



*The
Colonial
Motor Company
Limited*

HALF YEAR REPORT

For the Six Months Ended 31 December 2019

The Colonial Motor Company Limited

HALF YEAR REPORT

For the Six Months Ended 31 December 2019

57 Courtenay Place
Wellington
19 February 2020

Dear Shareholder

**Trading profit after tax at \$8.031m is down 25% on the same period last year
Interim dividend unchanged at 15 cents per share**

Total revenue for the Group declined 11% compared to the same period last year. This flowed directly through to a lower trading profit after tax. The sales decline was most noticeable in the December quarter.

In the new vehicle market, the total industry was down 4.3% year on year, with both of our two major brands, Ford and Mazda, having a reduced market share in the smaller market.

Southpac's sales of heavy trucks also declined, reflecting a lower level of customer orders in the middle months of 2019 and the pending introduction of a completely new model DAF with Euro 6 emission standard engines in February 2020. Southpac expects to deliver significantly more trucks in the next six months.

These accounts are the first that the Group has prepared which comply with NZ IFRS 16 bringing balances for property leases onto the statement of financial position. The Group owns most of the properties that it occupies, with relatively few leased properties. The standard requires us to recognise liabilities of \$15.6m offset by right of use assets valued at \$13.8m. The effect on the statement of financial performance is not material. See page 3 for more information.

Developments

Major developments continue at

- Cromwell – new facilities for Agricentre South (Case tractors)
- Wanaka – new service centres for Macaulay (Ford & Mazda) and Southern Lakes (Mitsubishi & Nissan)
- Christchurch – the Team Hutchinson Ford greenway project
- Lower Hutt – the new central hub for the Wellington region
- Manukau – building upgrade for South Auckland Motors
- Botany – new facility for Southern Autos - Manukau (Suzuki, Peugeot & Citroen)
- Nelson KIA – opened its new stand-alone leased facility on Rutherford Street

Outlook

The results for the next six months are anticipated to be similar to the last six months. However, the market is sensitive to unexpected events and so will continue to be uncertain. For example, the current coronavirus outbreak has the potential to impact on revenue and profit.

Dividend

The directors have declared a fully imputed dividend of 15 cents per share, totalling \$4.904m. This is unchanged from last year. The interim dividend will be paid on 20 April, with a record date of 9 April 2020.

For and on behalf of the Board
J P Gibbons
CHAIRMAN

The Colonial Motor Company Limited
and Subsidiary Companies

Consolidated Statement of Financial Performance For the six months ended 31 December 2019		6 Months to 31 Dec 2019 \$'000 Unaudited	*Restated 6 Months to 31 Dec 2018 \$'000 Unaudited	*Restated 12 Months to 30 Jun 2019 \$'000 Unaudited
Revenue				
	Products	384,154	434,700	842,024
	Services	33,298	32,963	64,900
	Other income	1,088	1,196	2,078
Total revenue		418,540	468,859	909,002
Trading expenses				
	Cost of products and services sold	345,768	393,348	757,262
	Remuneration of staff	39,120	37,572	75,995
	Depreciation and amortisation	3,114	2,793	5,955
	Interest	2,432	3,037	5,681
	Other operating costs	15,976	15,784	30,515
Total trading expenses		406,410	452,534	875,408
Trading profit before tax		12,130	16,325	33,594
Taxation		3,595	4,836	9,932
Non-controlling interest		504	725	1,672
Trading profit after tax		8,031	10,764	21,990
Non-trading items	Fair value adjustments after tax	71	69	(159)
Profit attributable to shareholders		8,102	10,833	21,831
Profit for the period				
Profit attributable to:	Shareholders	8,102	10,833	21,831
	Non-controlling interest	504	725	1,672
Profit for the period		8,606	11,558	23,503
Statistics per share				
Basic and diluted earnings per share - restated				
	Profit attributable to shareholders (cents)	24.8	33.1	66.8
	Trading profit after tax (cents)	24.6	32.9	67.3
Dividends				
	Dividends (cents per share)	15.0	15.0	45.0
	Total dividends (\$'000)	4,904	4,904	14,713
Net tangible assets per share (\$) – restated		6.24	5.90	6.32

Consolidated Statement of Comprehensive Income For the six months ended 31 December 2019		6 Months to 31 Dec 2019 \$'000 Unaudited	*Restated 6 Months to 31 Dec 2018 \$'000 Unaudited	*Restated 12 Months to 30 Jun 2019 \$'000 Unaudited
Profit for the period		8,606	11,558	23,503
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss				
Property revaluation reserve	Fair value movement after tax	(233)	(201)	7,035
Items that will be reclassified subsequently to profit or loss if conditions are met				
Cash flow hedge reserve	Movement in fair value of hedge derivatives after tax	(1,069)	(1,024)	(364)
Total other comprehensive income for the period		(1,302)	(1,225)	6,671
Total comprehensive income for the period		7,304	10,333	30,174
Total comprehensive income for the period attributable to:				
	Shareholders	6,960	9,761	28,557
	Non-controlling interest	344	572	1,617
Total comprehensive income for the period		7,304	10,333	30,174

Consolidated Statement of Changes in Equity For the six months ended 31 December 2019		6 Months to 31 Dec 2019 \$'000 Unaudited	*Restated 6 Months to 31 Dec 2018 \$'000 Unaudited	*Restated 12 Months to 30 Jun 2019 \$'000 Unaudited
Total equity at beginning of the period		210,944	198,467	198,467
Total comprehensive income		7,304	10,333	30,174
Dividends paid to shareholders		(9,808)	(11,443)	(16,347)
Dividends paid to non-controlling interest		–	(900)	(1,350)
Total equity at end of period		208,440	196,457	210,944

* Details of the restatement of comparatives are provided on page 3.

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Consolidated Statement of Financial Position As at 31 December 2019		31 Dec 2019 \$'000 Unaudited	*Restated 31 Dec 2018 \$'000 Unaudited	*Restated 30 Jun 2019 \$'000 Unaudited
Shareholders' equity				
	Share capital	15,968	15,968	15,968
	Retained earnings	133,211	128,823	134,916
	Property revaluation reserve	56,798	49,795	57,030
	Foreign exchange cash flow hedge reserve	(1,004)	(657)	(95)
Total shareholders' equity		204,973	193,929	207,819
Non-controlling interest		3,467	2,528	3,125
Total equity		208,440	196,457	210,944
Current liabilities				
	Bank borrowings	25,721	38,560	35,856
	At-call deposits	29,336	23,364	24,008
	Trade & other payables	36,904	47,226	46,813
	Vehicle floorplan finance	49,714	47,208	58,613
	Lease liabilities	1,707	1,611	1,668
	Other	3,192	5,703	3,766
Total current liabilities		146,574	163,672	170,724
Non-current liabilities				
	Lease liabilities	13,935	15,076	14,798
	Other	5,464	5,803	5,823
Total non-current liabilities		19,399	20,879	20,621
Total equity and liabilities		374,413	381,008	402,289
Current assets				
	Cash & bank accounts	10,045	8,850	7,182
	Trade & other receivables	39,008	52,750	55,495
	Inventory	151,015	157,544	168,329
	Other	1,518	2,095	1,738
Total current assets		201,586	221,239	232,744
Non-current assets				
	Property, plant & equipment	152,892	138,927	148,726
	Right of use asset	13,760	14,836	14,590
	Other	6,175	6,006	6,229
Total non-current assets		172,827	159,769	169,545
Total assets		374,413	381,008	402,289

Consolidated Statement of Cash Flows For the six months ended 31 December 2019		31 Dec 2019 \$'000 Unaudited	*Restated 31 Dec 2018 \$'000 Unaudited	*Restated 30 Jun 2019 \$'000 Unaudited
Operating cash flows				
	Inflows	435,585	474,099	911,500
	Outflows	(401,934)	(436,624)	(873,434)
Net operating cash flows		33,651	37,475	38,066
Investing cash flows				
	Inflows	257	174	414
	Outflows	(6,707)	(10,615)	(16,318)
Net investing cash flows		(6,450)	(10,441)	(15,904)
Financing cash flows				
	Inflows	5,328	1,776	2,420
	Outflows	(29,666)	(30,211)	(27,651)
Net financing cash flows		(24,338)	(28,435)	(25,231)
	Net change in cash held	2,863	(1,401)	(3,069)
	Cash at beginning of period	7,182	10,251	10,251
Cash at end of period		10,045	8,850	7,182

* Details of the restatement of comparatives are provided on page 3.

These summary consolidated financial statements have not been audited.

The financial statements were authorised for issue by the Directors on 19 February 2020.

The Colonial Motor Company Limited

and Subsidiary Companies

Accounting for leases and adjustment of comparatives

A new accounting standard, NZ IFRS 16 – Leases, came into effect on 1 July 2019. The adoption of this standard requires the recognition of a right of use asset and a corresponding lease liability in connection with all agreements previously treated as operating leases. The right of use asset is depreciated over the life of the lease while the lease liability is repaid over the same period with a charge being recognised in profit or loss for the implied interest cost. The Group has elected to recognise the asset and associated lease liability from the start date of each lease. The comparatives for June 2019 and December 2018 have been restated to recognise this change. All of the leases relate to the rental of land and buildings used in the Group's trading operations.

The impact of this change on the comparatives is as follows:

	As previously stated \$'000	Assets \$'000	Liability \$'000	Depreciation \$'000	Interest \$'000	Other costs – rent \$'000	Deferred tax \$'000	Minority interest \$'000	Restated \$'000
6 months to 31 December 2018	Unaudited	Unaudited adjustments							
Profit for the period	11,610	–	–	(773)	(348)	1,046	21	2	11,558
Net operating cash flows	36,777	–	–	–	(348)	1,046	–	–	37,475
Net financing cash flows	(27,736)	–	(699)	–	–	–	–	–	(28,435)
At 31 December 2018									
Shareholders' equity	195,245	–	–	(7,684)	(5,082)	10,938	512	–	193,929
Non-controlling interest	2,544	–	–	–	–	–	6	(22)	2,528
Deferred tax	3,840	–	–	–	–	–	(518)	–	3,322
Lease									
Liability recognised			(22,619)						
Principal repaid			5,932						(16,687)
Right of use asset									
Value recognised		22,619							
Depreciation		(7,783)							14,836
12 months to 30 June 2019	Audited	Unaudited adjustments							
Profit for the year	23,574	–	–	(1,584)	(690)	2,174	28	1	23,503
Net operating cash flows	36,582	–	–	–	(690)	2,174	–	–	38,066
Net financing cash flows	(23,746)	–	(1,485)	–	–	–	–	–	(25,231)
At 30 June 2019									
Shareholders' equity	209,155	–	–	(8,487)	(5,420)	12,052	519	–	207,819
Non-controlling interest	3,139	–	–	–	–	–	6	(20)	3,125
Deferred tax	3,589	–	–	–	–	–	(525)	–	3,064
Lease									
Liability recognised			(23,185)						
Principal repaid			6,719						(16,466)
Right of use asset									
Value recognised		23,185							
Depreciation		(8,595)							14,590

Capital City Motors' new service centre at 258 Taranaki Street is fully operational. The facility is complete with state-of-the-art service bays, a new vehicle delivery area and separated Ford and Mazda customer lounges.



Ford Link & Mazda Connect located on the waterfront of Wellington's CBD offer private and fleet customers the ability to interact in a technology-rich environment.

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Macaulay Motors service workshop on Grant Road in Queenstown was badly damaged by a fire in May 2019. The workshop has been rebuilt and service resumed in early February 2020.



The new stand-alone leased facility for MS Motors trading as Nelson KIA on Rutherford Street opened in late January.



The aftermath of the recent fire in M S Ford's workshop. The fire took place late on a Saturday so no-one was on the premises. Service has quickly resumed at a nearby location with plans now in motion for a more permanent solution.



The Glenda Drive property in Queenstown, previously occupied by Macaulay Motors, has been renovated making way for the latest dealership to join the Group – Southern Lakes Motors representing Mitsubishi and Nissan.



Construction of Agricentre South's new facility in Cromwell is underway on Old Saleyard Road.



The Southern Lakes Motors team – (left to right) Giancarlo Barattini, Vishnu Moodley, Tiago Avelin, Reuben Blair, Steve Brown, Jill Hakaraia, Deon Alberts and Richard Burns.

The Colonial Motor Company Limited and Subsidiary Companies



Robin Ridden, (centre) Avon City Ford (pictured with John Luxton and other 25 year gold watch colleagues).



Lorraine House, (centre) South Auckland Motors (pictured with Matthew Newman and Michael Halliday).

25 YEARS



Brent Morriss, (centre) Southpac Trucks (pictured with Aaron Headington and Maarten Durent).



Cameron Seaward, (centre) Avon City Motors (pictured with John Luxton and Bruce McCoubrey).



Neil Cox, (right) Fagan Motors (pictured with Keith Allen).

This month Southpac Trucks are launching the all new DAF Euro 6 low emission range of trucks.

Pre-production test trucks were put into service in early 2019 to conduct real-time testing in some of New Zealand's most arduous conditions using satellite data tracking to validate and improve the range.

Pictured to the right is Raoul Wijnands from DAF who personally came to New Zealand to oversee the validation work. Beside him is Steve Herring (Southpac), Peter Dynes from Dynes Transport, one of the customers operating a Euro 6 DAF, and Richard Smart (Southpac).



Trans-West Freighters of Methven operate this new Euro 6 DAF CF between Canterbury and Greymouth over Porters & Arthurs Passes. Pictured to the left is Philip Wareing, Owner and Tracey McKenzie, Operations Manager of Trans-West. Each new model DAF includes driver training to ensure they can understand the technology and get the best fuel efficiency.



The Colonial Motor Company Limited

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