



*The
Colonial
Motor Company
Limited*

HALF YEAR REPORT

For Six Months Ended 31 December 2018

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

For the Six Months Ended 31 December 2018

57 Courtenay Place
Wellington
20 February 2018

Dear Shareholder

**Trading Profit after tax at \$10.814m is sound but down 9% on the same period last year
Interim Dividend unchanged at 15 cents per share**

The Directors are pleased to announce the unaudited results for the six months to 31 December 2018. The half year Trading Profit After Tax at \$10.814m is down 9% on the six months to December 2017 record result of \$11.903m, but ahead of the trading profit of \$10.270 achieved in 2016.

The new light vehicle industry, in the six months to December 2018, grew by a modest 1% over the previous corresponding period, compared to 4% and 13.5% in the prior years. Coming off a growth curve with its unfulfilled expectations is always challenging. The established trends within the market continue, with traditional sedans and hatchbacks now the smallest segment at 26% of the total. SUV's continue to grow and are now 44%, while light commercials are steady at 30%. Ford continues to be market leader in light commercials with New Zealand's number one selling vehicle the Ranger and now adding the Transit Van range. Mazda's strength is its desirable range of SUV's, CX9, CX8, CX5, and CX3. The extra heavy truck market grew, and within that Southpac increased its market share with its two brands, Kenworth and DAF.

However, higher costs and lower margins resulted in lower trading profitability compared to the more favourable circumstances experienced in the comparable period a year ago.

Developments

In Queenstown, Macaulay Motors Ford and Mazda has moved to the new larger company-owned facility at Grant Road in Frankton. A new subsidiary company, Southern Lakes Motors, is being established to represent Mitsubishi and Nissan at the previous site on Glenda Drive.

Capital City Motors, Wellington, has opened two new showroom hubs by the waterfront to bring the Ford and Mazda brands to the CBD. Ford Link and Mazda Connect introduce touch screen technology in a more relaxed environment. In addition a new company-owned retail service centre for both brands has been opened at 258 Taranaki Street.

A property has been purchased in Botany to expand the representation for Southern Autos - Manukau's stable of brands in the South and East of Auckland.

Outlook

The new light vehicle market and the extra heavy truck market have both levelled off at a historically high level. The effect is high volumes but tighter margins. The Company's profitability is down on the record 2018 result, but ahead of 2017. The immediate outlook is for revenue to remain high, but lower margins and higher costs will constrain trading profitability.

Dividend

The Directors have declared a fully imputed dividend of 15 cents per share, totalling \$4.904m, unchanged from last year. The dividend will be paid on 15 April, with a record date of 5 April.

**For and on behalf of the Board
J P Gibbons
CHAIRMAN**

The Colonial Motor Company Limited
and Subsidiary Companies

Consolidated Statement of PROFIT OR LOSS For the six months ended 31 December 2018		6 Months to 31 Dec 2018 \$'000 Unaudited	6 Months to 31 Dec 2017 \$'000 Unaudited	12 Months to 30 Jun 2018 \$'000 Audited
Revenue				
	Products	434,700	418,077	839,621
	Services	32,963	30,579	62,455
	Other income	1,195	833	1,958
Total revenue		468,858	449,489	904,034
Trading expenses				
	Cost of products and services sold	393,348	376,747	755,544
	Remuneration of staff	37,572	35,412	71,181
	Depreciation and amortisation	2,021	1,721	3,741
	Interest	2,689	2,091	4,565
	Other operating costs	16,830	15,641	31,162
Total trading expenses		452,460	431,612	866,193
Trading profit before tax		16,398	17,877	37,841
Taxation		4,857	5,078	10,988
Non-controlling interest		727	896	2,107
Trading profit after tax		10,814	11,903	24,746
Non-trading items	Fair value adjustments after tax	69	98	239
Profit attributable to shareholders		10,883	12,001	24,985
Profit for the period				
Profit attributable to:	Shareholders	10,883	12,001	24,985
	Non-controlling interest	727	896	2,107
Profit for the period		11,610	12,897	27,092
Statistics per share				
Basic and diluted earnings per share				
	Profit for the period (cents)	33.3	36.7	76.4
	Trading profit after tax (cents)	33.1	36.4	75.7
Dividends				
	Dividends (cents per share)	15.0	15.0	50.0
	Total dividends (\$'000)	4,904	4,904	16,347
Net tangible assets per share (\$)		5.94	5.58	5.99

Consolidated statement of COMPREHENSIVE INCOME For the six months ended 31 December 2018		6 Months to 31 Dec 2018 \$'000 Unaudited	6 Months to 31 Dec 2017 \$'000 Unaudited	12 Months to 30 Jun 2018 \$'000 Audited
Profit for the period		11,610	12,897	27,092
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss				
Property revaluation reserve	Fair value movement after tax	(201)	(176)	5,538
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 after tax	(1,024)	1,135	621
Total other comprehensive income for the period		(1,225)	959	6,159
Total comprehensive income for the period		10,385	13,856	33,251
Total comprehensive income for the year attributable to:				
	Shareholders	9,812	12,790	31,051
	Non-controlling interest	573	1,066	2,200
Total comprehensive income for the period		10,385	13,856	33,251

Consolidated statement of CHANGES IN EQUITY For the six months ended 31 December 2018		6 Months to 31 Dec 2018 \$'000 Unaudited	6 Months to 31 Dec 2017 \$'000 Unaudited	12 Months to 30 Jun 2018 \$'000 Audited
Total equity at beginning of the period		199,746	182,885	182,885
Total comprehensive income		10,385	13,856	33,251
Dividends paid to shareholders		(11,442)	(10,135)	(15,040)
Dividends paid to non-controlling interest		(900)	(450)	(1,350)
Total equity at end of period		197,789	186,156	199,746

The Colonial Motor Company Limited
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Consolidated statement of FINANCIAL POSITION As at 31 December 2018	31 Dec 2018 \$'000 Unaudited	31 Dec 2017 \$'000 Unaudited	30 Jun 2018 \$'000 Audited
Shareholders' equity			
Share capital	15,968	15,968	15,968
Retained earnings	130,139	122,619	130,698
Property revaluation reserve	49,795	44,281	49,995
Foreign exchange cashflow hedge reserve	(657)	651	214
Total shareholders' equity	195,245	183,519	196,875
Non-controlling interest	2,544	2,637	2,871
Total equity	197,789	186,156	199,746
Current liabilities			
Bank borrowings	38,560	26,700	41,550
At-call deposits	23,364	21,370	21,588
Trade & other payables	47,226	30,418	50,449
Vehicle floorplan finance	47,208	53,142	61,386
Other	5,703	5,432	7,780
Total current liabilities	162,061	137,062	182,753
Non-current liabilities	6,321	8,123	6,869
Total equity and liabilities	366,171	331,341	389,368
Current assets			
Cash & bank accounts	8,850	8,256	10,251
Trade & other receivables	52,750	47,377	57,991
Inventory	157,544	146,206	181,022
Other	2,095	3,925	3,083
Total current assets	221,239	205,764	252,347
Non-current assets			
Property, plant & equipment	138,926	118,950	130,470
Other	6,006	6,627	6,551
Total non-current assets	144,932	125,577	137,021
Total assets	366,171	331,341	389,368

Consolidated statement of CASH FLOWS For the six months ended 31 December 2018	6 Months to 31 Dec 2018 \$'000 Unaudited	6 Months to 31 Dec 2017 \$'000 Unaudited	12 Months to 30 Jun 2018 \$'000 Audited
Operating cash flows			
Inflows	477,695	449,099	880,790
Outflows	(440,918)	(453,458)	(892,144)
Net operating cash flows	36,777	(4,359)	(11,354)
Investing cash flows			
Inflows	174	613	833
Outflows	(10,616)	(6,159)	(14,895)
Net investing cash flows	(10,442)	(5,546)	(14,062)
Financing cash flows			
Inflows	1,776	20,686	43,997
Outflows	(29,512)	(10,585)	(16,390)
Net financing cash flows	(27,736)	10,101	27,607
Net change in cash held	(1,401)	196	2,191
Cash at beginning of year	10,251	8,060	8,060
Cash at end of year	8,850	8,256	10,251

Revised listing rules

On 1 January 2019 NZX introduced revised listing rules that listed companies to release only preliminary information and no longer issue full half year reports. The revised rules become compulsory on 1 July 2019. The Colonial Motor Company Limited (CMC) exercised the option to adopt the revised rules on 1 February 2019. The financial statements in this report are therefore more summarised than in previous years and should be read in conjunction with the 2018 annual report.

These summary consolidated financial statements have not been audited.

The financial statements were authorised for issue by the Directors on 20 February 2019.

The Colonial Motor Company Limited

and Subsidiary Companies



Pictured L to R - Ann Gibbons, Peter Gibbons and Florence Gibbons – all significant shareholders.



Pictured L to R - Mazda MX5 RF; Mark III Zephyr 105E Prefect; 1936 V8 Sedan.

CMC 100TH ANNUAL MEETING

119 shareholders attended the Company's 100th Annual Meeting.

There was a video presentation—a "road trip" visiting all the Group's car, truck and tractor dealerships around NZ. There was also a display of vehicles, half representing the past 100 years (or more) including our 1903 Model A and 1919 Model T and the other half featuring cars of today and the future, including Mazda MX5 RF, Ford Ranger Raptor and a Ford Focus BEV.

The 119 shareholders attending in person represented over 55% of the Company's shares.



Agricentre South are focused on training their young employees. Pictured receiving scholarship awards at a Motor Industry Training (MITO) meeting in Dunedin beside Mayor David Cull are – Thomas MacDonald, Jack Pedler, Mitchell Durry. Also Donald Fleck, Agricentre Service Manager (and champion of training) and David O'Kane, MITO Chair.



Tim Rabbitte (R), Dealer Principal of Macaulay Motors, graduated from the Ford NZ Departmental Leadership programme, presented by Simon Rutherford, Managing Director of Ford New Zealand.



Gold Watch presentations for 25 years service - L-R: Davie Timothy, Macaulay Motors (with Tim Rabbitte); Craig Meuli, Energy City Motors (with Russell Dempster); Russell Dempster, Energy City Motors and John Hutchinson, Hutchinson Motors (with Graeme Gibbons); Teena Brass, Southpac Trucks (with Maarten Durent) and Wayne Hitchcock (right), Timaru Motors, (with Wayne Pateman).

The Colonial Motor Company Limited and Subsidiary Companies

January 2019 Macaulay Motors moved into their new dealership premises in Grant Road, Queenstown



Pictured at the new service reception are:
David White, Technician; Simon Jones, Service Manager;
David Kendall, Parts Assistant; Louise Wakelin, Service Receptionist.

Macaulay Motors, Invercargill has just completed the new Ford "brand @retail" exterior signage.

Quinn Smith, a second year apprentice inspecting a Mazda CX5 on one of the new hoists.



The new facility has nine workshop bays together with two inside wash bays and a vehicle grooming bay.

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Southpac Trucks receives over 150 containers of parts each year from Australia, USA and Europe.



Together with an extension to their parts warehouse at Wiri Station Road, Southpac has invested in new technology and equipment. Pictured receiving parts is William Buchanan, new scanning technology has improved productivity and accuracy.



Southpac Trucks recently won the Kenworth Australia Dealer Of The Year Award for 2018, after also winning the same award in 2017. A back to back win has only been achieved once before, 37 years ago. The prestigious award was won on the back of record 2018 Kenworth sales, market share growth, outstanding customer service results, coupled to ongoing expansion of Southpac's dealership facilities in Auckland, Hamilton and Palmerston North.

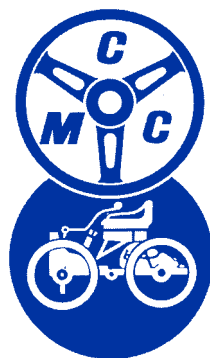
Pictured L to R: Andrew Hadjikakou, Managing Director PACCAR Australia; Maarten Durent, CEO Southpac Trucks; Graeme Gibbons and Brad May, Director of Sales & Marketing, PACCAR Australia.



Pictured manoeuvring a new electric high lift forklift is Lynda Waters. The new forklifts have improved working conditions for staff with reduced noise and dust and the elimination of exhaust fumes.



Kenworth T659 8x4—a unique model developed specifically for the NZ market has become the “go to” truck for off highway logging operators.



The Colonial Motor Company Limited

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