



The Colonial Motor Company Limited

102nd Annual Report

2020

BOARD OF DIRECTORS

J P (Jim) Gibbons, Chairman
Graeme D Gibbons
Matthew J Newman
Stuart B Gibbons
Ashley J Waugh
John W M Journee

CHIEF EXECUTIVE COMPANY SECRETARY FINANCE MANAGER E-BUSINESS SYSTEMS

Graeme D Gibbons
Jack G Tuohy (acting)
Paul Stephenson
Alexander P Gibbons

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
Facsimile (04) 801-7279
E-mail address cmc@colmotor.co.nz
Website www.colmotor.co.nz

PROSPECTIVE DATES FOR 2021

Interim Half Year Report	Late February
Interim Dividend	19 April
Preliminary Full Year Report	Late August
Annual Report	Late September
Final Dividend	18 October
Annual Meeting	5 November

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

The Company is able to send shareholders e-mail notifications of the announcement of its preliminary half year (in February) and full-year results (in August). To register for this service please send an e-mail to cmc@colmotor.co.nz from the e-mail account you wish to receive the notifications with "Preliminary Results" in the subject line.

Notice of 102nd Annual Meeting

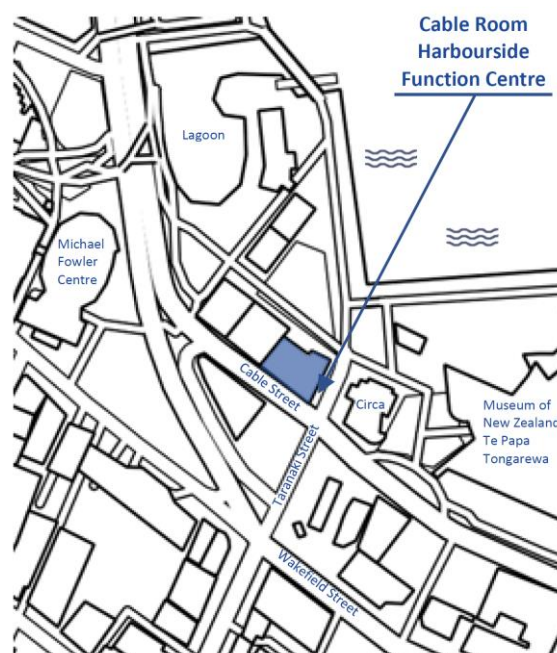
Notice is hereby given that the 2020 annual meeting of shareholders of
The Colonial Motor Company Limited
will be held at
The Harbourside Function Venue, 4 Taranaki Street, Wellington
on Friday, 6 November 2020 starting at 12:00 midday

BUSINESS

1. Chairman's introduction
2. Address from the Chairman
3. Shareholder discussion
4. Resolutions
To consider and, if thought fit, to pass the following resolutions
(see explanatory notes on the next page):
 1. To re-elect Stuart Barnes Gibbons as a director of the Company
 2. To re-elect Graeme Durrad Gibbons as a director of the Company
 3. 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

A light lunch will be served following the meeting.

LOCATION



Explanatory Notes – relating to the annual meeting

Voting

All voting at annual meetings must be conducted by poll rather than by show of hands. Procedures for voting, the appointment of proxies and representatives, vote counting and the announcement of the results are applied and disclosed in detail.

Proxies and representatives

If you choose not to attend the meeting, a form is enclosed for you to complete to appoint a proxy or corporate representative to vote on your behalf. Detailed guidance is provided on the form on how to complete it. Further copies of the form may be obtained from the Company or downloaded from our website.

Resolutions

Each of the resolutions will be considered as a separate ordinary resolution. To be passed, an ordinary resolution requires a simple majority of votes of shareholders entitled to vote and voting. Each share in the Company carries one vote.

The Board supports passing all of the resolutions.

Re-election and election of directors

The Listing Rules require that a director must not hold office (without re-election) past the third annual meeting that follows the director's last election or 3 years, whichever is longer.

A director appointed by the Board must not hold office (without election) past the next annual meeting following the director's appointment.

Resolution 1

Stuart Barnes Gibbons was last re-elected as a director at the 2017 annual meeting. He is eligible and offers himself for re-election.

Stuart was the Chief Executive / Dealer Principal of Stevens Motors Ltd until 1 July 2020 when the dealership was merged with Capital City Motors Ltd. He is managing the property project for the new Lower Hutt hub facility and working on the successful transition with the management team of the merged dealership.

If re-elected, the Board has determined that Stuart Gibbons will not be an independent director.

Resolution 2

Graeme Durrad Gibbons was last re-elected as a director at the 2018 annual meeting. He is eligible and offers himself for re-election.

Graeme took up the role of Chief Executive in 1990 and became a director of the Company in 1995. He is a Director and Chairman of all of the Company's subsidiaries and was previously a Director of Motor Trade Finances Limited and Chairman of its Audit Committee.

Resolution 3

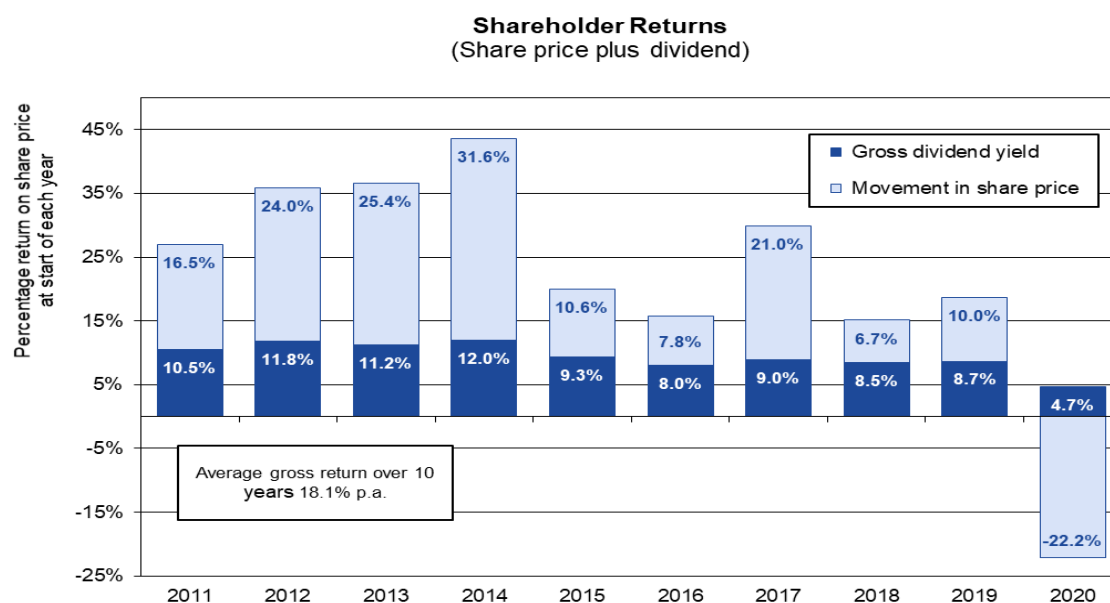
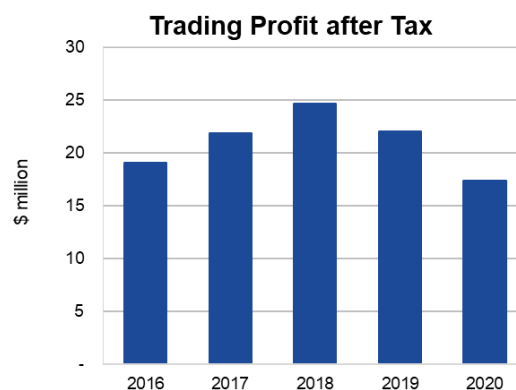
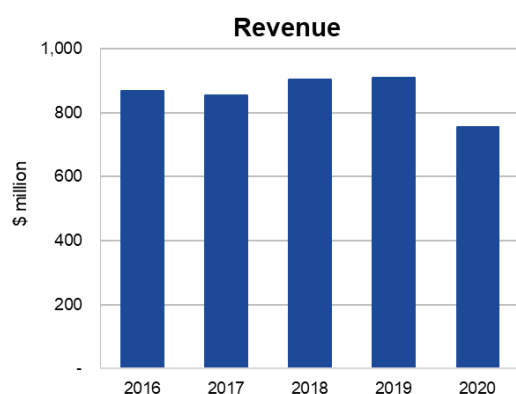
Under section 200 of the Companies Act 1993, the auditor is automatically re-appointed each year unless ineligible or replaced.

The fee paid to the auditor is disclosed in the annual report each year.

Facts at a glance

	2016	2017	2018	2019	2020
	Restated				
Revenue (\$000)	867,237	854,764	904,034	909,002	754,922
Trading profit after tax (excluding non-trading items) (\$000)	19,058	21,879	24,670	21,989	17,349
Profit after tax attributable to shareholders (\$000)	21,330	22,111	24,909	21,830	21,828
Return on average shareholders' funds					
- trading profit after tax	12.2%	12.8%	13.1%	10.9%	8.0%
- profit attributable to shareholders	13.7%	12.9%	13.3%	10.8%	10.0%
Trading margin	2.2%	2.6%	2.7%	2.4%	2.3%
Earnings per share - trading profit after tax	58.3c	66.9c	75.5c	67.3c	53.1c
- profit attributable to shareholders	65.2c	67.6c	76.2c	66.8c	66.8c
Dividend per share	40.0c	44.0c	50.0c	45.0c	32.0c
Total dividends for the year (\$000)	13,078	14,386	16,347	14,713	10,462
Shares on issue at reporting date	32.695m	32.695m	32.695m	32.695m	32.695m
Current ratio	1.5	1.5	1.4	1.4	1.5
Shareholders' equity as a percentage of total assets	52.0%	54.6%	48.3%	51.6%	59.2%
Net tangible asset backing per share (after final dividend is paid)	\$4.66	\$5.15	\$5.60	\$6.02	\$6.60

Year's 2016 to 2019 have been restated following the adoption of NZ IFRS 16 – Leases. See note 33 for more details.



Directors' report

Your Directors have pleasure in presenting the 102nd annual report and audited consolidated financial statements of The Colonial Motor Company Limited (CMC or Company) and its subsidiaries (Group) for the year ended 30 June 2020.

Revenue and profit

Revenue for the year was \$754.9m. This is a 17% decrease on the previous year's \$909.0m reflecting the impact of the Covid-19 lockdowns in the second half of the year and a general easing of the motor vehicle market.

The trading profit after tax for the year was \$17.3m, down 21% 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 movements. It is also the reference point used by the Board when considering dividends.

Profit for the year attributable to shareholders, was unchanged at \$21.8m. This total profit includes a non-cash deferred tax gain of \$6.6m. This arises due to the legislated change to allow tax deductibility of depreciation on buildings as part of the Government's response to the Covid crisis and reverses a deferred tax loss of \$6.4m recorded when deductibility of building depreciation was ceased in 2010.

The analysis of the impact of the Covid crisis on the Group's financial position at 30 June 2020 is covered on page 14. All of the Group's trading subsidiaries applied for and received the initial Government wage subsidy, receipt of which is recorded in 'other income'.

Statement of financial position

Total assets dropped slightly to \$384.2m at year end (2019: \$402.8m). Driven primarily by a reduction in inventory, current assets were down by \$32.2m. Total assets now includes \$13.1m in respect of right of use assets held under leases.

The annual independent revaluation of the Group's property brought about an increase in the revaluation reserve of \$6.5m (2019: \$7.0m). Capital expenditure was focused on developing new and upgrading existing facilities in Cromwell, Wanaka, Lower Hutt and South Auckland. At reporting date shareholders' equity was \$227.3m (2019: \$207.8m).

Dividends

Dividends paid in respect of this year will total 32.0 cents per share (2019: 45.0 cents per share). Due to the uncertainty caused by the Covid-19 pandemic, the proposed interim dividend of 15.0 cents per share was cancelled but a full year dividend of 32.0 cents per share will be paid on 5 October 2020. The dividend will carry the maximum level of imputation credits. The value of the distributions for this year will be \$10.5m (2019: \$14.7m) representing 60% (2019: 67%) of the trading profit after tax.

Total shareholder returns over the past ten years are shown in the graph on page 3.

Directors

The independent Directors at 30 June 2020 and the date of this report were A J Waugh and J W M Journee.

The revised listing rules issued by NZX last year specify that a director must not hold office (without re-election) past the third annual meeting following the director's appointment or three years, whichever is longer. On that basis, the director to retire this year is S B Gibbons. He is eligible and is seeking re-election at the forthcoming annual meeting. In order to maintain the Company's policy of rotating one-third of directors annually, G D Gibbons is eligible and is seeking re-election at the annual meeting.

Director Fees

Non-Executive Directors took a voluntary reduction in fees of 20% during the April Covid-19 lockdown.

It has been the Board's practise to review the fees paid to Directors, in total and to individuals, every two years. A review was due this year but has been postponed for 12 months in recognition of the current economic environment.

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 50 to 55. A separate Governance Statement is provided on pages 46 to 49 and a report on the CMC Group strategic direction on page 5.

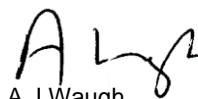
Auditor

Michael Stewart, our audit partner at Grant Thornton, retires by way of 'auditor rotation' at the conclusion of the 2020 Annual Meeting.

For the Directors
24 September 2020



J P Gibbons
Chairman of the Board



A J Waugh
Chairman of the Audit & Compliance Committee

CMC Group strategic direction

Management of capital resources

The Group has a strong balance sheet, with significant shareholder equity and very few long term financial commitments. The major assets on the balance sheet are property and inventory, with property funded by retained earnings and inventory funded by short term borrowing (bank borrowing, at call deposits and bailment). There is minimal goodwill.

The Group owns most of its key operational properties. The Group does not have investment properties as such, as all of the properties are occupied or intended to be occupied by the operational business units of the Group. Ownership brings greater flexibility when tailoring facilities to the Group's particular requirements. It provides security of tenure whilst conversely enabling the Group to sell and relocate as needs arise without the constraints of a long term lease.

The Group seeks to pay regular dividends calculated at 60 - 70% of trading profit. The dividends have the maximum imputation credits available to New Zealand shareholders. The remaining profit is reinvested in the business, either for controlled growth or maintaining and reinvesting in the quality of the existing assets.

This investment or reinvestment may be in the form of establishing or acquiring a dealership business or in developing a new property for use by a dealership or refurbishing and upgrading an existing dealership facility.

By adopting an approach to capital management of;

- paying 60 - 70% of trading profit as dividend
- not overly gearing up the balance sheet by taking on significant long term debt
- not going to the shareholders for more capital

the Group is able to provide controlled growth for shareholders without shareholder dilution.

Operational Model

CMC is the parent company for a group of motor vehicle dealerships – the success of these dealerships is CMC's lifeblood.

The CEO's (Dealer Principals) of our subsidiary companies operate within a financial and operational mandate but have wide discretion and local autonomy. Their role involves balancing the often conflicting demands of the franchisor, customers, employees and profitability.

We consider each dealership business individually and the need for reinvestment and growth opportunities available.

The Group balances the need to change and adapt with an awareness that it has specific areas of expertise. The operational expertise revolves around the franchise business model, as a franchisee in a local market area or on a national basis. In this model the franchisor supplies the product (including Electric Vehicles in the near future) and brand positioning, with the franchisee concentrating on promoting the brand and selling the product and service to the customer. The model brings its own unique challenges and opportunities.

As a response to, and to enable success in a highly competitive and fragmented market place, particularly in metropolitan areas, we have been moving to a 'hub and spoke' model. Here the main dealership facility, which encompasses all the business's array of activities – new and used vehicle sales, parts and service, is complemented by "service only" facilities in customer convenient locations. This model is operational in South Auckland and is being introduced to greater Wellington.

To be successful and grow a dealership, or establish a new one, we need to have management strength and depth and a franchise opportunity that fits. Where we have existing property, or can provide a property solution, that enhances our ability to take action. Ideally, we will grow by representing a new franchise partner in a number of locations rather than as a one off.

With Southpac Trucks we have expanded over time from a small base by increasing the market share of the Kenworth and DAF brands in a growing heavy truck industry which brings growing parts and service opportunities for the business and their network of independent parts and service dealers.

The location of our dealerships span all of New Zealand and range from small to large, from single to multiple brands. The major brands with significant representation are; light vehicles - Ford and Mazda; heavy trucks - Kenworth and DAF; tractors - New Holland and Case IH.

Chief Executive's report

This year has been challenging to a degree never envisaged or imagined. In our half year report on 19 February the Chairman commented that "the current coronavirus outbreak had the potential to impact on revenue and profit". The unfolding of the Covid-19 crisis presented a 'perfect storm' that effectively stopped the world economy and New Zealand in its tracks at enormous cost in almost every walk of life.

We are an employment centric business where wages are by far our most significant cost of operating and essentially all our major costs are fixed in the short term. Nearly all of our dealerships were closed during lockdown, so turning off the revenue tap had potentially catastrophic consequences. In our case, the short term panacea of the 'band aid' Government wage subsidy enabled our dealerships to maintain employment over what proved to be a traumatic three months. The industry we operate in was down 90% year-on-year in April and down 51% in the March to May period.

During the lockdown period an exhaustive amount of effort went into exploring any and every way we could possibly get back to business at any level. Even our two dealerships, that were significantly involved in servicing for essential business, had to battle through a maze of bureaucracy to find a way they could 'safely' deliver that essential support. It is a testament to the leadership and staff in the dealerships that they quickly adapted to the immediate constraints of successfully operating within the various Covid levels. Consequently, we not only 'lived to tell the tale' but this put us in a position to be able to capture the post-lockdown bounce back in the June and July period.

None of us are under any illusion that the so-called recovery in these past few months is anything but a short term bounce. The real world economy we planned for back in April and May is out there and will present a challenging environment going into 2021.

Our two primary light vehicle brands have struggled with market share in the passenger/SUV space. Mazda has determined internationally to elevate their brand and not compete in the lower price market segments their products form part of. In light commercial, Ford's Ranger and Transit continue to go from strength to strength and are the cornerstone of the Ford brand. However, despite Ford Focus being acclaimed as 'NZ Car of the Year' in 2019, Ford has struggled to have the 'right product at the right price' in a passenger/SUV marketplace that is full of aggressive brands.

Southpac Trucks

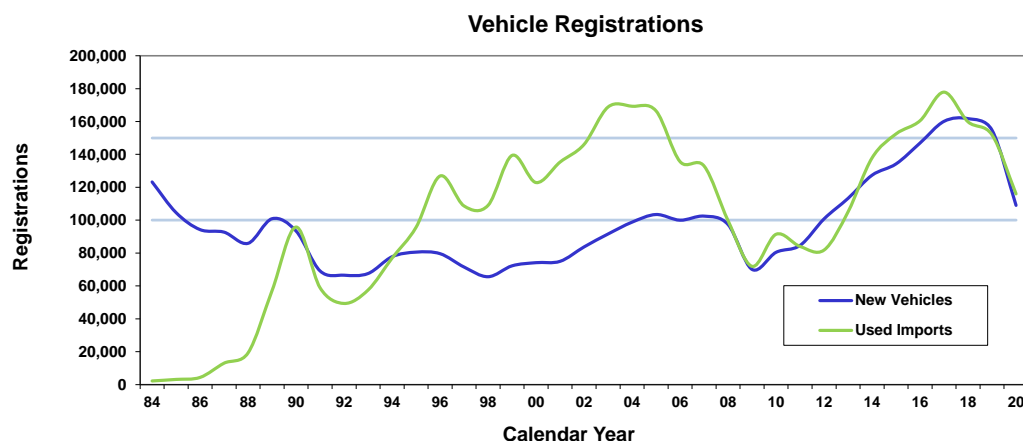
The launch of the new Euro6 DAF truck range has been a major mission for the team at Southpac Trucks. These trucks have introduced an extensive array of new 'safety' technology and required a top to bottom, in-depth education and training programs at every level – from driver training to technicians over the length and breadth of New Zealand. The Euro6 engine technology introduces a higher level of 'clean and green' than is required in New Zealand. The Team at Southpac is dedicated to providing parts and service backup for the lifetime support of the products they sell.

Dealerships

As outlined at the half year, we have had a pipeline of dealership facility projects to complete. Many have been at their peak activity this year, both during and post-lockdown.

The creation of a new Wellington region hub in Lower Hutt had its genesis when we sold the property in Taranaki Street in 2015. It is now 2020 and we will exit this traditional home of the dealership next month. The lockdown has contributed and made what was a transition plan with 'wiggle room' into a case of how long do we have to live in portacombs and temporary off-site locations. On 1 July we merged the two dealerships – Capital City Motors and Stevens Motors – bringing the 'behind the scenes' part of the business together. The physical bringing together of the Teams in the new Lower Hutt hub facility will happen progressively over the October to December period, although even then completion of some of the facility will roll over into 2021. Matthew Carman, CEO and Dealer Principal of Capital City Motors, is now the CEO and DP of the combined business. Stuart Gibbons, the CEO/DP of Stevens Motors since 2002, is managing the property project and working on the successful transition with the management team of the merged dealership.

In Tuam Street, Christchurch the project to incorporate the new 'greenway' through the middle of the facility is now well underway. Completion of the new look dealership is expected at the end of the first quarter 2021. The service department is operating in an off-site facility and the sales team, who have been living with portacombs since 2011, now have an expanded 'portacom village' as the showroom has been vacated.



On 1 July this year, Team Hutchinson Ford acquired the business of Grey Ford in Greymouth and is operating the business as a parts & service branch of the dealership.

In Cromwell the new facility for Agricentre South was completed this month and in Wanaka the new back-to-back service facility, for both Macaulay Motors (Ford and Mazda) and Southern Lakes Motors (Mitsubishi and Nissan), will be opened in October.

M.S. Motors has had a rollercoaster year, opening the Nelson KIA dealership in a leased facility on Rutherford Street and then suffering a fire in the leased Ford workshop on Haven Road. The dealership will continue to operate service from a temporary facility until the replacement workshop is built. The dealership also took over a Bridgestone Tyre centre in Richmond.

At South Auckland Motors the brand@retail showroom and signage project, which took place as part of a major building maintenance project, has just been completed. In Botany we are upgrading the property acquired several years ago to turn it into a full sales and service operation for Southern Autos (Suzuki, Peugeot & Citroen). Also currently in planning is a major upgrade to the South Auckland Motors (Ford and Mazda) location at Harris Road in Botany.

Brand@retail projects in Invercargill, New Plymouth and Waipukurau were completed, while those in Dunedin, Timaru, Avon City and Masterton have been deferred.

Health & Safety

This year we have had one serious harm accident across the Group. It involved a broken elbow to an apprentice technician.

The ongoing focus this year has been on improving the internal processes to actively manage risks and to better capture and learn from any 'near miss' incidents. This entails undertaking in-depth, root cause investigations of any accident or incident that was considered serious. A 'near miss' example this year involved our number one identified risk - vehicle hoists. The root cause investigation outcomes flowed across the Group and also led back to the importer/distributor of that brand of hoist having to modify their maintenance instructions.

We are in the process of moving our dealership health & safety processes from paper-based to a software system. The outcome will be a more consistent approach to managing the process and capturing the necessary information at the coal face. Reporting can then flow up and down within dealerships and across the Group to assist all levels in the chain of responsibility to fulfil their obligations to provide a safe workplace.

Simply having a policy is not enough; living and breathing the policy and actively enforcing safe practices are key requirements.

Cleaner, Greener, Safer

The pathway forward has been dimmed in the last year by the Covid crisis but even more by the confrontational way some parts of the coalition Government has sought to bulldoze its way. This has occurred without first establishing a level of public buy-in or working with the industry to find a practicable way to achieve the medium to longer term goal. The current reality is that Europe's CO₂ emission standards are dominating the world-wide vehicle manufacturers' capacity to produce enough electrified vehicles that tick the boxes that enable these manufacturers to avoid punitive fines in Europe.

Although New Zealand's, predominance of renewable electricity is a prime candidate for electric vehicles, the economics of such vehicles remains well beyond the average motorist. These vehicles remain essentially the preserve of corporate fleets, luxury car buyers or the truly committed (regardless of cost). The open question world-wide is how much 'subsidy' and 'no choice' rules are necessary to move the needle. In Europe this takes the form of huge \$ incentives, while USA/Japan let the market decide.

An interesting recent reflection is that we, as a nation, need to ensure our road network (on which over 93% of freight is carried) is first and foremost able to support our export industries. These industries continue to be fundamental to New Zealand's economic wellbeing and have become even more important to the country. Better roads are about safe and efficient transport, regardless of whether the vehicle is a new electric vehicle, an existing internal combustion vehicle, a future hydrogen fuelled truck, a public transport bus or a freight operator.

Training

Our dealerships are fully committed to the apprentice training program. Major changes to the Governments' education provider machinery that delivers these programs (Polytechs, Industry Training organisations), will provide a challenging environment in ensuring the actual training of the apprentices remains front and centre of whatever new structure that evolves. Collectively our dealerships are one of the largest participants in the motor industry training scheme.

Outlook

Never in our wildest dreams in the middle of lockdown would we have considered we could have climbed the ladder to our June and full year result. This new financial year has started better than expected but.....it feels like only now we, as a country, are starting to face economic reality without the open-ended financial backstop.

If there is one thing we can say about our business and the environment in which we operate, it is that 'change' is all around us. It is not, can we or will we change but how well we will change in order to find the new pathway to success.

G D Gibbons
Chief Executive

Group dealerships

Company Name	Chief Executive / Dealer Principal (DP)	Franchises	Location	Web address
Southpac Trucks Ltd	Maarten Durent	Kenworth & DAF Heavy Trucks	Manukau City, Hamilton, Rotorua, Palmerston North & 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 & Botany	www.southernautos.co.nz
South Auckland Honda Ltd	Matthew Newman Andy Kimber (Agency Mgr.)	Honda	Pukekohe	www.honda.co.nz
Energy City Motors Ltd	Russell Dempster	Ford	New Plymouth & Hawera	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 & Mahindra	Hastings	www.hawkesbaynissan.co.nz
Fagan Motors Ltd	Keith Allen	Ford & Mazda Suzuki & Kawasaki 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	Taranaki Street, Waterfront, Porirua & Kapiti	www.capitalcitymotors.co.nz
M.S. Motors (1998) Ltd	Alan Kirby	Ford Nelson KIA Service Lane Bridgestone Tyres	Nelson Nelson Richmond	www.nelsonford.co.nz www.nelsonkia.co.nz
Hutchinson Motors Ltd	John Hutchinson	Ford Bridgestone Tyres	Christchurch & Greymouth	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 Tim Rabbitte (DP)	Ford & Mazda	Invercargill, Queenstown & Wanaka	www.macaulaymotors.co.nz
Southern Lakes Motors Ltd	Grant Price Richard Burns (DP)	Mitsubishi & Nissan	Queenstown & Wanaka	www.southernlakesmotors.co.nz
Agricentre South Ltd	Grant Price	Case IH Tractors & Kuhn Implements New Holland, Kubota Tractors & Norwood Ag Equipment Yamaha Motorcycles	Invercargill, Gore, Milton, Cromwell & Ranfurly Invercargill & Gore Gore	www.agricentre.co.nz

Consolidated statement of financial performance for the year ended 30 June 2020

	Notes	2020 \$000	2019 \$000 Restated
Revenue			
Revenue		745,959	906,924
Other revenue		8,963	2,078
Total revenue	1	754,922	909,002
Trading expenses			
Cost of products and services sold		609,316	757,262
Remuneration of staff		76,118	75,995
Depreciation and amortisation		6,289	5,955
Property occupation costs		4,017	4,548
Marketing, promotion and training		5,625	6,619
Other operating costs		22,342	19,347
Interest	3	4,600	5,681
Total trading expenses	2	728,307	875,407
Trading profit before tax		26,615	33,595
Taxation			
Current tax	4	7,879	9,880
Deferred tax	4	132	53
Total tax on trading		8,011	9,933
Non-controlling interest		1,255	1,673
Trading profit after tax		17,349	21,989
Non-trading items			
Fair value revaluation of property		(2,040)	(243)
Fair valuation of investments		(57)	(57)
Total non-trading items before tax		(2,097)	(300)
Taxation			
Deferred tax	4	6,576	141
Non-trading items after tax		4,479	(159)
Profit attributable to shareholders		21,828	21,830
Profit for the year			
Profit attributable to:			
Shareholders			
Trading profit after tax		17,349	21,989
Non-trading items after tax		4,479	(159)
Total attributable to shareholders		21,828	21,830
Non-controlling interest		1,255	1,673
Profit for the year	6	23,083	23,503
Statistics per share			
Basic and diluted earnings per share	7		
Profit attributable to shareholders (cents)		66.8	66.8
Trading profit after tax (cents)		53.1	67.3
Dividends			
Dividends (cents per share)		32.0	45.0
Total dividends (\$'000)		10,462	14,713
Net tangible assets per share (\$)		6.92	6.32

The consolidated financial statements should be read in conjunction with the accompanying notes.
Comparatives have been restated following the adoption of NZ IFRS 16 – Leases. See note 33.

Consolidated statement of comprehensive income for the year ended 30 June 2020

	Notes	2020 \$000	2019 \$000 Restated
Profit for the year		23,083	23,503
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Property revaluation reserve			
Fair value movement		6,476	6,982
Deferred tax	4	515	53
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		785	(505)
Deferred tax	4	(220)	141
Total other comprehensive income for the year		7,556	6,671
Total comprehensive income for the year		30,639	30,174
Total comprehensive income for the year attributable to:			
Shareholders		29,299	28,556
Non-controlling interest		1,340	1,618
Total comprehensive income for the year		30,639	30,174

Consolidated statement of changes in equity for the year ended 30 June 2020

	Notes	2020 \$000	2019 \$000 Restated
Total equity at beginning of the year		210,944	198,467
Comprehensive income			
Profit for the year		23,083	23,503
Other comprehensive income		7,556	6,671
Total comprehensive income		30,639	30,174
Dividends paid to shareholders	22	(9,808)	(16,347)
Dividends paid to non-controlling interest		(975)	(1,350)
Total equity at end of year	20	230,800	210,944

The consolidated financial statements should be read in conjunction with the accompanying notes.
Comparatives have been restated following the adoption of NZ IFRS 16 – Leases. See note 33.

Consolidated statement of financial position


at 30 June 2020

	Notes	2020 \$000	2019 \$000 Restated	2018 \$000 Restated
Shareholders' equity				
Share capital	21	15,968	15,968	15,968
Retained earnings		146,936	134,916	129,433
Property revaluation reserve		64,021	57,030	49,995
Foreign exchange cash flow hedge reserve		385	(95)	214
Total shareholders' equity		227,310	207,819	195,610
Non-controlling interest		3,490	3,125	2,857
Total equity		230,800	210,944	198,467
Current liabilities				
Bank borrowings	25	19,235	35,856	41,550
At call deposits	24	27,389	24,008	21,588
Trade & other payables	12	42,505	46,813	50,449
Vehicle floorplan finance	23	42,851	58,613	61,386
Financial liabilities – credit contracts	14	1,403	1,773	2,779
Lease liabilities	15	1,813	1,668	1,486
Tax payable		2,682	1,836	5,001
Financial derivatives – foreign exchange	29	-	155	-
Total current liabilities		137,878	170,722	184,239
Non-current liabilities				
Financial liabilities – credit contracts	14	2,379	2,759	3,025
Lease liabilities	15	13,175	14,798	15,015
Deferred tax	4	-	3,589	3,844
Total non-current liabilities		15,554	21,146	21,884
Total equity and liabilities		384,232	402,812	404,590
Current assets				
Cash & bank accounts	13	16,995	7,182	10,251
Trade & other receivables	11	41,882	55,491	57,990
Inventory	8	139,291	168,329	181,022
Financial assets – credit contracts	14	1,379	1,740	2,734
Asset held for sale	9	345	-	-
Financial derivatives – foreign exchange	29	630	-	350
Total current assets		200,522	232,742	252,347
Non-current assets				
Financial assets – credit contracts	14	2,379	2,759	3,026
Intangible assets	16	1,028	1,028	1,028
Investments	18	2,382	2,442	2,497
Property, plant & equipment	9	161,109	148,725	130,470
Deferred tax	4	3,675	525	498
Right of use assets	15	13,137	14,591	14,724
Total non-current assets		183,710	170,070	152,243
Total assets		384,232	402,812	404,590

For the Directors



J P Gibbons
Chairman of the Board



A J Waugh
Chairman of the Audit & Compliance Committee

Authorised for issue on 24 September 2020

The consolidated financial statements should be read in conjunction with the accompanying notes.
Comparatives have been restated following the adoption of NZ IFRS 16 – Leases. See note 33.

Consolidated statement of cash flows

for the year ended 30 June 2020

	Notes	2020 \$000	2019 \$000 Restated
Operating cash flows			
Receipts from customers		768,326	911,345
Interest received		6	7
Dividends received		202	147
Payments to suppliers and employees		(692,680)	(854,706)
Interest paid		(4,600)	(5,681)
Income taxes paid		(7,033)	(13,044)
Net operating cash flows	6	64,221	38,068
Investing cash flows			
Proceeds from sale of property, plant & equipment		733	414
Purchase of right of use assets		(351)	(1,451)
Purchase of property, plant & equipment		(13,626)	(16,319)
Net investing cash flows		(13,244)	(17,356)
Financing cash flows			
Decrease in bank borrowings		(32,383)	(8,469)
Proceeds from lease liabilities		351	1,451
Repayment of lease liabilities		(1,729)	(1,486)
Increase in deposits		3,380	2,420
Dividends paid to shareholders		(10,783)	(17,697)
Net financing cash flows		(41,164)	(23,781)
Net change in cash held		9,813	(3,069)
Cash at beginning of year		7,182	10,251
Cash at end of year	13	16,995	7,182

The consolidated financial statements should be read in conjunction with the accompanying notes.
Comparatives have been restated following the adoption of NZ IFRS 16 – Leases. See note 33.

Notes to the consolidated financial statements

for the year ended 30 June 2020

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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 (FMCA 2013). Where an FMC Reporting Entity prepares consolidated financial statements, parent company disclosures are not required and have therefore 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) issued by the New Zealand Accounting Standards Board, Part 7 of the FMCA 2013 and the Companies Act 1993. They also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The consolidated financial statements were authorised for issue by the Directors on 24 September 2020.

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, and
- on the assumption that the Group is a going concern

The consolidated 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 in 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 the relevant notes of these consolidated financial statements.

Covid-19

The Group has considered the impact of the Covid-19 pandemic and the Government's response on both the financial statements at 30 June 2020 and also the future trading prospects.

When the country went into level 4 lockdown on 25 March, the Group's trading activities effectively stopped. Although there was some sales and service activity in support of essential services, the dealerships were effectively closed for four weeks. The Government wage subsidy helped the Group pay staff through this period. Through the implementation of business continuity plans, all dealerships were able to start trading again from 27 April. Although Group revenue is down year on year post 27 April, there continues to be demand for vehicles and servicing functions, albeit at lower than historic levels.

The Group has made the following assessment of the impact of Covid-19 on the value of assets as at 30 June 2020.

Asset	Assessment of impact on carrying value
Cash & bank	No impact
Trade & other receivables	Despite negative impacts on the general economy, there has been no noticeable increase in unrecovered debts. The existing policy of providing for 30% of the average over 90 day debt is considered adequate
Inventory	The policy on the valuation of inventory has been to value stock at the lower of cost or net realisable value. Inventory at 30 June 2020 has been valued in the same way based on sales activity in May and June. The anticipated heavy discounting of used vehicles and ex rental cars impacting values has not arisen
Credit contracts	As there is no concentration of credit risk due to the number of debtors involved and, ultimately, if a problem with a particular debt arose, the vehicle could be repossessed and sold, no additional provisions are considered necessary
Goodwill	Goodwill relates only to two dealerships. Both of these operations continue to be profitable and are expected to remain so. Goodwill has been tested in line NZ IAS 36 – Impairment of Assets and is not considered to be impaired
Investments	Investments are carried at fair value and have been valued at the current share price
Property, plant & equipment	Property was revalued at balance date by independent valuers. See note 9 for further information Other plant and equipment is held at cost less depreciation. There is no evidence of impairment as they are a critical resource in the Group's trading activity
Right of use assets	An assessment of the value of the right of use asset has been made, in conjunction with the lease liability, and there is considered to be no impairment of the value of the asset

Although revenue and profit before tax have been impacted by the Covid-19 pandemic and uncertainty remains, the Group continues to trade profitably. In addition, the Group has access to bank lending facilities and has remained within its banking covenants throughout the year. The Directors believe that the going concern assumption continues to be valid.

Accounting policies

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

The consolidated financial statements are prepared net of Goods & Services Tax (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 the existing accounting policies during the year.

Certain new accounting standards became effective for the Group from 1 July 2019. Further details on the impact of these standards can be found in the following note:

NZ IFRS 16 – Operating leases – note 15

New standards, interpretations and amendments

At the date of authorisation of these consolidated 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. There are no new standards issued but not yet effective that will have a material impact on the Group in future reporting periods.

Notes on financial performance

1 Revenue

Revenue from Contracts with Customers

When deciding whether to recognise revenue the Group undertakes the following:

1. Identifies the contract with the customer;
2. Identifies the performance obligations;
3. Determines the transaction price;
4. Allocates the transaction price to the performance obligations; and
5. Recognises revenue as the performance obligations are completed.

All of the revenue from contracts with customers arises from the sale of goods or services. The transaction price is measured as the fair value of the consideration received or receivable and is net of returns, trade allowances and rebates. All contracts are short term in nature.

For the supply of goods, the performance obligation is considered to be satisfied when control of the goods has been passed to the buyer. This generally happens on delivery and revenue is recognised at that time. Payment is usually required before the goods are delivered.

For the supply of services, performance obligations are considered satisfied when the service has been completed. Revenue is recognised at that time. Payment is due on completion of the service.

The Group sells some products which have extended warranty or maintenance periods. These are part of the price of the original goods or services and are not identified or treated separately. Any costs incurred by the Group in respect of these services are recovered from the manufacturers providing the extended warranties and maintenance agreements.

Other Revenue

Rental revenue arising from premises rental is accounted for on a straight line basis over the lease term.

Interest comprises interest on funds invested and is recognised in profit or loss as it accrues using the effective interest rate method. Subsidies received from the Government in respect of wage costs have been recognised as revenue in the same period as the wage expenses to which they relate.

	2020 \$000	2019 \$000
Revenue from		
Sale of products	679,759	842,024
Sale of services	66,200	64,900
Total revenue from contracts with customers	745,959	906,924
Interest	6	7
Other revenue	8,957	2,071
Total other revenue	8,963	2,078

2 Expenditure

Expenditure in the consolidated statement of financial performance includes:

	2020 \$000	2019 \$000 Restated
Auditor's remuneration		
Audit fees – statutory audit	490	496
Other services	-	-
Total auditor's remuneration	490	496
Operating lease expense	586	926
Directors' fees	223	259
Bad debts written off	75	96
Donations	20	18
Contributions to retirement savings		
CMC Workplace Savings Scheme	737	829
KiwiSaver	1,289	1,292
Increase/(decrease) in impairment allowance for:		
Parts inventory obsolescence	410	153
Doubtful debts	22	8
Credit contracts	(8)	(12)

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) 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 consolidated statement of financial performance except when it relates to items recognised directly in the consolidated statement of comprehensive income.

	2020 \$000	2019 \$000 Restated
Trading profit before tax	26,615	33,595
Non-trading items before tax	(2,097)	(300)
Profit before tax for the year	24,518	33,295
Expected tax charge at 28%	6,865	9,322
Tax adjustments for:		
Non-deductible expenses	1,052	526
Tax exempt income	(68)	-
Changes in unrecognised temporary differences	24	38
Prior year adjustment	6	(6)
Actual current tax charge	7,879	9,880
Movement in deferred tax	(6,444)	(88)
Total tax expense	1,435	9,792
Effective current tax rate on trading profit	29.6%	29.4%

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 consolidated 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

The rules regarding the allowability for tax of depreciation on buildings changed in March 2020 and a deduction can be claimed for these costs in future years. The impact on current tax payable will not be seen until year ending 30 June 2021, however the deferred tax liability that was being carried for these assets has been reversed and a deferred tax asset created.

Deferred tax asset/(liability)	2020 \$000	2019 \$000 Restated
At the beginning of the year	(3,064)	(3,346)
Movement through the consolidated statement of financial performance		
On trading profit	(132)	(53)
On non-trading property depreciation	6,576	141
Movement through property revaluation reserve	515	53
Movement through foreign currency cash flow hedge reserve	(220)	141
At the end of the year	3,675	(3,064)
Deferred tax assets and liabilities are attributable to the following:		
Trade and other payables	4,628	5,222
Trade and other receivables	27	21
Employee benefits	912	1,050
Inventories	770	667
Financial derivatives	(176)	43
Impairment allowance for finance bad debts	7	10
Property, plant and equipment	(3,678)	(5,726)
Building depreciation rule change	1,185	(4,351)
Deferred tax asset/(liability) at the end of the year	3,675	(3,064)
Deferred tax on unused tax losses to be utilised against future taxable profits	-	-

4(c) Imputation credit account

	2020 \$000	2019 \$000
Imputation credits available for use in subsequent reporting periods	32,011	29,199

The New Zealand 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 their 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 environment in which it operates.

	2020			2019 Restated		
	Operating segment \$000	Corporate \$000	Total Group \$000	Operating segment \$000	Corporate \$000	Total Group \$000
Revenue from customers	754,054	862	754,916	908,218	777	908,995
Depreciation & amortisation	4,030	2,259	6,289	4,087	1,868	5,955
Interest income	3	3	6	7	-	7
Interest expense	3,201	1,399	4,600	3,637	2,044	5,681
Trading profit before tax	23,483	3,132	26,615	29,546	4,049	33,595
Income tax	6,636	1,243	7,879	8,453	1,427	9,880
Total assets	222,852	161,380	384,232	255,242	147,570	402,812
Material non-cash items						
Revaluation loss on property	-	2,040	2,040	-	243	243
Deferred tax credit	68	(6,512)	(6,444)	36	(124)	(88)

6 Reconciliation of profit for the year with operating cash flows

	2020 \$000	2019 \$000 Restated
Profit for the year	23,083	23,503
Adjustments for non-cash items		
Depreciation and amortisation	6,289	5,955
Revaluation of property and investments	2,097	300
Cancellation of lease	(18)	-
Movement in		
Impairment of credit contracts	(10)	(12)
Deferred tax	(6,444)	(88)
Movement in working capital		
Trade & other payables	(4,271)	(3,615)
Tax payable	846	(3,165)
Trade & other receivables	13,611	2,497
Inventory	29,038	12,693
Net cash flow from operations	64,221	38,068

7 Earnings per share

	2020 \$000	2019 \$000 Restated
Trading profit after tax	17,349	21,989
Profit after tax for the year attributable to shareholders	21,828	21,830

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	53.1	67.3
Profit after tax attributable to shareholders	66.8	66.8

Basic and diluted earnings per share are 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 the reporting date (2019: 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 values at the 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.

	2020 \$000	2019 \$000
Vehicles	118,067	146,925
Parts, accessories, workshop fuels and gases	24,179	24,162
Impairment allowance	(2,955)	(2,758)
Total inventory	139,291	168,329
Total inventory write-down including parts, parts obsolescence and vehicles	689	432

9 Property, plant & equipment

Land & buildings

Land and buildings owned by the Group are categorised as property, plant & equipment because they are owned specifically for use in the revenue generating operations of its subsidiaries.

All land and 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.

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 and condition.

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 has been depreciated over its estimated useful life 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:

Furniture, fittings and equipment 7.5 – 60% of Diminishing Value
Service vehicles 18 – 36% 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 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
Additions	12,566	2,868	1,474	16,908
Disposals	(614)	(111)	(352)	(1,077)
Depreciation	(1,775)	(1,695)	(845)	(4,315)
Movement in revaluation	6,739	-	-	6,739
Net book value at 30 June 2019	137,858	8,055	2,812	148,725
Cost or fair value at 30 June 2019	82,775	24,482	5,769	113,026
Accumulated depreciation	-	(16,427)	(2,957)	(19,384)
Revaluation	55,083	-	-	55,083
Net book value at 30 June 2019	137,858	8,055	2,812	148,725
Additions	10,363	2,327	936	13,626
Disposals	(454)	(124)	(288)	(866)
Depreciation	(2,094)	(1,814)	(907)	(4,815)
Movement in revaluation	4,439	-	-	4,439
Net book value at 30 June 2020	150,112	8,444	2,553	161,109
Comprised of:				
Cost or fair value at 30 June 2020	90,870	25,992	5,896	122,758
Accumulated depreciation	-	(17,548)	(3,343)	(20,891)
Revaluation	59,242	-	-	59,242
Net book value at 30 June 2020	150,112	8,444	2,553	161,109
		2020 \$000	2019 \$000	
Revaluation deficit recognised as non-trading items through profit or loss		(2,040)	(243)	
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		6,599	2,535	
Capital commitments				
Commitments to the future acquisition of new dealership facilities and development projects to existing facilities		8,251	3,948	

If land and buildings were measured at cost the carrying value would be \$90,870k (2019: \$82,775k).

A number of properties are being held as part of the Wellington Hub development in Lower Hutt. At the balance date some of these properties were demolished or partially demolished as part of the upgrade of the site. Valuations of the assets reflected their condition at that date and contributes to the charge in the statement of financial performance.

In December 2019, a decision was made to sell a residential property in Waipukurau. At that date depreciation on the property was stopped and the asset transferred out of non-current assets. At balance date the house has been valued at the expected selling price of \$358k less costs to sell of \$13k. During the year the asset generated revenue of \$6k and incurred costs of \$16k.

10 Christchurch greenway

The dealership property occupied by Team Hutchinson Ford on Tuam Street in Christchurch is owned by the Group 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 Group 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, and;
2. acquisition of an adjacent area of land to replace part of the land taken by the greenway.

Initial recognition of the agreement created an asset for the full value of the settlement receivable from the Crown (\$7.555m) 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 for the same amount 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.

At the reporting date, the outstanding receivable, included in Other Receivables, represents further payments due to be received from the Crown on completion of particular events defined in the agreement and the value of the land to be acquired. The balance of the performance obligations, included in Other Payables, reflects the remainder of the settlement that has yet to be allocated to particular elements of the work to be completed. This includes 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 made in 2018 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 anticipated tax effects associated with putting the greenway in place.

	2020 \$000	2019 \$000
Other Receivables		
Balance at 1 July	2,555	3,555
Payments received	-	(1,000)
Balance at 30 June – note 11	2,555	2,555
Performance obligation		
Balance at 1 July	6,360	7,031
Expenditure incurred	(956)	(671)
Balance at 30 June – note 12	5,404	6,360

11 Trade and other receivables

	2020 \$000	2019 \$000
Trade receivables	37,449	52,408
Impairment allowance for expected credit losses	(97)	(75)
	37,352	52,333
Other receivables – greenway agreement note 10	2,555	2,555
Other receivables	1,819	447
Prepayments	156	156
Carrying value of trade and other receivables	41,882	55,491
Bad debts written off in year	75	96

The net carrying value of trade receivables and prepayments is considered to be their fair value.

The Group has adopted the simplified model of recognising lifetime expected credit losses as detailed in NZ IFRS 9 – Financial Instruments, as none of the trade or other receivables contain a significant financing component.

In measuring expected credit losses, the trade receivables have been assessed on a collective basis as they share similar credit risks. Expected loss rates are based on historic trading patterns over the last 5 years adjusted for anticipated changes in the 12 months following reporting date.

The items included in other receivables do not share the same credit risks as trade receivables and no credit loss is expected to arise.

Trade receivables are written off as bad debts when there is no expectation of recovery.

On the above basis the expected credit loss of trade receivables is as follows:

	2020 \$000	2019 \$000
Expected credit loss rate	0.25%	0.14%
Gross carrying amount	37,449	52,408
Expected credit loss	97	75
Movements in the loss allowance are as follows:		
Balance at 1 July	75	67
Allowance recognised in profit or loss	30	31
Allowance reversed	(8)	(23)
Balance at 30 June	97	75

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
- 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.

	2020 \$000	2019 \$000
Trade payables	22,182	25,473
Employee benefits	8,143	8,364
Other payables – performance obligation note 10	5,404	6,360
Other payables	6,776	6,616
Total trade and other payables	42,505	46,813

13 Cash and bank accounts

	2020 \$000	2019 \$000
Bank accounts in funds	16,995	7,384
Bank accounts in overdraft	-	(202)
Net cash and bank accounts	16,995	7,182

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	6,835	6,835
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Dealerships arrange finance for customers to buy vehicles with a number of finance companies. Before the customers enter into the finance agreements, information is gathered and provided to the finance companies to check that customers meet their creditworthiness, affordability and other criteria. 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 liability is detailed 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 based on historic trading patterns.

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 for contracts in default.

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

	2020 \$000	2019 \$000
Up to 1 year	1,403	1,773
1 to 2 years	1,145	1,461
2 to 3 years	696	818
3 to 4 years	396	379
4 to 5 years	142	101
Total	3,782	4,532
Impairment allowance	(24)	(33)
Carrying value of receivables	3,758	4,499
Number of credit contracts	231	289
Value of impaired accounts written off in the year (\$000)	-	-
Actual arrears past due at 30 June (\$000)	36	24
Arrears as percentage of total	0.95%	0.54%
Total value of accounts in arrears at 30 June (\$000)	547	392
Accounts in arrears as % of total	14.46%	8.65%

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.

	2020 \$000	2019 \$000
Less than 1 year	1,719	2,134
1 to 2 years	1,337	1,679
More than 2 years	1,371	1,426
Total	4,427	5,239

15 Operating leases

The new accounting standard, NZ IFRS 16 – Leases, was adopted by the Group with effect from 1 July 2019.

At the start of a contract the Group assesses whether the contract is, or contains, a lease being the right to control the use of an identified asset for a period of time in exchange for consideration. With the exception of low value assets and short term leases, at the start date of the lease the Group recognises a right of use asset, representing the right to use the underlying asset, and a lease liability, representing the obligation to make lease payments.

The right of use asset is initially measured at cost comprising the lease liability recognised, any initial direct costs including lease payments made before the commencement date, less any incentives. Right of use assets are then depreciated on a straight line basis over the shorter of the lease term or the estimated useful life of the assets. The Group also assesses the impairment of the right of use asset when such indicators exist.

The lease liability is recognised from the start date of the lease measured at the present value of lease payments to be made over the life of the lease. When calculating the present value of lease payments, the Group uses its incremental borrowing rate at the commencement date of the lease as the interest rate implicit in the lease is not determinable. After the commencement date, the amount of the lease liability is increased to reflect the addition of interest charges and reduced for the lease payments made. The carrying amount of lease liabilities is remeasured if there is a change in the terms of the lease (for example a change in the length of the lease or a change in the lease payments). The term of the lease includes any rights of renewal where there is a reasonable level of certainty that the lease will be renewed.

Lease payments on low value assets or short term leases (less than 12 months) are recognised as an expense on a straight line basis over the lease term.

Prior to 1 July 2019, the right of use assets and commitments under operating leases were not recognised in the financial statements. All payments under operating leases were expensed to profit or loss over the term of the lease.

When adopting the new standard at 1 July 2019, the Group has elected to recognise the right of use asset and the lease liability from the start date of each lease. Further details of the impact on the comparatives can be found in note 33.

The Group has leases for dealership facilities, including showrooms, workshops, office space and storage areas at a number of sites across the country and for office accommodation in Wellington. With the exception of short term leases and leases on low value assets, each lease is reflected on the balance sheet as a right of use asset and an associated lease liability. Property leases have terms up to 31 years and most have rights to renew exercisable at the option of the Group. The majority of leases allow for a market rent increase when renewals are exercised and some have annual inflation increases.

The following table summarises the Group's leasing activities:

	Number leased	Range of remaining terms (years)	Average remaining term (years)	Number with renewal options	Number with rent reviews
Dealership facilities	24	1-16	6	21	22
Office building	1	10	10	1	1

The value of right of use assets by type is summarised below:

	Dealership facilities	Office building	Total
	\$000	\$000	\$000
At 1 July 2019	13,104	1,487	14,591
Additions	351	-	351
Disposals	(83)	-	(83)
Depreciation	(1,582)	(140)	(1,722)
Total right of use assets	11,790	1,347	13,137

Lease liabilities are presented as current or non-current liabilities based on the maturity date of the underlying lease. The maturity of lease liabilities is as follows:

	Within one year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	5 to 10 years	Over 10 years
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Lease liability	1,813	1,693	1,377	1,224	982	4,944	2,955
Finance charge	567	497	437	385	340	1,095	308

Interest costs for the year on lease liabilities was \$640k. This has been included in interest in the statement of financial performance.

A number of leases have right to renew options exercisable by the lessee. The Group has included all of these renewal options in the right of use asset with the exception of one property which is sub-leased and exercise of the renewal is subject to the head lease. The Group has no commitment to leases that are yet to commence.

The Group has a number of properties which are leased on terms which have less than 12 months to run. The cost of these leases was \$586k for the year and has been included in property occupation costs in the statement of financial performance. At 30 June 2020 the total commitment on these leases was \$226k.

The Group owns some properties that are not completely occupied by Group companies and the space is leased to third parties. The leases are negotiated under normal commercial arrangements with varying terms, escalation clauses and renewal conditions and without undue restrictions. Rent of \$696k has been included in other revenue. The rent is receivable during the non-cancellable periods of these leases according to the following schedule.

Operating lease receivables

	2020 \$000	2019 \$000
Within one year	480	439
Between one and two years	266	301
Between two and five years	304	230
Over five years	192	-
Total operating lease receivables	1,242	970

Intangible assets consist of goodwill.

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.

Goodwill relates to the acquisition of business assets which have no foreseeable limit to the period over which they are expected to generate cash inflows for the Group. As such they are considered to have an indefinite useful life.

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 in 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 and that the results for the initial part of the period would continue to be impacted, in some way, by the economic downturn from the Covid-19 pandemic.

Key assumptions relate to the general economic outlook, the level of the new and used vehicle industries and the performance of the Group's business units in this environment.

The discount rate used in completing the cash flow forecast to assess value in use was 8.4% (2019: 9.1%).

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 2020. There was no indication of impairment below their carrying amount (2019: \$Nil).

	2020	2019
Goodwill	\$000	\$000
Balance at 1 July	1,028	1,028
Impairment loss during the year	-	-
Balance at 30 June	1,028	1,028
Cost	1,028	1,028
Accumulated amortisation and impairment	-	-
Balance at 30 June	1,028	1,028

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. Intra-group balances, and any revenue and expenses from intra-group transactions, are eliminated in preparing the consolidated financial statements.

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 are not held by the Group based on their respective ownership interests.

All subsidiaries are 100% owned (2019: 100%), with the exception of Southpac Trucks Limited which is 85% owned (2019: 85%). 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 Honda Ltd, South Auckland Motors Ltd, Southern Autos – Manukau Ltd, Southern Lakes Motors Ltd, Southpac Trucks Ltd, Stevens Motors Ltd, The Hawkes Bay Motor Company Ltd and 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, Queenstown Motors Ltd, South Auckland Ford Ltd, Southland Tractors Ltd, Tower Motors (2012) Ltd and Trucks South Ltd.

Non-controlling interest

Southpac Trucks Ltd operates branches and service agencies throughout New Zealand and its principal place of business is Auckland. The summarised financial position and cash flows at the reporting date were as follows:

	2020 \$000	2019 \$000 Restated
Shareholders' equity	22,082	19,577
Total liabilities	69,088	84,263
Total equity and liabilities	91,170	103,840
Total assets	91,170	103,840
Net cash flows from:		
Operating activities	15,406	21,422
Investing activities	(520)	(2,446)
Financing activities	(14,224)	(20,398)
Net movement in cash held	662	(1,422)
Opening cash balance	1,191	2,613
Closing cash balance	1,853	1,191

18 Investments

	2020 \$000	2019 \$000
Shares in Motor Trade Finance Limited (MTF)	2,381	2,439
Other	1	3
Total investments	2,382	2,442

MTF shares are traded in a quoted but restricted market and are categorised as level 2 in the fair value hierarchy set out in NZ IFRS 13 – Fair Value Measurement.

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 reserves.

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 2019. 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 2020 or 30 June 2019.

20 Movements in equity

	Share capital (Note 21) \$000	Property revaluation reserve \$000	Foreign exchange cash flow hedge reserve \$000	Retained earnings \$000	Total attributable to share- holders \$000	Non- controlling interest \$000	Total equity \$000
Balance at 30 June 2018	15,968	49,995	214	130,698	196,875	2,871	199,746
Amendments - Leases	-	-	-	(6,921)	(6,921)	(90)	(7,011)
Depreciation and amortisation	-	-	-	9,901	9,901	135	10,036
Property occupation costs	-	-	-	(4,737)	(4,737)	(65)	(4,802)
Interest	-	-	-	492	492	6	498
Deferred tax	-	-	-	-	-	-	-
At 30 June 2018 - restated	15,968	49,995	214	129,433	195,610	2,857	198,467
Dividends paid - note 22	-	-	-	(16,347)	(16,347)	(1,350)	(17,697)
Total transactions with shareholders	-	-	-	(16,347)	(16,347)	(1,350)	(17,697)
Profit for the year	-	-	-	21,830	21,830	1,673	23,503
Other comprehensive income	-	-	-	-	-	-	-
Property revaluation reserve	-	6,982	-	-	6,982	-	6,982
Fair value movement	-	53	-	-	53	-	53
Deferred tax	-	-	-	-	-	-	-
Foreign exchange cash flow hedge reserve	-	-	(429)	-	(429)	(76)	(505)
Fair value movement	-	-	120	-	120	21	141
Deferred tax	-	-	-	-	-	-	-
Total comprehensive income	-	7,035	(309)	21,830	28,556	1,618	30,174
Balance at 30 June 2019	15,968	57,030	(95)	134,916	207,819	3,125	210,944
Dividends paid - note 22	-	-	-	(9,808)	(9,808)	(975)	(10,783)
Total transactions with shareholders	-	-	-	(9,808)	(9,808)	(975)	(10,783)
Profit for the year	-	-	-	21,828	21,828	1,255	23,083
Other comprehensive income	-	-	-	-	-	-	-
Property revaluation reserve	-	6,476	-	-	6,476	-	6,476
Fair value movement	-	515	-	-	515	-	515
Deferred tax	-	-	-	-	-	-	-
Foreign exchange cash flow hedge reserve	-	-	667	-	667	118	785
Fair value movement	-	-	(187)	-	(187)	(33)	(220)
Deferred tax	-	-	-	-	-	-	-
Total comprehensive income	-	6,991	480	21,828	29,299	1,340	30,639
Balance at 30 June 2020	15,968	64,021	385	146,936	227,310	3,490	230,800

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 cash flow hedge reserve comprises the cumulative balance of adjustments to uncompleted transactions that qualify as effectively hedged under NZ IFRS 9 – Financial Instruments.

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
- would share equally in any surplus on winding up

	2020 \$000	2019 \$000
Share capital	15,968	15,968
	Thousands of shares	Thousands of shares
Number of ordinary shares authorised and on issue	32,695	32,695
Weighted average number of ordinary shares on issue	32,695	32,695

22 Dividends

		2020 \$000	2019 \$000
Final for the previous year	Date paid 21 October 2019	9,808	11,443
Interim for the current year	Cents per share 30.0	-	4,904
Dividends paid during the year		9,808	16,347

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.

Liabilities under bailment agreements are due for payment within the next 12 months.

	2020 \$000	2019 \$000
Total vehicle floorplan finance	42,851	58,613

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 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 2020 was 2.30% (2019: 3.25%).

	2020 \$000	2019 \$000
Deposits	27,389	24,008
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".

During the year, the facility limit with BNZ was increased by \$5m.

	2020 \$000	2019 \$000
Bank borrowing	19,235	35,856
Combined facility limits	65,000	60,000

26 Financial instruments

Financial instruments primarily comprise cash at bank, receivables, payables, credit contracts, forward exchange contracts, shares in companies, borrowings and loans.

Financial assets and liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Except for trade receivables that do not contain a financing component and are measured at transaction price, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss
- fair value through other comprehensive income

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset

Measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as fair value through profit or loss):

- the assets are held to collect contractual cash flows
- the contractual terms of the assets give rise to cash flows that are only payments of principal and interest

After initial recognition, the assets are measured at amortised cost using the effective interest rate method. Discounting is ignored where the effect of discounting is not material.

Financial assets at fair value through profit or loss

Financial assets that are held under a different model than 'held to collect' or 'held to collect and sell' and assets whose cash flows are not solely payments of principal and interest are accounted for as fair value through profit or loss. All derivative financial instruments fall into this category, except for those designated and effective as hedge instruments. This category also contains any equity investments.

Assets in this category are all measured at fair value with gains or losses recognised in profit or loss. The fair values of the assets in this category are determined by reference to an active market or using an alternative valuation technique where no market exists.

Financial assets at fair value through other comprehensive income

The Group had no financial assets in this category at 30 June 2020.

Impairment of financial assets

Recognition of credit losses is not dependent on identifying a credit loss event but instead considers a broader range of information when assessing credit risk including past events, current conditions and reasonable forecasts that could affect the expected collectability of future cash flows. In applying this approach, distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition, or that have a low credit risk (Stage 1)
- financial instruments that have deteriorated in credit quality since initial recognition and whose credit risk is not low (Stage 2)
- financial instruments that have objective evidence of impairment at the reporting date

Twelve month expected credit losses are recognised for Stage 1 instruments while lifetime expected credit losses are recognised for Stage 2 instruments. Measurement of expected credit losses is determined by a probability weighted assessment of the credit losses over the life of the instrument.

The Group makes use of a simplified approach in accounting for trade receivables. See note 11 for more information.

Measurement of financial liabilities

Financial liabilities are initially measured at fair value and, where applicable, adjusted for transaction costs. Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivative financial instruments that are designated and effective as hedging instruments (see note 29).

Financial instruments by category

	2020 \$000	2020 \$000	2019 \$000	2019 \$000
			Restated	
	Fair value through profit or loss	Amortised cost	Fair value through profit or loss	Amortised cost
Assets				
Cash and bank accounts	-	16,995	-	7,182
Trade and other receivables	-	41,726	-	55,335
Credit contracts	-	3,758	-	4,499
Shares in companies	2,382	-	2,442	-
Financial derivatives – foreign exchange	630	-	-	-
	Financial liabilities at amortised cost	Financial derivatives at fair value	Financial liabilities at amortised cost	Financial derivatives at fair value
Liabilities				
Bank borrowings	19,235	-	35,856	-
At-call deposits	27,389	-	24,008	-
Trade and other payables	30,325	-	33,837	-
Lease liabilities	14,988	-	16,466	-
Vehicle floorplan finance	42,851	-	58,613	-
Credit contracts	3,782	-	4,532	-
Financial derivatives – foreign exchange	-	-	-	155

27 Reconciliation of liabilities arising from financing activities

Movements in liabilities from financing activities during the year were as follows:

	At 1 July 2019 \$000 Restated	Cash flows \$000	Non-cash changes \$000	At 30 June 2020 \$000
Bank borrowing – note 25	35,856	(16,621)	-	19,235
At call deposits – note 24	24,008	3,381	-	27,389
Vehicle floorplan finance – note 23	58,613	(15,762)	-	42,851
Total short term borrowings	118,477	(29,002)	-	89,475
Credit contracts – note 14				
Short term	1,773	-	(370)	1,403
Long term	2,759	-	(380)	2,379
Lease liabilities – note 15				
Short term	1,668	145	-	1,813
Long term	14,798	(1,623)	-	13,175
Total liabilities arising from financing activities	139,475	(30,480)	(750)	108,245

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 represents 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 (2019: \$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. The specific rates that the Group was exposed to during the year were:

	2020	2019
Bank overdrafts	5.00% - 10.50%	5.23% - 10.50%
At call deposits	2.30% - 3.15%	3.25%
Bank borrowing facilities	1.65% - 3.15%	2.78% - 3.15%

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 March 2021 to March 2023 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 \$0.466m per annum (2019: \$0.598m).

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 and 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 the Group 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 (continued)

The Group mitigates its funding risk by adopting prudent financial management practices (such as closely monitoring its cash flows and 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 cash flow hedges 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.

		2020	2019
		\$000	\$000
Currency			
Australian Dollars	(AUD 21.49m)	22,403	24,501
Euros	(EUR 2.39m)	4,150	10,938
Total		26,553	35,439

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 2020 or 30 June 2019.

29 Financial derivatives – foreign exchange

		2020	2019
		\$000	\$000
Foreign exchange asset / (liability)			
Balance at 1 July		(155)	350
Movement during the year through			
Other comprehensive income		785	(505)
Profit or loss		-	-
Balance at 30 June		630	(155)

The Group uses forward currency contracts to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group assesses whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- there is 'an economic relationship' between the hedged item and the hedging instrument
- the effect of credit risk does not 'dominate the value changes' that result from that economic relationship
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item

Hedges that meet all the qualifying criteria for hedge accounting all fall into one category of hedge and are accounted for as described below:

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in Other Comprehensive Income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item. The Group continues to designate all of the forward contracts as hedging instruments.

The amounts accumulated in Other Comprehensive Income are accounted for depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item such as inventory, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of inventory.

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:

	2020 \$000	2019 \$000
Short term benefits (including salary, incentives, profit share, use of motor vehicles and other benefits)	6,521	6,982
Post-employment benefits (including contributions to retirement savings schemes)	221	238
Share related benefits	-	-
Total remuneration benefits	6,742	7,220

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 at call debt securities – note 24 – on the same terms and conditions as all other depositors.

Also see remuneration of Directors on page 51 and remuneration of employees on page 52.

The CMC Group Workplace Savings Scheme

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

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 \$0.086m during the year (2019: \$0.069m).

The Scheme holds 162,196 (2019: 162,196) ordinary shares in the Company representing 3.1% (2019: 4.6%) of its total assets. The Company is a related party to the Scheme and FMCA limits investments in related parties to 5% of total assets.

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

	2020 \$000	2019 \$000
Contingent assets	-	-
Contingent liabilities	-	-

The Group has provided guarantees to PACCAR Australia Pty Limited in respect of obligations owed to that company. The guarantee is in proportion to the shareholding in Southpac Trucks Limited and the maximum exposure for the Group is \$1.3m.

32 Events after the reporting date

On 1 July 2020, the trading operations of Capital City Motors Limited and Stevens Motors Limited were merged into one operation under Capital City Motors Limited. From that date Stevens Motors Limited became a non-trading subsidiary. On the same date, the assets and business of a dealership in Greymouth, Grey Ford, were acquired by Hutchinson Motors Limited.

On 12 August 2020, the Government re-introduced restrictions on business and leisure activities in response to a re-emergence of Covid-19. All dealerships continued to trade normally except for those in the Auckland region, who operated a restricted service until the restriction level was reduced on 30 August. Restrictions were further eased for the Auckland region from 23 September. The rest of the country had moved to the lowest alert level as of 21 September.

On 25 August 2020 a dividend of 32.0 cents per share was declared to be paid fully imputed on 5 October 2020, representing a total payment of \$10.5 million.

On 1 September 2020, UDC Finance Limited, through which vehicle bailment facilities are obtained, was sold by ANZ Bank New Zealand Limited to the Shinsei Bank Group of Japan.

On 9 September 2020, the Product Disclosure Statement for the at call deposit scheme was updated and the maximum amount of deposits on offer increased by \$10m to \$40m.

33 Change in accounting standard

The new accounting standard on leases, NZ IFRS 16 – Leases, was adopted by the Group from 1 July 2019. All leases held at that date, previously treated as operating leases, were brought into the statement of financial position, with the exception of leases on low value assets or those with a remaining term of less than 12 months. The Group elected to take the full retrospective approach and recognise the right of use asset and the lease liability from the original start date of each lease. Prior periods have been restated to recognise the adoption of the standard.

Lease liabilities were measured at the present value of the future lease payments discounted using the Group's incremental borrowing rate at the start date of the lease. The right of use asset was measured at an amount equal to the lease liability as there were no prepaid or accrued lease payments before the start date of the leases or any incentives. Payments were discounted using the Group's weighted average incremental borrowing rate at the start date of each lease. These rates varied between 3.0% and 7.1%.

Lease liabilities are being repaid over the term of the lease, with a charge being recognised in the statement of financial performance based on the Group's borrowing rate at the start of the lease. Right of use assets are being depreciated on a straight line basis over the term of the lease. The term of the lease includes all rights of renewal where there is a reasonable certainty that the right will be renewed. The Group has benefited from the use of hindsight when determining the term of the lease and included rights of renewal that have already been exercised.

As a result of bringing the value of leases onto the statement of financial position, the Group has also recognised the impact of these transaction on deferred tax. At the start date of each lease a deferred tax asset is recognised for the value of the lease liability and a deferred tax liability recognised for the value of the right of use asset. The deferred tax asset reduces as the lease liability is repaid and the deferred tax liability reduces as the asset is depreciated.

The impact of these changes on the financial statements is as follows:

	As previously treated \$000	Adjustments \$000	Restated \$000
Consolidated statement of financial performance			
For the year ended 30 June 2019			
Depreciation and amortisation	4,371	1,584	5,955
Property occupation costs - rent	6,723	(2,175)	4,548
Interest	4,992	689	5,681
Trading profit before tax	33,693	(98)	33,595
Taxation – deferred tax	80	(27)	53
Trading profit after tax	22,060	(71)	21,989
Profit attributable to shareholders	21,901	(71)	21,830
Profit for the year	23,574	(71)	23,503
Consolidated statement of comprehensive income			
For the year ended 30 June 2019			
Profit for the year	23,574	(71)	23,503
Total comprehensive income for the year	30,245	(71)	30,174

	As previously treated \$000	Adjustments \$000	Restated \$000
Consolidated statement of financial position			
At 30 June 2019			
Shareholders' equity	209,155		
Depreciation and amortisation		(8,487)	
Property occupation costs - rent		12,051	
Interest		(5,420)	
Deferred tax movement		520	
	209,155	(1,336)	207,819
Non-controlling interest	3,139	(14)	3,125
Total equity at end of year	212,294	(1,350)	210,944
Lease liabilities - current	-	(1,668)	(1,668)
Lease liabilities - non current	-	(14,798)	(14,798)
Deferred tax asset	-	525	525
Fixed assets - right of use asset	-	14,591	14,591
Consolidated statement of cash flows			
For the year ended 30 June 2019			
Net operating cash flows	36,582		
Property occupation costs - rent		2,175	
Interest		(689)	
	36,582	1,486	38,068
Net investing cash flows	(15,905)		
Purchase of right of use assets		(1,451)	
	(15,905)	(1,451)	(17,356)
Net financing cash flows	(23,746)		
Proceeds from lease liabilities		1,451	
Repayment of lease liabilities		(1,486)	
	(23,746)	(35)	(23,781)
Statistics per share			
Profit attributable to shareholders (cents)	67.0		
Depreciation and amortisation		(4.8)	
Property occupation costs - rent		6.6	
Interest		(2.1)	
Deferred tax		0.1	
	67.0	(0.2)	66.8
Trading profit after tax (cents)	67.5		
Depreciation and amortisation		(4.8)	
Property occupation costs - rent		6.6	
Interest		(2.1)	
Deferred tax		0.1	
	67.5	(0.2)	67.3

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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 (the "Company") and its subsidiaries (the "Group") on pages 9 to 41 which comprise the consolidated statement of financial position as at 30 June 2020, 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 2020 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 Auditing 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 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)*, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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 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 audit matter is significant	How our audit addressed the key audit matter
<p>Inventory valuation and existence</p> <p>As at 30 June 2020, inventory of \$139m 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 (including COVID-19), 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 and note is disclosed on page 21.</p>	<p>In obtaining sufficient appropriate audit evidence we:</p> <ul style="list-style-type: none"> • 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, to used car prices of similar products 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 verified the existence of new, used and demonstrator vehicles, including those financed through floor plan.
<p>Accuracy of revenue</p> <p>The Group has revenue of \$755m. There are a number of factors that could affect this reported amount, including:</p> <ul style="list-style-type: none"> • Whether revenue recognition policies are appropriate and consistently applied across all 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>In obtaining sufficient appropriate audit evidence we:</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 in accordance with NZ IFRS 15; 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 the validity of accounts receivable at the year end.

Why the audit matter is significant	How our audit addressed the key audit matter
<p>Initial application of the new IFRS 16 – Leases standard</p> <p>The new IFRS 16 <i>Leases</i> standard came into effect for reporting periods commencing on or after 1 January 2019 and has been implemented in the financial year under audit.</p> <p>The Group has elected to apply IFRS 16 under the full retrospective approach. Therefore, the prior reporting period presented is restated, and the cumulated impact of the first adoption of the standard presented as at 1 July 2018.</p> <p>IFRS 16 modifies the accounting treatment of operating leases at inception, with the recognition of a right of use asset on the leased asset and of a liability for the lease payments over the lease contract term.</p> <p>Due to the judgements applied and the significance of impact to the consolidated financial statements, we consider this a key audit matter.</p> <p>The operating lease accounting policy and note is disclosed on page 26 and the impact of the change in accounting standard is disclosed on page 40.</p>	<p>In obtaining sufficient appropriate audit evidence we:</p> <ul style="list-style-type: none"> • Obtained an understanding of the Group's leasing arrangements and processes implemented in adoption of IFRS 16; • Considered the completeness of lease data with reference to audit work performed over lease commitments as disclosed in the 2019 consolidated financial statements and consideration of evidence obtained through site visits at each dealership; • Considered the integrity and accuracy of the lease calculations by reperforming calculations and agreeing a representative sample of leases to supporting documentation; • Assessed the appropriateness of discount rates applied and recalculated a representative sample; and • Determined if disclosures contained within the consolidated financial statements relating to leases, including the implementation of IFRS 16 complies with the requirements of the financial reporting standards.

Information Other than the Financial Statements and Auditor's Report thereon

The Directors are responsible for 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 2020 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 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 financial statements is located on the External Reporting Board's website at: <https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-1/>

Restriction on use of our report

This report is made solely to the Company's Shareholders, as a body. Our audit work has been undertaken so that we might state to the Company'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 Company 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



M Stewart
Partner
Christchurch

25 September 2020

Governance statement

The Colonial Motor Company Limited (CMC or Company) is a public company with its shares listed on the New Zealand Stock Exchange (NZX) operated by NZX Limited.

CMC's Board of Directors (Board) 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 2019 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 2020.

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 and Officers are reported to the market and Director's trades are disclosed in annual reports.

2. Board composition and performance

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

The Company's constitution specifies that there should be between five and seven directors. The Board contains a mix of two independent and four executive and non-executive directors who are not independent, which reflects the shareholder mix. Information about each Director regarding their experience, length of service, independence, ownership interests and meeting attendance is disclosed in the annual report.

As vacancies arise, new directors are identified by the Nominations Committee of the Board and then must stand for election by the shareholders at the next annual meeting. A person identified by the Nominations Committee can be appointed as a director by the Board during the year but then must stand for election at the next general meeting. A person can also be nominated by shareholders and stand for election as a director at an annual meeting.

The constitution specifies that a director cannot serve (without re-election) past the third annual meeting following their appointment or three years, whichever is longer.

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 Board for final resolution. There are three standing committees with specific written terms of reference.

Audit and Compliance Committee: Members of the Committee have relevant financial qualifications and/or commercial experience. The Committee met five times during the reporting year, with all its members present at each meeting.

Comprising A J Waugh (Chairman), J W M Journee and J P Gibbons, 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 Group
- maintain the independence of the external auditor and review the external audit functions generally
- 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 auditor to complete a review of all dealerships every year to ensure maintenance of the standard of accounting practices and for compliance with the internal policies and procedures. The internal auditor regularly reports to the Committee.

Remuneration Committee: J P Gibbons (Chairman) and A J Waugh make up this Committee, the purpose of which is to ensure the Directors and senior executives are fairly and reasonably rewarded for their individual contributions. The 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 were last reviewed in 2018 but due to the Covid-19 economic environment, fees will not be reviewed again until 2021.

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 this Committee. There were no Director changes during the reporting year, so no Committee meeting was required.

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 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 reporting year the Board held 13 meetings, six with all of the Directors physically present and seven with differing blends of telephone call or video conference and a number of Directors able to physically attend.

The Board of Directors issues three reports annually - a Half Year Report, a Preliminary Result and an Annual 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 and 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.

In the reporting period CMC also made two additional disclosures to shareholders and on the NZX during and following the Covid-19 lockdown.

A condition of listing is that CMC complies with the listing rules issued by the NZX. The rules 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 NZX is generally considered adequate notice. However, CMC also has a policy of 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 for 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 from the internal auditor. 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, employees, contractors and other visitors to its facilities. A comprehensive 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 regular detailed reports, considers health and safety issues at each of its meetings and experiences first-hand the practicalities of maintaining a healthy and safe workplace 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 and Compliance Committee meet at least twice a year, the auditor attends Committee meetings at least three times a year and the audit partner attends annual meetings. 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 constructive relationships with shareholders that encourage them to engage with the issuer.

The Board acts in a stewardship role on behalf of all shareholders. It approves the strategic direction of the Group, 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
- 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 which specifies the administration of the Company and the relationship with shareholders. Copies of the constitution are available from the Company or can be downloaded from the New Zealand Companies Office website. The requirements of the NZX Listing Rules are incorporated by reference into the constitution.

CMC maintains a website through which shareholders and interested stakeholders can communicate with the Company.

Computershare Investor Services Limited maintains the register of shareholders.

Disclosures as required by the Companies Act 1993

(a) Directors' profile and 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:

James Picot Gibbons, BCA (Hons), CA
Lower Hutt

Jim has worked in the motor vehicle industry throughout his career. After graduating he was employed as a dealership accountant in 1974. He has since occupied many different roles within the Company's dealerships. Immediately before retiring from full-time employment, he was dealer principal at Energy City Ford in New Plymouth, a position he had held for many years.

Jim has been a Director since 1992 and has been Chairman since 2011. He is a Director of all of the Company's subsidiaries. Jim is a life member of the Motor Trade Association and was a Director of MTA and MTA Group Investments Limited until 2019.

Graeme Durrad Gibbons, BCom, CA
Lower Hutt

After gaining a commerce degree at Otago University, Graeme began his career with Ford New Zealand and joined the CMC Group in 1984. He took up the role of Chief Executive in 1990 and became a Director of the Company in 1995.

Graeme is a Director and Chairman of all of the Company's subsidiaries. He was previously a Director of Motor Trade Finances Limited and Chairman of its Audit Committee.

Matthew James Newman, BA
Auckland

Matthew is the Chief Executive Officer of the Group's largest car dealership, South Auckland Motors (Ford and Mazda), Southern Autos – Manukau, (Suzuki Citroen, Peugeot and Isuzu) and South Auckland Honda (Honda). He joined the Group in 1986 having previously worked for Ford New Zealand and became Dealer Principal of South Auckland Motors in 1991. Matthew is a past chairman of the Ford Dealer Council and also of Counties Manukau Rugby Union. Matthew became a Director in November 2013.

Stuart Barnes Gibbons
Lower Hutt

Stuart first joined the Group in 1982 as an apprentice technician in Morrinsville. He was the Chief Executive / Dealer Principal of Stevens Motors, Lower Hutt, a position he held from 2002 until Stevens Motors was merged with Capital City Motors on 1 July 2020. Stuart is managing the property project for the new Lower Hutt hub facility and working on the successful transition with the management team of the merged dealership. Stuart is the immediate past Chairman of the Ford Dealer Council. Stuart became a Director in July 2014.

Ashley James Waugh, BBS
Te Awamutu

Ashley has experience in the dairy industry in New Zealand and Australia, with senior roles with the NZ Dairy Board (now Fonterra) and as Chief Executive of National Foods Australia. Early in his career, Ashley was marketing manager of Ford in New Zealand and Ford Lio Ho in Taiwan. He is currently a Director of Seeka Limited. Ashley became a Director in November 2015.

John William Michael Journee, BCom
Auckland

John has held various senior executive positions in the retail industry in New Zealand and Australia including with Noel Leeming and The Warehouse. He is currently a director of The Warehouse Group Limited, The Warehouse Group Investments Limited and Farmlands Co-operative Society Limited and member of the Quantiful Limited Advisory Board. John became a Director in December 2018.

(b) Remuneration of directors

Remuneration and all other benefits received by the directors who held office during the year ended 30 June 2020 are disclosed pursuant to section 211(1)(f) of the Act as follows:

	Directors' fees 2020 \$	Total remuneration 2020 \$	Total remuneration 2019 \$
J P Gibbons (Chairman)	88,008	112,642	114,134
A J Waugh	56,680	56,680	54,500
G D Gibbons	-	879,829	1,073,359
S B Gibbons	-	274,215	219,605
M J Newman	-	612,989	643,788
J W M Journee (appointed Dec 2018)	53,591	53,591	31,792
D M Wood (retired Nov 2019)	24,979	24,979	57,679

Remuneration for the Chairman, additional to directors' fees, includes the provision of a motor vehicle.

D M Wood was Chairman of the Audit and Compliance Committee and received additional directors' fees commensurate with the position until his retirement in November 2019. A J Waugh was elected Chairman of the Audit and Compliance Committee in December 2019 and has received the additional fees from that date. Non-executive Directors took a voluntary fee reduction of 20% during the April Covid lockdown.

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 2020 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, G D Gibbons (who is also a director), has in the year to 30 June 2020 a fixed component (including salary, motor vehicle and superannuation contributions) of \$415,134 (2019: \$415,134) and an annual short term incentive component based on the current year's trading profit performance of \$464,695 (2019: \$658,225). There are no long term incentives or share schemes in place.

Dealer Principals/Chief Executive Officers of subsidiary companies receive a profit performance component of their remuneration based on their dealership profit. The remuneration received by M J Newman as an executive is shown for the twelve months to 30 June 2020 and includes a short term profit performance component of \$374,714 (2019: \$377,657). Similarly, the remuneration of S B Gibbons as an executive is shown for the twelve months to 30 June 2020 and includes a short term profit component of \$88,326 (2019: \$39,274).

In accordance with clause 28.4 of its constitution, the Company may provide for director retirement benefits. The total provided at 30 June 2020 was \$268,500 (2019: \$268,500). Directors appointed after 1 May 2004 are not eligible to receive a retirement allowance unless authorised by shareholder resolution.

As permitted by 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 acquisitions and disposal of a relevant interest in shares in the Company between 1 July 2019 and 31 August 2020.

Director	Number of shares acquired/ (disposed)	Date of transaction	Price per share	Type of interest
M J Newman	4,500	15 October 2019	\$8.75	Beneficial
J P Gibbons ⁽¹⁾	(375,710)	9 March 2020	Nil	Associated
J P Gibbons	90,237	9 March 2020	Nil	Beneficial
J P Gibbons	90,237	9 March 2020	Nil	Non-beneficial
J P Gibbons	15,000	9 March 2020	Nil	Associated
J P Gibbons	15,000	9 March 2020	Nil	Associated
S B Gibbons	12,927	30 March 2020	\$5.50	Beneficial
S B Gibbons	12,073	31 March 2020	\$5.40	Beneficial
J P Gibbons	3,994	1 April 2020	\$5.04	Beneficial
J P Gibbons	5,872	1 April 2020	\$5.01	Beneficial
A J Waugh	500	2 April 2020	\$5.02	Beneficial
A J Waugh	1,000	2 April 2020	\$5.12	Beneficial
A J Waugh	2,415	2 April 2020	\$5.20	Beneficial
S B Gibbons	4,271	14 April 2020	\$5.50	Beneficial
S B Gibbons	450	15 April 2020	\$5.50	Beneficial
S B Gibbons	15,000	1 May 2020	\$5.70	Beneficial

⁽¹⁾ Distribution from the Estate of Nancy Lucy Gibbons.

Directors disclosed no other transactions in the shares of the Company during the period.

(e) Composition of the Board

All 6 of the Directors and the 13 officers (direct reports to the Group Chief Executive) at the reporting date were male (2019: 7 Directors - male, 13 officers - male).

(f) Remuneration of employees

During the year to 30 June 2020 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	
	2020	2019		2020	2019
100,001 - 110,000	53	50	290,001 - 300,000	1	-
110,001 - 120,000	32	27	310,001 - 320,000	1	3
120,001 - 130,000	19	21	330,001 - 340,000	1	-
130,001 - 140,000	18	13	340,001 - 350,000	-	1
140,001 - 150,000	17	14	360,001 - 370,000	1	3
150,001 - 160,000	11	14	370,001 - 380,000	1	-
160,001 - 170,000	2	8	380,001 - 390,000	1	1
170,001 - 180,000	7	1	390,001 - 400,000	1	-
180,001 - 190,000	4	4	430,001 - 440,000	1	-
190,001 - 200,000	5	6	460,001 - 470,000	-	1
200,001 - 210,000	6	6	470,001 - 480,000	1	1
210,001 - 220,000	4	4	490,001 - 500,000	1	-
220,001 - 230,000	2	3	510,001 - 520,000	-	1
230,001 - 240,000	2	2	530,001 - 540,000	-	1
240,001 - 250,000	2	1	590,001 - 600,000	-	1
250,001 - 260,000	1	-	720,001 - 730,000	-	1
260,001 - 270,000	1	-	730,001 - 740,000	1	-
270,001 - 280,000	2	-	1,130,001 - 1,140,000	1	-
280,001 - 290,000	-	2	1,430,001 - 1,440,000	-	1
			Total	200	191
			Total full time equivalent employees	965	997

Disclosures as at 30 June 2020 as required by the New Zealand Stock Exchange Listing Rules

(a) Director independence

The following directors were Independent Directors at the reporting date:

A J Waugh
J W M Journee

The following directors were not Independent Directors at the reporting date:

J P Gibbons
G D Gibbons
M J Newman
S B Gibbons

(b) Directors' relevant interests at 30 June 2020

	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	
	2020	2019	2020	2019	2020	2019
G D Gibbons	1,737,849	1,737,849	1,300,825	1,300,825	104,520	104,520
J P Gibbons	1,521,184	1,421,081	1,126,086	1,035,849	167,560	513,270
S B Gibbons	1,975,299	1,930,578	176,087	176,087	6,151	6,151
M J Newman	30,000	25,500	-	-	-	-
A J Waugh	8,365	4,450	-	-	376	376
J W M Journee	2,613	2,613	-	-	-	-

(c) Substantial Security Holders

As required by section 293 of the Financial Markets Conduct Act 2013, the Substantial Security Holders as at 31 August 2020 (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 2020 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 section 280(1) of the Financial Markets Conduct Act 2013. No shares have been counted more than once in the determination of Substantial Security Holders.

A number of shares identified under J P Gibbons are also jointly held or have trustees in common with D M Gibbons, B R Gibbons and P L & L C Bennett.

A number of shares identified under S B Gibbons are also jointly held or have trustees in common with A D Gibbons and L B Rogerson.

A number of shares identified under G D Gibbons are also jointly held or have trustees in common with A K Gibbons, S D & D M Wood, R D Gibbons, A D & G V Beaumont, D D & B W Harrison and G D & I W Watson.

(d) Distribution of shareholders and shareholdings

This distribution information reflects the position as at 31 August 2020.

	Number of shareholders		Number of shares	
	Number	%	Number	%
1 - 999	303	19.0	139,144	0.5
1,000 - 9,999	962	60.5	3,148,170	9.6
10,000 - 99,999	265	16.6	6,709,003	20.5
100,000 - 999,999	57	3.6	17,436,709	53.3
1,000,000 +	4	0.3	5,261,606	16.1
Total	1,591	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	- Net	cps Gross	Gross dividend yield %	Change in share price cps	Total gross return cps	Gross shareholder return %
2020 ⁽¹⁾	\$6.85	20/04/20	-	-	4.7	(195.0)	(153.3)	(17.4)
		21/10/19	30.0	41.7				
2019	\$8.80	15/04/19	15.0	69.4	8.7	81.0	150.4	18.8
		15/10/18	35.0					
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	18/04/17	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					

Note: Yields are calculated on the share price at the beginning of each year. The share price at 30 June 2015 was \$5.75.

⁽¹⁾ Due to the effects on the Company's business of the Covid-19 nation-wide level 4 lockdown, the interim dividend of 15.0 cps, that had been declared to be paid on 20 April 2020, was cancelled.

Fifty largest shareholdings as at 31 August 2020

	Shares	%
AD & SB Gibbons & LB Rogerson	1,742,228	5.3
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 & DM Gibbons & PL Bennett	783,653	2.4
BR & JP Gibbons & PL Bennett (Estate RC Gibbons)	664,006	2.0
PL & LC Bennett & JP Gibbons	634,030	1.9
BR & CM Gibbons & PL Bennett	627,208	1.9
RJ Field & AJ Palmer	600,000	1.8
Graeme Durrad Gibbons	564,207	1.7
MI & C Louisson & RM Carruthers	563,777	1.7
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	396,695	1.2
Hart Capital Partners Limited	357,841	1.1
May Alice Gibbons	355,196	1.1
RD Gibbons, SD Wood & GD Gibbons	354,810	1.1
CG & JG Harrison	335,244	1.0
EA Romans	325,482	1.0
KS, SKE & J Bale	324,244	1.0
RB & JG Tait & IJ Craig	310,006	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	252,000	0.8
K Enright & C Louisson	251,366	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	200,000	0.6
MC Duurentijdt, JT van Gaal & KD Trustees Limited	190,000	0.6
TA Peglar	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 Limited	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
Estate of Judith Gibbons Bale	147,929	0.5
HA Louisson, CJ Warren & JA Piper	140,870	0.4
IF Michie	135,730	0.4
Anita Forbes Peake	132,480	0.4
FT Gibbons & ST Wilson	122,413	0.4
Total of fifty largest shareholdings	20,984,204	64.2
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.

Today the CMC Group's core business is the operation of 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 coachbuilding 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. 2018 marked the company's 100th Annual Report.

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.

CMC was listed on the NZ Stock Exchange in 1962.

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 1984 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, 2017 and 2018 all saw 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 with locations in Invercargill, Gore, Milton, Cromwell and Ranfurly.

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 with locations in Manukau City, Hamilton, Rotorua, Palmerston North and Christchurch together with a nationwide network of independent parts & service dealers.

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.

In 2014 CMC acquired Jeff Gray BMW & MINI with locations in Wellington, Christchurch, Palmerston North and Hastings. The business was subsequently sold in November 2016.

In recent years CMC has increased its franchise representation in a number of locations as separate dealerships or aligned with existing businesses and now includes: Suzuki, Nissan, Kia, Honda cars, Hyundai, Isuzu Utes, Peugeot, Citroen, Mahindra; Suzuki, Kawasaki, Yamaha & BMW motorcycles.

Details of the Group's current dealerships, locations and franchises represented are detailed on page 8 in the report.

The current major shareholdings in CMC are 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.

