserve		49,995	44,457
Foreign exchange cashflow hedge reserve		214	(314)
Total shareholders' equity		196,875	180,864
Non-controlling interest		2,871	2,021
Total equity		199,746	182,885
Current liabilities			
Bank borrowings	25	41,550	7,800
At-call deposits	24	21,588	18,017
Trade & other payables	12	50,449	37,418
Vehicle floorplan finance	23	61,386	54,709
Financial liabilities – credit contracts	14	2,779	3,637
Tax payable		5,001	3,112
Financial derivatives – foreign exchange	29	-	513
Total current liabilities		182,753	125,206
Non-current liabilities			
Financial derivatives – credit contracts	14	3,025	4,556
Deferred tax	4	3,844	4,245
Total non-current liabilities		6,869	8,801
Total equity and liabilities		389,368	316,892
Current assets			
Cash & bank accounts	13	10,251	8,060
Trade & other receivables	11	57,991	34,747
Inventory	8	181,022	147,767
Financial assets – credit contracts	14	2,734	3,561
Financial derivatives – foreign exchange	29	349	-
Total current assets		252,347	194,135
Non-current assets			
Financial assets – credit contracts	14	3,026	4,557
Intangible assets	16	1,028	1,028
Investments	18	2,497	2,048
Property, plant & equipment	9	130,470	115,124
Total non-current assets		137,021	122,757
Total assets		389,368	316,892

For the directors



J P Gibbons



F R S Clouston

Authorised for issue on 20 September 2018

The consolidated financial statements should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows for the year ended 30 June 2018

	Notes	2018 \$000	2017 \$000
Operating cash flows			
Receipts from customers		880,336	852,463
Interest received		307	222
Dividends received		147	147
Payments to suppliers and employees		(878,114)	(823,646)
Interest paid		(4,565)	(3,852)
Income taxes paid		(9,465)	(9,507)
Net operating cash flows	6	(11,354)	15,827
Investing cash flows			
Proceeds from sale of property, plant & equipment		833	2,144
Proceeds from sale of intangibles & investments		-	139
Purchase of property, plant & equipment		(14,895)	(14,077)
Net investing cash flows		(14,062)	(11,794)
Financing cash flows			
Increase/(decrease) in bank borrowings		40,427	2,567
Increase/(decrease) in deposits		3,570	486
Dividends paid to shareholders		(16,390)	(14,428)
Net financing cash flows		27,607	(11,375)
Net change in cash held		2,191	(7,342)
Cash at beginning of year		8,060	15,402
Cash at end of year	13	10,251	8,060

The consolidated financial statements should be read in conjunction with the accompanying notes.

Notes to the consolidated financial statements for the year ended 30 June 2018

Index to the notes

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Preparation of the consolidated financial statements

About the 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. 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 Standards 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. There is a list of the dealerships and the franchises they represent on page 8.

Statement of compliance

These consolidated 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 20 September 2018.

Basis of preparation

The consolidated 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.
- on the assumption that the Group is a going concern.

The financial statements are presented in New Zealand dollars, which is the Group’s functional and presentation currency, rounded to the nearest thousand dollars.

Critical accounting assumptions, estimates and judgements

The Group makes assumptions, estimates and judgements 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, judgements 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 and judgements that have a significant risk of causing a material adjustment to the carrying amount of the assets and liabilities are detailed in relevant notes to the financial statements.

Accounting policies

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

The following general accounting policies relate to the overall consolidated financial statements. Policies specific to particular transactions or balances are detailed within each relevant note and are highlighted by a solid blue bar:

Specific accounting policy

General accounting policies

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 estimated recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised as an expense in the statement of financial performance.

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.

Goods & Services Tax (GST)

The financial statements are prepared net of GST with the exception of receivables and payables which are stated including GST.

Changes in accounting policies and accounting standards

There have been no changes in accounting policies during the year.

Accounting standards have been updated during the year with the consequence that additional disclosure has been made including note 27 introduced this year under NZ IAS 7 – Statement of Cash Flows to provide details of movements in financial liabilities.

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.

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 consolidated financial statements is provided in the relevant notes as follows:

NZIFRS 15 Revenue from contracts with customers – note 1

NZIFRS 16 Leases – note 15

NZIFRS 9 Financial instruments – note 26.

Certain other new standards and interpretations issued but not yet effective and not expected to have a material impact on the consolidated financial statements have not been disclosed.

Notes on financial performance

1 Revenue

Revenue is measured at the fair value of the consideration received or receivable. It is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Amounts disclosed as revenue are net of returns, trade allowances and rebates. The following specific recognition criteria must also be met before revenue is recognised:

Sale of products: Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have passed to the buyer and can be reliably measured. Risk and rewards are considered to have passed to the buyer generally upon the delivery of goods to the customer.

Rendering of services: Revenue from the rendering of a service is recognised in the period in which the service is provided.

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.

	2018 \$000	2017 \$000
Revenue from		
Sale of products	839,621	786,945
Sale of services	62,455	65,915
Total revenue from customers	902,076	852,860
Interest	307	222
Rental income	1,651	976
Other	-	706
Total other income	1,958	1,904

New standard

NZIFRS 15 – Revenue from contracts with customers becomes effective for CMC for the reporting period beginning 1 July 2018 and ending on 30 June 2019.

Detailed assessment of its impact has been completed. The nature of trading transactions with customers carried out by the Group are such that contracts are of short duration and are fulfilled at a point in time. No changes to Group accounting policies or procedures have been identified as necessary and there will be no material change to the timing of recognition of revenue. Compliance with NZ IFRS 15 will involve some additional disclosure.

2 Expenditure

Expenditure in the statement of financial performance includes:

	2018 \$000	2017 \$000
Auditor's remuneration		
Audit fees	423	417
Other services	-	-
Total auditor's remuneration	423	417
Operating lease expense	3,028	3,128
Directors' fees	244	244
Bad debts written off	101	49
Donations	21	29
Contributions to retirement savings		
CMC Workplace Savings Scheme	754	749
KiwiSaver	1,180	1,094
Movement in impairment allowance for:		
Parts inventory obsolescence (decrease) / increase	(264)	(181)
Doubtful debts	(18)	81
Credit contracts	(32)	(20)

3 Interest

Interest expense comprises interest on deposits, vehicle floorplan finance, bank borrowings and bank overdraft facilities.

See note 28 (b) for interest rate disclosures.

Interest costs are recognised using the effective interest rate method and expensed in the period they are incurred.

4 Taxation

4(a) Income tax expense

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.

Tax expense is recognised in the statement of financial performance except when it relates to items recognised directly in the statement of comprehensive income.

	2018 \$000	2017 \$000
Profit before tax for the year	37,911	32,169
Expected tax charge at the NZ domestic tax rate of 28%	10,615	9,007
Tax adjustments for:		
Non-deductible expenses	598	474
Tax exempt income	(147)	(155)
Changes in unrecognised temporary differences	308	(237)
Prior year adjustment	(20)	(14)
Actual current tax charge	11,354	9,075
Movement in deferred tax	(535)	(441)
Total tax expense	10,819	8,634

4(b) Deferred tax

The calculation of deferred tax uses the liability approach that 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.

	2018 \$000	2017 \$000
Deferred tax liability		
At the beginning of the year	(4,245)	(4,457)
Movement through the statement of financial performance		
On trading profit	366	328
On non-trading property depreciation	169	114
Movement through property revaluation reserve	108	(9)
Movement through foreign currency cashflow hedge reserve	(241)	(221)
At the end of the year	(3,844)	(4,245)

Deferred tax assets and liabilities are attributable to the following

Trade and other payables	809	579
Trade and other receivables	19	26
Employee benefits	1,001	875
Inventories	628	552
Financial derivatives	(98)	144
Impairment allowance for finance bad debts	13	21
Property plant and equipment	(1,724)	(1,782)
Building depreciation rule change	(4,492)	(4,660)
Deferred tax liability at the end of the year	(3,844)	(4,245)

Deferred tax on unused tax losses to be utilised against future taxable profits

	-	-
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4(c) Imputation credit account

	2018 \$000	2017 \$000
Imputation credits available for use in subsequent reporting periods	23,399	20,415

The NZ imputation regime enables tax credits to be attached to dividends paid to shareholders as a method of avoiding double-taxation of company profits.

5 Segment report

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 of the trading subsidiaries enters into agreements in its own right with the New Zealand distributor to sell and service specific brands of motor vehicle in a defined primary marketing area. As national distributor of two brands of heavy trucks, Southpac Trucks Limited has equivalent agreements with the international suppliers covering the whole country. Most of these agreements (called either dealer or franchise agreements) do not have a specific duration. All of the dealer or franchise agreements contain the right for the distributor/franchisor or the dealer to terminate the arrangements at short notice. Some of these agreements have finite terms from one to three years, usually without automatic rights of renewal. If a dealership or franchise agreement is terminated or not renewed there could be a detrimental effect on the future financial performance of the Group.

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.

	2018			2017		
	Operating segment \$000	Corporate \$000	Total Group \$000	Operating segment \$000	Corporate \$000	Total Group \$000
Revenue from customers	902,076	-	902,076	852,860	-	852,860
Depreciation & amortisation	2,168	1,573	3,741	2,362	1,388	3,750
Interest income	301	6	307	189	33	222
Interest expense	2,871	1,694	4,565	2,736	1,116	3,852
Trading profit before tax	34,582	3,259	37,841	29,051	2,999	32,050
Total assets	261,998	127,370	389,368	207,163	109,729	316,892

6 Reconciliation of profit for the year with operating cash flows

	2018 \$000	2017 \$000
Profit after tax for the year	27,092	23,535
Adjustments for non-cash items		
Depreciation	3,741	3,650
Amortisation	-	415
Revaluation of property and investments	(70)	(425)
Realised gain on sale of property	-	(9)
Movement in		
Impairment of credit contracts	(4)	(29)
Deferred tax	(535)	(441)
Movement in working capital		
Trade & other payables	13,031	511
Tax payable	1,888	(433)
Trade & other receivables	(23,243)	(1,932)
Inventory	(33,254)	(9,015)
Net cash flow from operations	(11,354)	15,827

7 Earnings per share

	2018 \$000	2017 \$000
Trading profit after tax	24,746	22,000
Profit after tax for the year attributable to shareholders	24,985	22,232
Weighted average number of shares on issue – see note 21		
	Cents per share	Cents per share
Basic and diluted earnings per share on		
Trading profit after tax	75.7	67.3
Profit after tax for the year attributable to shareholders	76.4	68.0

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 potentially dilutive ordinary shares outstanding at balance date (2017: none).

Notes on financial position

8 Inventory

New and used vehicles are 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.

Inventory, particularly of vehicles, is reviewed, on a transaction by transaction basis, as part of normal commercial trading. Estimates and judgement are required to ensure that carrying values do not exceed net realisable value at reporting date.

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.

	2018 \$000	2017 \$000
Vehicles	160,989	130,084
Parts, accessories, workshop fuels and gases	22,795	19,632
Impairment allowance	(2,762)	(1,949)
Total inventory	181,022	147,767
Total inventory write-down including parts, parts obsolescence and vehicles.	660	18

9 Property, plant & equipment

Land & buildings

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.

All land & buildings other than properties held for sale (if any), 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 Daryl Taggart B Com (VPM) ANZIV MPINZ Registered Valuer.

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

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

Other property, plant & equipment

Property, plant & equipment other than land and buildings 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.

Depreciation

Land is not depreciated. The economic life of buildings has been assessed at between 33 and 100 years and buildings are depreciated accordingly. Any accumulated depreciation on buildings 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.

Other plant and equipment have been depreciated over their estimated useful lives on an accounting basis that the Group considers best reflects the decline in the economic service potential of each class of assets. 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.

	Land & buildings \$000	Furniture, fittings & equipment \$000	Service vehicles \$000	Total \$000
Cost or fair value at 30 June 2016	52,818	21,992	5,195	80,005
Accumulated depreciation	-	(14,783)	(2,312)	(17,095)
Revaluation	36,278	-	-	36,278
Net book value at 30 June 2016	89,096	7,209	2,883	99,188
Additions	11,034	1,439	1,415	13,888
Disposals	(158)	(698)	(650)	(1,506)
Depreciation	(1,384)	(1,452)	(904)	(3,740)
Movement in revaluation	7,294	-	-	7,294
Net book value at 30 June 2017	105,882	6,498	2,744	115,124
Cost or fair value at 30 June 2017	62,565	21,476	5,314	89,355
Accumulated depreciation	-	(14,978)	(2,570)	(17,548)
Revaluation	43,317	-	-	43,317
Net book value at 30 June 2017	105,882	6,498	2,744	115,124
Additions	11,589	1,966	1,265	14,820
Disposals	(6)	(26)	(685)	(718)
Depreciation	(1,548)	(1,445)	(789)	(3,781)
Movement in revaluation	5,025	-	-	5,025
Net book value at 30 June 2018	120,942	6,993	2,535	130,470
Comprised of:				
Cost or fair value at 30 June 2018	72,598	22,696	5,313	100,607
Accumulated depreciation	-	(15,703)	(2,778)	(18,481)
Revaluation	48,344	-	-	48,344
Net book value at 30 June 2018	120,942	6,993	2,535	130,470

	2018 \$000	2017 \$000
Revaluation (deficit)/reversal of previous deficits recognised as non-trading items through profit or loss	(406)	(119)
Capital work in progress included in value of land & buildings at reporting date. Capital work in progress is not subject to depreciation until completed and brought into use.	2,624	1,300
Capital commitments Commitments to the future acquisition of new dealership facilities and development projects to existing facilities.	4,027	3,726

10 Christchurch greenway

The dealership property occupied by Team Hutchinson Ford on Tuam Street in Christchurch is owned by the Company and is in the city's Southern Frame designated area. An east-west greenway is being constructed through the centre of the dealership. In April 2018 agreement was reached with Crown authorities for the Company to grant an easement in perpetuity across the site for the construction of the greenway. The agreement involved

1. a cash settlement to meet the cost of demolishing part of the workshop and remodelling the remaining buildings to accommodate the business over a split site
2. acquisition of an adjacent area of land to replace part of the land taken by the greenway

Initial recognition of the agreement was to create an asset for the full value of the settlement receivable from the Crown based on the reasonable expectation that the agreement was legally binding and all conditions imposed on the parties would be met. At the same time a liability was established in recognition of the Group's future performance obligations to clear the land and make changes to existing buildings in order to continue its business.

Shortly after signing the agreement, the Crown made its first payment to CMC of \$4 million. At balance date, the outstanding receivable represents further payments due to be received from the Crown on particular events defined in the agreement and the value of the land to be acquired. The balance of the performance obligations reflects the remainder of the settlement that has yet to be allocated to particular elements of the work to be completed including compensation for the loss in capital value of the land as a result of granting the easement that will divide what is currently a single contiguous area of land into two separate titles.

The lump sum settlement includes an unspecified amount of compensation for "injurious affection", a legal term given to the disruption and additional operational costs that are likely to be incurred during the creation of the greenway. The amount of the compensation for injurious affection will only be measurable upon completion of the capital works. Provision has been made within deferred tax for the potential tax effect.

	\$'000
Consideration for granting the easement and making land available for the greenway	
Cash	7,000
Value ascribed to land to be acquired	555
Total receivable from the Crown	7,555
less first instalment received in cash April 2018	(4,000)
Balance included in "Other receivables" at 30 June 2018 – note 11, receivable in instalments following specified events over the course of the construction of the greenway	3,555
Performance obligation	7,555
Expenditure incurred to fulfil the performance obligation incurred primarily to design the greenway solution, prepare submissions to Crown and local authorities and reach agreement.	(524)
Balance of performance obligation included in "Other payables" at 30 June 2018 – note 12	7,031

11 Trade and other receivables

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. 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.

Recoverability of receivables

Reliance is placed on credit control measures to minimise bad debts but estimates and judgement based on experience are required in determining the level of possible future impairment of all types of receivables.

	2018 \$000	2017 \$000
Trade receivables	52,069	29,120
Impairment allowance for doubtful debts	(67)	(94)
	<u>52,002</u>	<u>29,026</u>
Other receivables	5,408	4,754
Prepayments	581	967
Carrying value of trade and other receivables	<u>57,991</u>	<u>34,747</u>
Bad debts written off in year	<u>101</u>	<u>40</u>

12 Trade and other payables

Trade and other payables are stated at amortised cost.

Employee benefits

The Group provides for benefits accruing to employees for

- salaries and wages earned but not yet paid
- annual leave accrued but not yet taken and
- short-term incentives arising from contractual obligations or when it is probable that the incentives will be paid and they can be reliably measured.

Trade and other payables are all due within one year.

	2018 \$000	2017 \$000
Trade payables	28,457	24,678
Employee benefits	8,175	6,675
Other payables	13,817	6,065
Total trade and other payables	<u>50,449</u>	<u>37,418</u>

13 Cash & bank accounts

	2018 \$000	2017 \$000
Bank accounts in funds	10,573	8,362
Bank accounts in overdraft	(322)	(302)
Net cash and bank accounts	<u>10,251</u>	<u>8,060</u>

These balances include all cash and cash equivalents.

Bank overdrafts are payable at call.

The Company guarantees the amounts owing by its subsidiaries under overdraft facilities and the subsidiaries guarantee the indebtedness of the Company.

Aggregate limit on bank overdrafts	<u>7,035</u>	<u>7,000</u>
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14 Credit contracts

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

Credit contracts with Motor Trade Finance 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 credit contracts 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. In the normal course of business, the receivable and liability for each finance deal reduce in parallel as customers make routine repayments.

The financial liabilities under credit contracts at reporting date consist of the outstanding balances on customers' accounts. The movement in the liabilities is further described in note 27.

Financial receivables – credit contracts

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. Factors that mitigate this risk include:

- credit checks that are carried out when the finance is arranged
- timely credit control practices
- the number of outstanding loans means there is no concentration of credit risk on a restricted number of debtors
- security over the vehicles that are financed so that, if other measures fail, the vehicles can be repossessed and sold to offset bad debts.

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 in profit or loss.

Impairment

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.

Amounts owed by customers are recoverable over a number of years. To determine the percentage used for the impairment allowance, estimates are based on historical data of contracts in default.

Financing agreements outstanding at reporting date that have been assigned to MTF with recourse have the following repayment schedule.

	2018 \$000	2017 \$000
Up to 1 year	2,779	3,637
1 to 2 years	1,652	2,770
2 to 3 years	945	1,262
3 to 4 years	342	461
4 to 5 years	86	64
Total	5,804	8,194
Impairment allowance	(44)	(76)
Carrying value of receivables	5,760	8,118

Number of credit contracts	410	568
Value of impaired accounts written off in the year (\$000)	-	1
Actual arrears/amounts past due at 30 June (\$000)	37	35
Arrears as percentage of total	0.63%	0.43%
Total value of accounts in arrears at 30 June (\$000)	471	491
Accounts in arrears as % of total	8.11%	5.99%

The amounts payable by customers under the financial assets – credit contracts, including future interest, 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.

	2018 \$000	2017 \$000
Less than 1 year	3,256	4,385
1 to 2 years	1,895	3,119
More than 2 years	1,504	1,940
Total	6,655	9,444

15 Operating leases

The Group owns most of the property from which it operates. Some Dealerships operate from sites not owned by the Group that are leased from third parties. 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 financial commitments created by the leases are primarily for the regular payment of rent with payments due over the periods up to the earliest date each lease may be terminated summarised in the table below

The Group does not carry any material finance leases.

Operating lease commitments	2018	2017
	\$000	\$000
Within one year	2,484	1,674
Between one and two years	1,250	1,181
Between two and five years	2,080	1,911
Over five years	138	626
Total operating lease commitments	5,952	5,392

The Group owns some properties that are not completely occupied by Group companies and the space is leased to third parties. The leases are also negotiated under normal commercial arrangements with varying terms, escalation clauses and renewal conditions and without undue restrictions. The rent is receivable over the following schedule during the non-cancellable periods of these leases

Operating lease receivables

Within one year	572	649
Between one and two years	345	257
Between two and five years	459	229
Over five years	53	129
Total operating lease receivables	1,429	1,264

Change in financial reporting standard

Under current financial reporting standards, the commitments and receivables under operating leases are not included in the financial statements of the lessors and lessees (landlords and tenants) but need only be disclosed as above.

A new standard, NZ IFRS 16 Leases, is coming into effect and will be compulsory for the first time in the Group's financial statements for the year ending 30 June 2020. The Group does not intend to adopt the standard before that date.

The new standard does not impose material changes for lessors but completely changes the financial reporting by lessees. It will require them to recognise the present value of the rental commitments over the most likely term of the lease (a potentially longer period than the non-cancellable period used to determine the commitments above) as a liability on their balance sheets. The liability will be offset by an asset representing the right to use the properties. The liability and asset will be equal and opposite only at the start of each lease and the reductions in their value over the terms of the leases will be recognised on different bases. The right of use asset will be amortised on a straight line basis. Rather than recognise the rental payments as expenses through profit or loss they will be split between partial settlement of the liability and a notional interest expense component.

The standard provides a lease-by-lease option either to

- restate the accounting from inception of each lease or
- transition from implementation date of the standard

It is the Group's current intention to apply full re-statement of all its leases.

The Group estimates, based on its current portfolio of leases, that at 30 June 2020 the lease liability will be valued in the range of \$10 - 12 million and that, in the year ending 30 June 2020, the replacement of the rental expense by amortisation of the right of use asset and interest will

- increase earnings before interest, tax depreciation and amortisation (EBITDA) by \$1.5 - 1.7 million
- increase interest \$1.6m and
- decrease trading profit before tax by approximately \$0.1 million.

16 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 at acquisition date.

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”.

Impairment testing calculations require the use of estimates and assumptions. 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 8.9% (2017: 11.3%).

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.

The value of intangible assets was reviewed at 30 June 2018. There was no indication of impairment below their carrying amount. (2017: none)

	2018 Goodwill \$000	2017 Goodwill \$000
Balance at 1 July 2017	1,028	1,028
Impairment loss during the year	-	-
Balance at 30 June	<u>1,028</u>	<u>1,028</u>
Cost	1,028	1,028
Accumulated amortisation & impairment	-	-
Balance at 30 June	<u>1,028</u>	<u>1,028</u>

Notes on investments

17 Subsidiaries

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 in the results and equity of subsidiaries are shown separately in each of the consolidated financial statements. They represent the portion of the profit or loss, other comprehensive income 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.

All subsidiaries are 100% owned (2017: 100%), with the exception of Southpac Trucks Ltd which is 85% owned (2017: 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 Company 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, Energy Motors Ltd, Fagan Motors Ltd, Hutchinson Motors 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

Advance Agricentre Ltd, Avery Motors Ltd, Capital City Paint & Panel Ltd, Central Lakes Automotive Ltd, East City Ford Ltd, Jeff Gray Ltd, Metro Motors (Porirua) Ltd, Metro Training Services Ltd, Panmure Motors Ltd, Papakura Ford Ltd, Pukekohe Motors Ltd, South Auckland Ford Ltd, Southland Tractors Ltd, Tower Motors (2012) Ltd, and Trucks South Ltd,

Non-controlling interest

The Company owns 85% of Southpac Trucks Limited. Its principal place of business is Auckland and it operates branches and service agencies throughout New Zealand. Its summarised financial position at balance date was as follows:

	2018 \$000	2017 \$000
Shareholders' equity	19,139	13,472
Current liabilities	86,368	52,580
Total equity and liabilities	105,507	66,052
Current assets	100,745	60,937
Non-current assets	4,762	5,115
Total assets	105,507	66,052

18 Investments

	2018 \$000	2017 \$000
Shares in Motor Trade Finance Limited (MTF)	2,494	2,018
Other	3	30
Total investments	2,497	2,048

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.

Notes on funding

19 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 future capital requirements and costs to maintain an appropriate balance of shareholders' equity and debt.

The Group generally maintains the capital structure by setting a sustainable level of dividends.

The Group issues call debt securities and maintains relationships with a number of financial institutions to ensure that adequate debt facilities are available to meet short- to medium-term strategic cash flow requirements and as a buffer for unexpected events. The Group complied with all of the financial covenants incorporated in the bank borrowing facilities - note 25 - and the At-Call Deposit trust deed - note 24 - at the reporting date and at 30 June 2017. 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 2018 or 30 June 2017.

20 Movements in equity

	Share capital (Note 20) \$'000	Property revaluation reserve \$'000	Foreign exchange cashflow hedge reserve \$'000	Retained earnings \$'000	Total attributable to share- holders \$'000	Non- controlling interest \$'000	Total equity \$'000
Balance at 30 June 2016	15,968	37,307	(797)	111,344	163,822	1,983	165,805
Dividends paid - note 22	-	-	-	(13,078)	(13,078)	-	(13,078)
Total transactions with shareholders	-	-	-	(13,078)	(13,078)	-	(13,078)
Profit for the year	-	-	-	22,232	22,232	1,303	23,535
Other comprehensive income							
Property revaluation reserve							
Fair value movement	-	7,414	-	-	7,414	-	7,414
Transfer on sale of property	-	(255)	-	255	-	-	-
Deferred tax	-	(9)	-	-	(9)	-	(9)
Foreign exchange cashflow hedge reserve							
Fair value movement	-	-	671	-	671	118	789
Deferred tax	-	-	(188)	-	(188)	(33)	(221)
Total comprehensive income	-	7,150	483	22,487	30,120	1,388	31,508
Balance at 30 June 2017	15,968	44,457	(314)	120,753	180,864	2,021	182,885
Dividends paid - note 22	-	-	-	(15,040)	(15,040)	(1,350)	(16,390)
Total transactions with shareholders	-	-	-	(15,040)	(15,040)	(1,350)	(16,390)
Profit for the year	-	-	-	24,985	24,985	2,107	27,092
Property revaluation reserve							
Fair value movement	-	5,431	-	-	5,431	-	5,431
Transfer on sale of property	-	-	-	-	-	-	-
Deferred tax	-	108	-	-	108	-	108
Forex hedge reserve							
Fair value movement	-	-	733	-	733	129	862
Deferred tax	-	-	(205)	-	(205)	(36)	(241)
Comprehensive income	-	5,538	528	24,985	31,052	2,200	33,252
Balance at 30 June 2018	15,968	49,995	214	130,698	196,875	2,871	199,746

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.

21 Share capital

All shares on issue are fully paid-up and have no par value.

All ordinary shares

- have equal voting rights
- share equally in dividends and
- would share equally in any surplus on winding up

	2018 \$000	2017 \$000
Share capital	15,968	15,968
	Thousands of shares	Thousands of shares
Number of ordinary shares on issue	32,695	32,695
Weighted average number of ordinary shares on issue	32,695	32,695

22 Dividends

			2018 \$000	2017 \$000
Dividends paid during the year				
	Date paid	Cents per share		
Final for the previous year	16 October 2017	31.0	10,136	8,828
Interim for the current year	16 April 2018	15.0	4,904	4,250
Total dividends paid and provided for in the financial statements			15,040	13,078

For details of the final dividend for the current year, see note 32.

23 Vehicle floorplan finance

When not purchased outright, new vehicles are funded by bailment arrangements, which represent a financial liability, accounted for at amortised cost. The vehicles are initially included in inventory at the same value.

Most of the subsidiaries have bailment facilities with finance companies to provide funding for new vehicles. The main finance company is UDC Finance Limited. 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 when 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.

	2018 \$000	2017 \$000
Total vehicle floorplan finance	61,386	54,709

24 At call deposits

The Company offers for subscription unsecured call debt securities ("Deposits") that are repayable on demand. Acceptance of Deposits is restricted to shareholders, employees and their associates.

At reporting date the Deposits were constituted by, issued under and are described in a trust deed dated 13 September 2016 between the Company, its guaranteeing subsidiaries (as therein defined) and Public Trust as supervisor 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. The governance documents including a product disclosure statement are available on the Disclose Register.

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 2018 was 3.25% (2017: 3.25%).

	2018 \$000	2017 \$000
Deposits	21,588	18,017
Maximum amount of deposits on offer	30,000	30,000

25 Bank borrowing

The Group has wholesale facilities with BNZ, ANZ and Westpac, three highly-respected international registered trading banks. The bank facilities are reviewed annually by the banks and have terms that extend up to three years from the date of each review.

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 the reporting 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".

	2018 \$000	2017 \$000
Bank borrowing	41,550	7,800
Combined facility limits	56,500	56,500

26 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 instruments are derecognised if the Group's contractual rights to the cash flows from the financial instrument is cancelled, expires or if the Group transfers substantially all the risks and rewards of the financial instrument to another party.

New standard

NZIFRS 9 – Financial instruments becomes effective for CMC for the reporting period beginning 1 July 2018.

This standard addresses the classification and measurement of financial assets, financial liabilities and hedge accounting. Whilst requiring some changes to disclosure for the Group, adoption of the standard is not otherwise expected to have a material effect.

Financial instruments by category

	2018 \$000	2018 \$000	2017 \$000	2017 \$000
	Fair value through profit or loss	Loans and receivables	Fair value through profit or loss	Loans and receivables
Assets				
Cash & bank accounts	-	10,251	-	8,060
Trade & other receivables	-	57,410	-	33,780
Credit contracts	-	5,760	-	8,118
Shares in companies	2,497	-	2,048	-
Financial derivatives foreign exchange	349	-	-	-
	Financial liabilities at amortised cost	Financial derivatives at fair value	Financial liabilities at amortised cost	Financial derivatives at fair value
Liabilities				
Bank borrowings	41,550	-	780	-
At-call deposits	21,588	-	18,017	-
Trade & other payables	36,632	-	31,453	-
Vehicle floorplan finance	61,386	-	54,709	-
Credit contracts	5,804	-	8,193	-
Financial derivatives – foreign exchange	-	-	-	513

27 Reconciliation of liabilities arising from financing activities

	Start of year \$000	Cash flows \$000	Non-cash changes \$000	End of year \$000
Bank borrowing - note 25	7,800	33,750	-	41,550
At call deposits - note 24	18,017	3,571	-	21,588
Vehicle floorplan finance - note 23	54,709	6,677	-	61,386
Total short term borrowings	80,526	43,998	-	124,524
Credit contracts - note 14				
Short term	3,637	-	(858)	2,779
Long term	4,556	-	(1,528)	3,028
Total liabilities arising from financing activities	88,719	43,998	(2,386)	130,331

Notes on managing risk

28 Financial risk management

28 (a) Credit risk

Financial instruments which potentially subject the Group to concentrations of credit risk consist principally of bank balances, deposits, receivables and credit contracts.

The carrying amounts of financial assets represent the Group's maximum credit exposure.

The Group places its cash and short term investments with high credit quality financial institutions (as determined by independent credit rating agencies) and limits the amount of credit exposure to any one financial institution.

The Group performs credit evaluations on all customers requiring credit and generally does not require collateral or other security to support financial instruments with credit risk.

Concentrations of credit risk with respect to accounts receivable are limited due to the large number of customers included in the Group's customer base.

The rate of impairment of amounts receivable under credit contracts - note 14 - is low. If the incidence of recourse requiring balances to be written off were to increase by 0.1% it would increase the annual amount written off through profit or loss by \$0.01m (2017: - \$0.01m).

28 (b) 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:

	2018	2017
Bank overdrafts	5.45% - 11.00%	5.39% - 11.65%
At-Call Deposits	3.25%	3.25%
Bank facilities	2.87% - 3.00%	2.90% - 3.45%

The at-call bank borrowings are unsecured and fall within the agreed committed facility requirements in place with the Group's bankers. These facilities have maturity dates ranging from December 2018 to March 2020 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 rate sensitivity

The effect of a movement of 1% in interest rates would be to change finance costs in profit or loss and equity by \$0.631m per annum. (2017: \$0.258m).

28 (c) 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 the At-Call Deposit scheme, from banks and other financial institutions.

Financial liabilities in the form of At-Call Deposits and bank borrowings are repayable at call. Trade and other payables fall due within one year. The potential repayment profile of amounts due under financial liabilities – credit contracts is provided in note 14.

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 23 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.

28(c) Liquidity risk contd

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 25 and bailment facilities in note 23.

28 (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. The principal values (stated in New Zealand dollars) of forward exchange contracts entered into and outstanding at each reporting date were denominated in the following currencies. All forward exchange contracts have value dates of less than 12 months .

	2018	2017
	\$000	\$000
Currency		
Australian dollars (AUD 23.853m)	25,915	34,724
Euros (EUR 20.269m)	35,229	41,341
Total	61,144	76,065

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 and equity for the year ended 30 June 2018 or 30 June 2017.

29 Financial derivatives - foreign exchange

	2018	2017
	\$000	\$000
Foreign exchange asset / (liability)		
Opening balance	(513)	(1,302)
Movement during the year through		
Other comprehensive income	862	789
Profit or loss	-	-
Closing balance	349	(513)

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.

Foreign exchange contracts outstanding at 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.

Forward rate contracts are used to hedge against exchange rate fluctuations. 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.

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.

Refer note 28(d) for additional details of foreign currency risk management.

Other notes

30 Related party transactions

The Group has related party transactions with key management personnel and the CMC Group Workplace Savings Scheme.

Management personnel

Transactions with key management personnel were:

	2018 \$000	2017 \$000
Short term benefits (including salary, incentives, profit share, use of motor vehicle and other benefits)	7,504	7,502
Post-employment benefits (including contributions to retirement savings schemes)	238	263
Share related benefits	-	-
Total remuneration benefits	7,742	7,765

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 - note 24 - on the same terms and conditions as all other depositors.

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 43 and remuneration of employees on page 44.

The CMC Group Workplace Savings Scheme

The Company is the sponsoring employer of the CMC Group Workplace Savings Scheme which is a defined contribution scheme. It is categorised as an employer-related restricted workplace savings scheme registered under the Financial Markets Conduct Act 2013 (FMCA).

The company ceased to be the trustee of the Scheme when a new trust deed was registered on 18 November 2016 but continues to provide administrative services to the Scheme and received fees of \$0.062m (2017: \$0.062m) during the year.

The Scheme holds 162,196 (2017: 162,196) ordinary shares in the Company. The Company and MTF are related parties to the Scheme and FMCA limits investments in related parties to 5% of total assets. At 30 June 2017 the Scheme held 835,000 perpetual preference shares in MTF but in December 2017 the Trustee sold those shares in the open market in order to bring the Scheme's holding in in-house assets below the FMCA limit.

All transactions between key management personnel, the Scheme and Group companies were in the normal course of business and provided on arm's length commercial terms.

31 Contingencies

	2018 \$000	2017 \$000
Contingent assets	-	-
Contingent liabilities	-	-

WorkSafe NZ is taking legal action against Agricentre South Limited (Agricentre), a wholly owned subsidiary, in relation to an accident in April 2016 at the workplace of a customer involving a tractor owned by Agricentre.

As the legal process, which was initiated in March 2017, has not yet been finalised, the extent to which Agricentre may be held responsible for the accident remains uncertain. Provision has been made in the consolidated financial statements to cover the most likely extent of penalties the Court may impose.

32 Events after the reporting date

On 23 August 2018 a dividend was declared of 35 cents per share to be paid fully imputed on 15 October 2018 representing a total payment of \$11.4 million.

Independent auditor's report

To the shareholders of The Colonial Motor Company Limited

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of The Colonial Motor Company Limited and its Subsidiaries (the "Group") on pages 9 to 35 which comprise the consolidated statement of financial position as at 30 June 2018, and the consolidated statement of financial performance, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 30 June 2018 and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) issued by the New Zealand Accounting Standards Board.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) issued by the New Zealand Audit and Assurance Standards Board. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no other relationship with, or interests in, the Group.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Why the matter is significant	How our audit addressed the key audit matter
<p>Inventory valuation and existence</p> <p>As at 30 June 2018, inventory of \$181m is held across multiple locations. There are a number of risks that can have a material impact on the inventory balance in the consolidated financial statements, principally:</p> <ul style="list-style-type: none"> the assessment of net realisable value of inventory, which for used vehicles in particular can fluctuate as a result of general economic conditions, new vehicle sales and incentives, price paid on trade in and the age, condition and configuration of vehicles; provision requirements for slow moving inventory as a result of the factors noted above; and that inventory may not exist at year end due to either fraud or error. <p>The inventory accounting policy is disclosed in note 8 in the consolidated financial statements.</p>	<p>We have:</p> <ul style="list-style-type: none"> tested the cost of inventory purchases by reference to a sample of supplier invoices or trade sale and purchase agreements; assessed the risk around net realisable value of inventory by comparing the carrying value of a sample of vehicles held at balance date to post year-end sales, or if not sold, the carrying value to used car prices of similar product currently available for sale in the market place; performed substantive and analytical procedures on the Group's vehicle and parts inventory reports, to identify any issues in respect of valuation and slow-moving inventory; confirmed the inventory balances funded by bailment arrangements with finance companies; and attended year end stock takes at all dealerships and observed the existence of new, used and demonstrator vehicles, including those financed through floor plan.

Why the matter is significant	How our audit addressed the key audit matter
<p>Accuracy of revenue</p> <ul style="list-style-type: none"> • The Group has revenue of \$904m. There are a number of factors that could affect this reported amount, including: • Revenue recognition policies are appropriate and consistently applied overall revenue transactions; and • Payment and delivery of the sold motor vehicles may not have occurred before year end which would result in revenue being overstated. <p>The revenue recognition accounting policy is disclosed in note 1 in the consolidated financial statements.</p>	<p>We have:</p> <ul style="list-style-type: none"> • evaluated the Group's recognition of revenue by assessing the procedures and key controls that Group management has in place to ensure that appropriate revenue recognition policies have been consistently applied; and • performed in relation to sales cut off, detailed substantive testing on sales recognised either side of year end to substantiate that the appropriate terms of the relevant contracts had been satisfied and that the risks and rewards associated with the contract had passed to the customer. This testing included obtaining evidence of post year end receipts which provided evidence as to validity of accounts receivable at the year end.

Other Information

The Directors are responsible for all the other information. The other information comprises the Facts at a Glance, Directors' report, Chief Executive's Report, Group Dealerships, Governance Statement, Disclosures as required by the Companies Act 1993 and Disclosures as at 30 June as required by the New Zealand Stock Exchange Listing Rules but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibilities for the consolidated financial statements

The Directors are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS issued by the New Zealand Accounting Standards Board, and for such internal control as those charged with governance determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible on behalf of the Group for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the Audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of the auditor's responsibilities for the audit of the consolidated financial statements is located on the External Reporting Board's website at: <https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/>

Restriction on use of our report

This report is made solely to the Group's shareholders, as a body. Our audit work has been undertaken so that we might state to the Group's shareholders, as a body, those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and its shareholders, as a body, for our audit work, for this report or for the opinion we have formed.

Grant Thornton New Zealand Audit Partnership

Michael Stewart
Partner, Audit
Grant Thornton New Zealand Audit Partnership
20 September 2018

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Governance statement

CMC is a public company with its shares listed on the New Zealand Stock Exchange operated by NZX Limited.

The board of directors is committed to maintaining high standards of governance by implementing a framework of structures, practices and processes that it considers appropriate and effective. CMC's corporate governance policies and procedures and its board and committee charters, which document the framework have been approved by the board. Components of the system of governance are reviewed from time to time.

This statement sets out how these measures meet the recommendations made in the NZX Corporate Governance Code 2017 and the requirements of the NZX Main Board Listing Rules. The board's view is that the corporate governance structures, practices and processes have followed these recommendations and requirements in the year to 30 June 2018

The Group is organised so that each motor vehicle dealership is incorporated as a subsidiary company that is managed locally. The CEO of each Group company reports to the Group Chief Executive. Each dealership also has a direct relationship with the franchisor(s) that it represents.

1. Code of ethical behaviour

Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for these standards being followed throughout the organisation.

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.

2. Board composition and performance

To ensure an effective board, there should be a balance of independence, skills, knowledge, experience and perspectives.

The constitution specifies that there should be between five and seven directors. The Board contains a mix of independent, executive and non-executive directors.

As vacancies arise, new Directors are identified by the nomination committee of the board and may then be appointed by the board. Directors may also be nominated by shareholders. Directors who have been appointed by the Board during the year must stand for election by the shareholders at the next general meeting as must anyone nominated as a director.

The constitution specifies that at least one third of the directors must retire each year. Directors who retire by rotation, and who remain eligible, may stand for re-election.

3. Board committees

The Board should use committees where this will enhance its effectiveness in key areas, while still retaining board responsibility.

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 Members of the committee have relevant financial qualifications and/or commercial experience. The Audit & Compliance Committee met five times during the reporting year.

Comprising F R S Clouston (Chairman), D M Wood and A J Waugh, 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.

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 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 F R S Clouston 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. The Remuneration Committee met once during the reporting year. CMC's policy is to review remuneration levels for directors and senior staff every two years. Directors' fees are being reviewed this year.

Management and director remuneration is disclosed in the annual report. CMC has no equity-based remuneration plan and does not require its directors to purchase or hold CMC shares.

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. During the year, the Nominations Committee started the process of identifying a suitable replacement in anticipation of the upcoming retirement of a member of the Board.

4. Reporting and disclosure

The Board should demand integrity in financial and non-financial reporting and in the timeliness and balance of corporate disclosures.

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 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.

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.

5. Remuneration

The remuneration of directors and executives should be transparent, fair and reasonable.

As stated above, remuneration of directors and senior executives is considered by the Remuneration Committee of the Board. During its assessments, the Committee generally refers to independent survey reports to provide suitable market-related benchmarks.

The actual amounts paid to directors are disclosed in CMC's annual reports including full details of executive directors. Remuneration of other staff is also disclosed in the \$10,000 bands specified in company legislation.

The packages of senior staff are made up of fixed and variable components. The variable portions include only short-term incentives. There are no long-term incentives or share schemes in place. The variable elements are based on dealership profit and comprise higher proportions of the total than are seen in the general market. Participation in the financial performance provides a strong incentive for success. The Group has a proud record of staff retention, particularly at senior levels.

6. Risk management

Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The Board should regularly verify that the issuer has appropriate processes that identify and manage potential and material risks.

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 on which it receives regular reports. Management provides the committee with an annual internal management and regulatory compliance summary report.

Health & safety CMC is committed to providing healthy and safe environments for all its customers, workers, contractors and other visitors to its facilities. A group-wide workplace safety management programme is operated with a health and safety committee active at each subsidiary. The Group Health and Safety Co-ordinator maintains and is continually improving CMC's workplace health and safety systems that are based on a comprehensive policy and procedures manual and are subject to independent external audits.

The board receives reports, considers health and safety issues at each of its meetings and experiences first-hand the practicalities during its regular dealership visits.

7. Auditors

The Board should ensure the quality and independence of the external audit process.

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.

8. Shareholder rights and relations

The Board should respect the rights of shareholders and foster relationships with shareholders that encourage them to engage with the issuer.

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.

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 shareholders 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.

Computershare Investor Services Limited maintains the register of shareholders.

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.
F R S Clouston	Chairman of Titan Cranes Limited and Titan Group Limited.
D M Wood	Chairman of Mercy Healthcare Auckland Limited.
A J Waugh	Director of Fonterra Co-operative Group Limited and Seeka Limited.

(b) Remuneration of directors

Remuneration and all other benefits received by the directors who held office during the year ended 30 June 2018 are disclosed pursuant to section 211(1)(f) of the Act as follows

	Directors' fees 2018 \$	Total remuneration 2018 \$	Total remuneration 2017 \$
J P Gibbons (Chairman)	84,500	109,134	149,134
F R S Clouston	56,650	56,650	56,650
G D Gibbons	-	1,148,454	1,045,848
S B Gibbons	-	287,060	270,781
M J Newman	-	883,053	893,238
D M Wood	51,500	51,500	51,500
A J Waugh	51,500	51,500	51,500

Remuneration for the Chairman, additional to directors' fees, include 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 2018 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 in the year to 30 June 2018 a fixed component (including salary, motor vehicle and superannuation contributions) of \$415,134. (2017: \$415,134) and an annual short term incentive component based on the current year's trading profit performance of \$733,320 (2017: \$630,714). There are no long term incentives or share schemes in place.

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 twelve months to 30 June 2018 and includes a short term profit performance component of \$618,422 and \$108,229 respectively (2017: \$628,607 for M J Newman and \$97,450 for S B Gibbons).

In accordance with clause 28.4 of its constitution, the Company may provide for directors retirement benefits. The total provided at 30 June 2018 was \$253,500 (2017: \$253,500). 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.

(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 2017 and 31 August 2018.

Director	Number of shares acquired/ (disposed)	Date of transaction	Price per share	Type of interest
M J Newman	5,000	23 August 2017	\$7.92	Beneficial
J P Gibbons	(24,000)	16 May 2018	Off-market	Non-beneficial

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 (2017: 7 Directors male, 13 officers, male).

(f) Remuneration of employees

During the year to 30 June 2018 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		Remuneration	Number of employees		
	\$	2018		2017	\$	2018
100,000 - 110,000		45	29	290,001 - 300,000	1	1
110,001 - 120,000		26	22	310,001 - 320,000	2	-
120,001 - 130,000		15	21	320,001 - 330,000	-	1
130,001 - 140,000		10	9	350,001 - 360,000	-	1
140,001 - 150,000		13	10	360,001 - 370,000	1	1
150,001 - 160,000		9	8	380,001 - 390,000	-	1
160,001 - 170,000		8	4	400,001 - 410,000	-	1
170,001 - 180,000		7	5	420,000 - 430,000	1	-
180,001 - 190,000		4	4	460,001 - 470,000	-	1
190,001 - 200,000		5	9	470,001 - 480,000	2	1
200,001 - 210,000		5	5	480,001 - 490,000	-	1
210,001 - 220,000		4	2	490,001 - 500,000	1	-
220,001 - 230,000		1	4	500,001 - 510,000	1	-
230,001 - 240,000		2	1	520,001 - 530,000	1	-
240,001 - 250,000		2	1	560,001 - 570,000	-	1
250,001 - 260,000		-	3	570,001 - 580,000	1	1
260,001 - 270,000		2	-	1,160,001 - 1,170,000	-	1
270,001 - 280,000		-	2	1,740,001 - 1,750,000	1	-
280,001 - 290,000		1	1			
				Total	171	152

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:

F R S Clouston

A J Waugh

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 2018

	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	
	2018	2017	2018	2017	2018	2017
G D Gibbons	1,737,849	1,737,849	1,300,825	1,300,825	104,250	104,250
J P Gibbons	1,421,081	1,421,081	1,035,849	1,059,849	513,270	513,270
S B Gibbons	1,910,578	1,910,578	176,087	176,087	6,151	6,151
M J Newman	20,000	15,000	-	-	-	-
D M Wood	20,000	20,000	168,426	168,426	578,120	578,120
A J Waugh	4,450	4,450	-	-	376	376

(c) Substantial security holders

As required by section 26 the Securities Markets Act 1988, the substantial security holders as at 31 August 2018 (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	27 March 2017	2,232,341	6.83
J P Gibbons	4 October 2013	2,646,084	8.09
S B Gibbons	16 September 2010	2,031,263	6.21
G D Gibbons	27 March 2017	1,865,032	5.70

Issued and fully paid capital as at 30 June 2018 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.

A number of shares identified under GD Gibbons are also jointly held or have trustees in common with AK Gibbons, SD & DM Wood, RD Gibbons, AD & GV Beaumont, DD & BW Harrison and GD & IW Watson.

(d) Distribution of shareholders and shareholdings

This distribution information reflects the position as at 31 August 2018.

	Number of shareholders		Number of shares	
	Number	%	Number	%
1 - 999	276	17.3	136,055	0.4
1,000 - 9,999	987	61.7	3,178,194	9.7
10,000 - 99,999	277	17.3	6,796,817	20.8
100,000 - 999,999	56	3.5	17,386,671	53.2
1,000,000 +	4	0.2	5,196,885	15.9
Total	1,600	100.0	32,694,632	100.0

(e) Five year summary of shareholder return on investment - 30 June year ended

Year	Share price at 30 June	Dividends paid - Date	Dividends paid - cps		Gross dividend yield %	Change in share price cps	Total gross return cps	Gross shareholder return %
			Net	Gross				
2018	\$8.00	16/04/18	15.0	63.9	8.5	50.0	113.9	15.2
		17/10/17	31.0					
2017	\$7.50	18/04/16	13.0	55.6	9.0	130.0	185.6	29.9
		17/10/16	27.0					
2016	\$6.20	18/04/16	13.0	45.8	8.0	45.0	90.8	15.8
		19/10/15	20.0					
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					

Note: Yields are calculated on the share price at the beginning of each year. The share price at 30 June 2013 was \$3.95.

Fifty largest shareholdings as at 31 August 2018

	Shares	%
AD & SB Gibbons & LB Rogerson	1,677,507	5.1
Florence Theodosia Gibbons	1,287,037	3.9
Peter Craig Gibbons (Trust)	1,173,642	3.6
Peter Craig Gibbons	1,058,699	3.2
JP & BR Gibbons & PL Bennett	683,550	2.1
NL, BR & JP Gibbons & PL Bennett (Estate RC Gibbons Deceased)	664,006	2.0
RJ Field & AJ Palmer	600,000	1.8
Graeme Durrad Gibbons	564,207	1.7
MI & C Louisson & RM Carruthers	563,777	1.7
PL & LC Bennett & JP Gibbons	543,794	1.7
BR & CM Gibbons & PL Bennett	528,971	1.6
Diana Durrad Harrison	523,628	1.6
Gillian Durrad Watson	507,619	1.6
Robert Durrad Gibbons	507,480	1.6
Sara Durrad Wood	506,919	1.6
Alison Durrad Beaumont	497,004	1.5
JP & DM Gibbons & PL Bennett	492,055	1.5
MA Gibbons, AK Cook & PJ Clark	474,348	1.5
JG, J & CG Harrison	458,317	1.4
Citibank Nominees (New Zealand) Limited	381,734	1.2
Nancy Lucy Gibbons	375,710	1.1
May Alice Gibbons	355,196	1.1
RD Gibbons, SD Wood & GD Gibbons	354,810	1.1
CG, AE & JG Harrison	335,244	1.0
JG, KS, SKE & J Bale	324,244	1.0
Hart Capital Partners Ltd	312,895	1.0
RB & JG Tait & IJ Craig	310,000	1.0
AE Romans	303,661	1.0
Rebecca Hope Wilson	300,478	0.9
Leanne Barnes Rogerson	281,410	0.9
SH Majors, RH & SJ Wilson	268,556	0.8
AD & GV Beaumont & GD Gibbons	259,203	0.8
David Grindell	254,000	0.8
K Enright & C Louisson	251,876	0.8
CM Louisson & N Tarsa	241,804	0.7
Stuart Barnes Gibbons	233,071	0.7
GD & AK Gibbons & SD Wood	209,203	0.6
Maldon Hector Whitwell	195,000	0.6
T A Pegler	188,306	0.6
CG & AJ Harrison & JA Flygenring & P&M Trustees No 2 Limited	188,118	0.6
JH Smith, AF Peake & SB Gibbons	176,087	0.5
CMC Workplace Savings Scheme Trustee Ltd	162,196	0.5
DD & BW Harrison & GD Gibbons	159,203	0.5
GD & IW Watson & GD Gibbons	159,203	0.5
SD & DM Wood & GD Gibbons	159,203	0.5
Judith Gibbons Bale	147,929	0.5
HA Louisson, CJ Warren & JA Piper	140,870	0.4
MC Durrentijdt, J T vanGaal & KD Trustees Ltd	140,000	0.4
I F Michie	135,730	0.4
A F Peake	132,480	0.4
Total of fifty largest shareholdings	20,749,980	63.6
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 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. It wasn't until 2014 30 years later, that the new vehicle industry again reached the level seen in 1984. 2015, 2016 and now 2017 have all seen record industry sales.

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 and Isuzu light commercials 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 but the businesses were sold in November 2016. A new dealership was established in South Auckland, selling Citroen, Peugeot and Isuzu light commercials.

The current major shareholdings in CMC are with individual descendants of Hopeful & Jessie Gibbons, who collectively hold over 60% of the Company shares. There are also many descendants of the original 1902 subscribers to the Rouse & Hurrell Carriage Building Company Limited who remain shareholders today.

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

