The Colonial Motor Company Limited

104th Annual Report

2022

BOARD OF DIRECTORS	Ashley J Waugh, Chair Graeme D Gibbons Matthew J Newman — Retires at Annual Meeting Stuart B Gibbons John W M Journee Gillian D Watson John O Hutchinson — Appointed 1 September 2022 J P (Jim) Gibbons — Retired 5 November 2021
CHIEF EXECUTIVE	Alexander P Gibbons — Appointed Chief Executive effective 1 October 2021 (Graeme D Gibbons Retired 30 September 2021)
GROUP MANAGER People, Process & Technology	June E Gibbons
GROUP MANAGER Finance	Paul Stephenson
GROUP MANAGER Strategic Development	Stuart B Gibbons
COMPANY SECRETARY	Jack G Tuohy
AUDITOR	Grant Thornton New Zealand Audit Limited (Partner Ryan Campbell)
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 E-mail address cmc@colmotor.co.nz Website www.colmotor.co.nz
PROSPECTIVE DATES FOR 2023	Interim Half Year Report — Late February Interim Dividend — 27 March Preliminary Full Year Report — Late August Annual Report — Late September Final Dividend — 2 October Annual Meeting — 10 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 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 104th Annual Meeting

Notice is hereby given that the 2022 annual meeting of shareholders of

The Colonial Motor Company Limited

will be held at

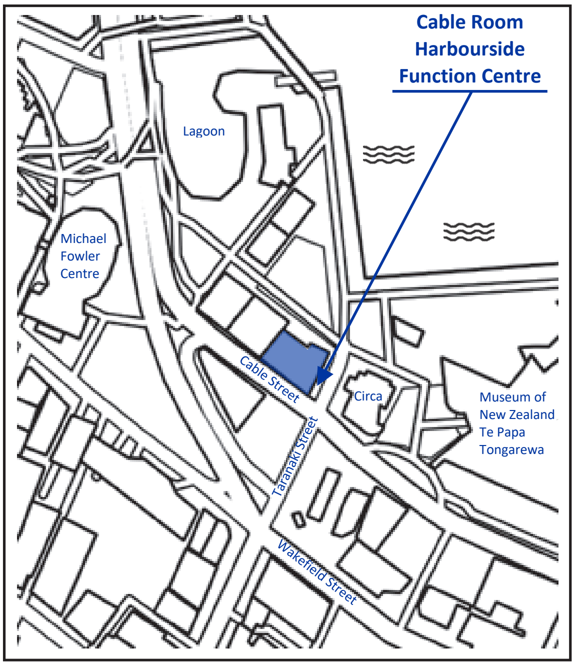
The Harbourside Function Venue, 4 Taranaki Street, Wellington

on Friday, 11 November 2022 commencing at 12:00 midday

BUSINESS

1. Chair's introduction
2. Address from the Chair
3. Report from the Group Chief Executive
4. Shareholder discussion
5. Resolutions
   To consider and if thought fit, to pass the following resolutions
   (see explanatory notes on the next page)
   1. To re-elect John William Michael Journee as a director of the Company
   2. To elect John Ormond Hutchinson 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.
6. General business

LOCATION



Explanatory Notes – relating to the annual meeting

Voting

All voting at annual meetings must be conducted by poll. 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 by shareholders) 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 by shareholders) past the annual meeting following the director's appointment.

Resolution 1

John William Michael Journee was elected as a director at the 2019 annual meeting. He is eligible and offers himself for re-election.

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, Farmlands Co-operative Society Limited, West Auckland Trust Services Limited and Themarket.com Limited. He is also a member of the Quantiful Limited Advisory Board.

Resolution 2

John Ormond Hutchinson was appointed by the Board as a director with effect from 1 September 2022. He is eligible and offers himself for election.

John is currently the Chief Executive / Dealer Principal of Team Hutchinson Ford in Christchurch. The dealership also incorporates the Grey Ford operation in Greymouth and two Bridgestone Tyre Centres in Christchurch.

Auditor re-appointment and remuneration

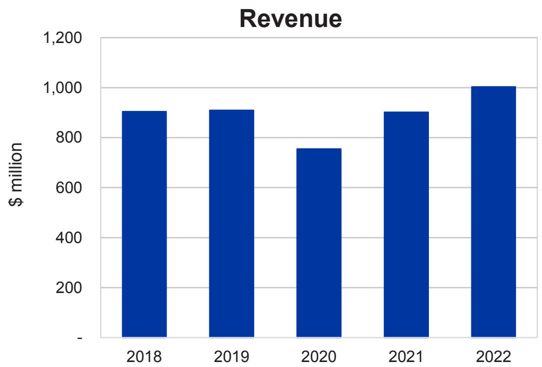
Resolution 3

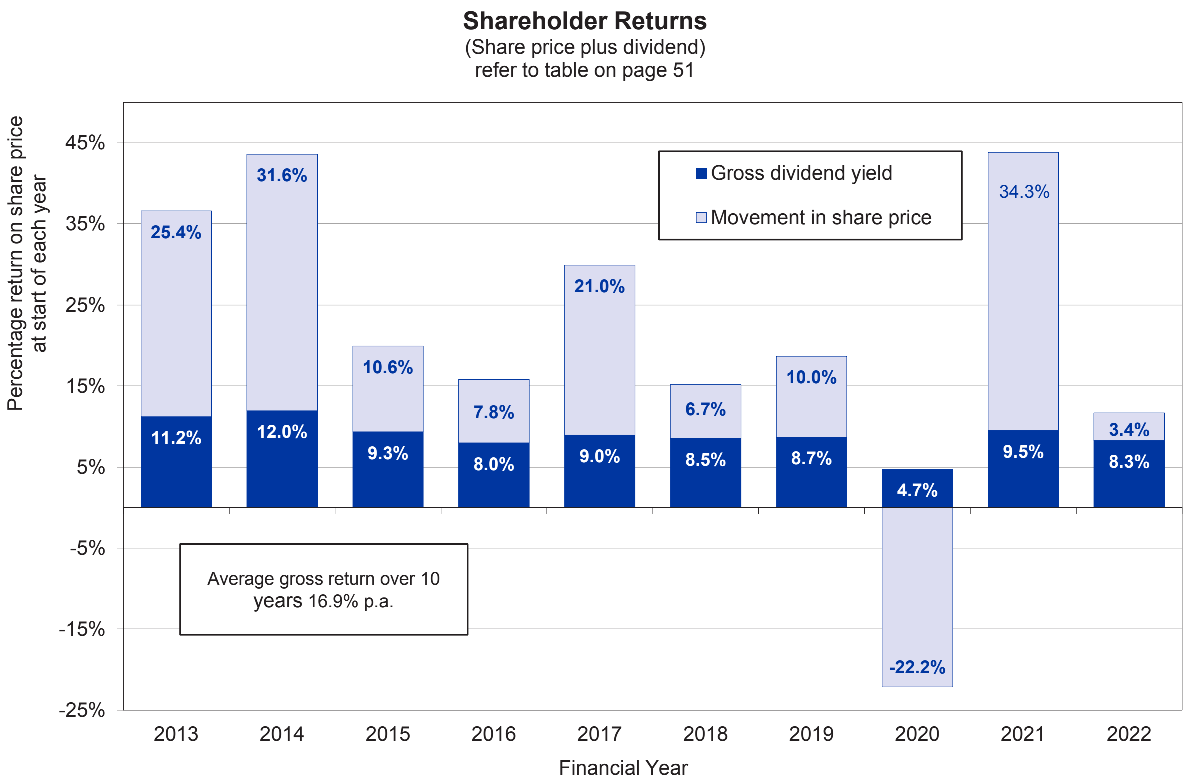
Under section 200 of the Companies Act 1993, the auditor is automatically re-appointed each year unless ineligible or replaced.

The fee paid to the auditor is disclosed in the annual report each year (refer page 17).

Facts at a glance

	2018	2019	2020	2021	2022
Revenue ($000)	904,034	909,002	754,922	901,173	1,002,848
Trading profit after tax (excluding non-trading Items) ($000)	24,670	21,989	17,349	27,924	33,345
Profit after tax attributable to shareholders ($000)	24,909	21,830	21,828	24,833	33,183
Return on average shareholders' funds					
- trading profit after tax	13.1%	10.9%	8.0%	11.4%	11.8%
- profit attributable to shareholders	13.3%	10.8%	10.0%	10.1%	11.7%
Trading margin	2.7%	2.4%	2.3%	3.1%	3.3%
Earnings per share - trading profit after tax	75.5c	67.3c	53.1c	85.4c	102.0c
- profit attributable to shareholders	76.2c	66.8c	66.8c	76.0c	101.5c
Dividend per share	50.0c	45.0c	32.0c	55.0c	62.0c
Total dividends for the year ($000)	16,347	14,713	10,462	17,982	20,271
Shares on issue at reporting date (000)	32,695	32,695	32,695	32,695	32,695
Current ratio	1.4	1.4	1.5	1.4	1.6
Shareholders' equity as a percentage of total assets	48.3%	51.6%	59.2%	58.6%	66.2%
Net tangible asset backing per share (after final dividend is paid)	$5.60	$6.02	$6.60	$7.60	$8.78





Directors' report

Your Directors have pleasure in presenting the 104th 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 2022.

Revenue and profit

Revenue for the year was $1,002.8m. This is an 11% increase on the previous year's $901.2m reflecting continuing strong demand for new and used vehicles and the incentive for customers to purchase before the introduction of the clean car tax on 1 April. This year's revenue compares to $754.9m in 2020 and $909.0m in 2019.

The trading profit after tax for the year was $33.3m, up 19% on last year's $27.9m. 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 $33.2m, compared to $24.8m in 2021.

Statement of financial position

Total assets increased to $458.2m at year end (2021: $447.7m). Inventory fell by $26.4m reflecting difficulties with the supply chain for vehicles following Covid and issues with semi-conductors. Additions to Land & Buildings of $20.8m focused on the purchase of new property in Auckland and Rotorua and the refurbishment of existing sites in Christchurch and Timaru. The annual independent revaluation of the Group's property portfolio brought about an increase in the revaluation reserve of $24.0m (2021: $25.2m). At the reporting date, shareholders' equity was $303.3m (2021: $262.4m).

Dividends

Dividends paid in respect of this financial year will total 62.0 cents per share (2021: 55.0 cents). An interim dividend of 15.0 cents was paid on 28 March 2022 and a final dividend of 47.0 cents will be paid on 3 October 2022. The dividend will carry the maximum level of imputation credits. The value of the distributions for this financial year will be $20.3m (2021: $17.9m), representing 61% (2021: 64%) 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 2022 and the date of this report were A J Waugh and J W M Journee.

The Listing Rules of the New Zealand Stock Exchange 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 J W M Journee. He is eligible and is seeking re-election at the forthcoming annual meeting.

John Hutchinson was appointed as a director with effect from 1 September 2022 and as required by the Listing Rules, he will be seeking election at the annual meeting.

Matthew Newman will be retiring from the Board at the annual meeting having been a director since November 2013.

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, is provided on pages 47 to 52. A separate Governance Statement is provided on pages 44 to 46 and a report on the CMC Group strategic direction is on page 5.

14 September 2022

For the Directors

A J Waugh	J W M Journee
Chair of the Board	Chair 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 our dealerships. 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 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 CEOs (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 including its needs for reinvestment and growth opportunities.

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 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 Greater Wellington.

To be successful and grow a dealership, or establish a new one, we need to have management strength and depth and also a franchise opportunity that fits. Where we have an existing property, or can provide a property solution, this 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 by increasing the market position of the Kenworth and DAF brands in an expanding heavy truck industry. This brings growing parts and service opportunities for that business and its network of independent parts and service dealers.

The location of our dealerships spans all of New Zealand and range from small to large and 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, Case IH and Kubota. We also take pride in our relationship with a range of other brands we partner with across our dealership network.

Chief Executive's report

Our people are our strength

It was an extraordinary and challenging year but also a record one for the Group. The ability to navigate what seemed like uncertainty on every front is testament to our dedicated and loyal staff across the CMC family. Being able to consistently deliver for customers, shareholders and franchise partners is only achieved through a true team effort and the credit belongs to all of our people across New Zealand.

A special thank you to Matthew Newman for his 36 year career with the Group. Matthew stepped down as Chief Executive of South Auckland Motors and Southern Autos at the 30th of June this year. He has led the performance and growth of our car dealerships in South Auckland for three decades and has passed on the mantle of leadership to Michael Tappenden (South Auckland Motors) and Andrew Craw (Southern Autos). Both Michael and Andrew have worked alongside Matthew in preparation for the transition and as Chief Executives they are well equipped to tackle the challenges ahead.

It is important to everyone that our staff stay safe and well in their work environment. Over the last year we increased our focus on reporting those 'what if' moments that can help identify improvements to our systems and processes before an injury occurs. This work highlighted a need to upgrade our mostly manual health and safety reporting tools with a mobile digital system that all staff can use. Immediate access to report hazards, incidents and solutions allows all staff to take an active role in improving health and safety outcomes.

Financial Year 2022: The year that was

Extraordinary is the perfect word to describe this last financial year. For the Group Office leadership team, it has been invaluable to have our highly capable Dealer Principals and an experienced Board right behind us in our first year.

It is easy to dwell on the challenges of the past year and they were numerous. We traded in an environment of multiple lockdowns and a traffic light system that appeared to be parked in red. It felt inevitable that the majority of us would be exposed to Covid-19, with a resulting rolling wave of staff sickness and isolation. This coincided with tight labour and capacity constraints across all operations. Service departments bore the brunt and many service hours were lost.

Supply chains remained unpredictable and stuck in catch-up mode, exacerbated by the conflict in Ukraine, Covid-19 lockdowns and extreme weather events. Monthly industry registration numbers were largely determined by shipping arrivals, making trends hard to identify on anything less than a quarterly basis. Materials and manufacturing capacity for electric vehicles and microprocessors for all products were and remain in critically short supply globally.

For New Zealand, exceptional supply and demand conditions were further complicated by targeted regulatory intervention via the Government's clean car rebate/tax and the impending Clean Car Standard.

Despite this disruption and uncertainty, the first three quarters of the financial year saw the favourable trading conditions of last year continue. Most new vehicles arriving were pre-sold and the order bank remained healthy. Vehicle sales disrupted in one month were merely deferred.

All external factors aside, what defined our success was the ability to adapt. Our experienced staff and management teams, franchise partners, business suppliers and customers all showed their willingness to work together to get the job done. Our decentralised dealership structure enables rapid local decision-making which proves advantageous in times of such uncertainty. This culminated in revenue for the financial year exceeding $1 billion for the first time. A record trading profit after tax of $33.3m resulted in total dividends of 62 cents per share, also a record.

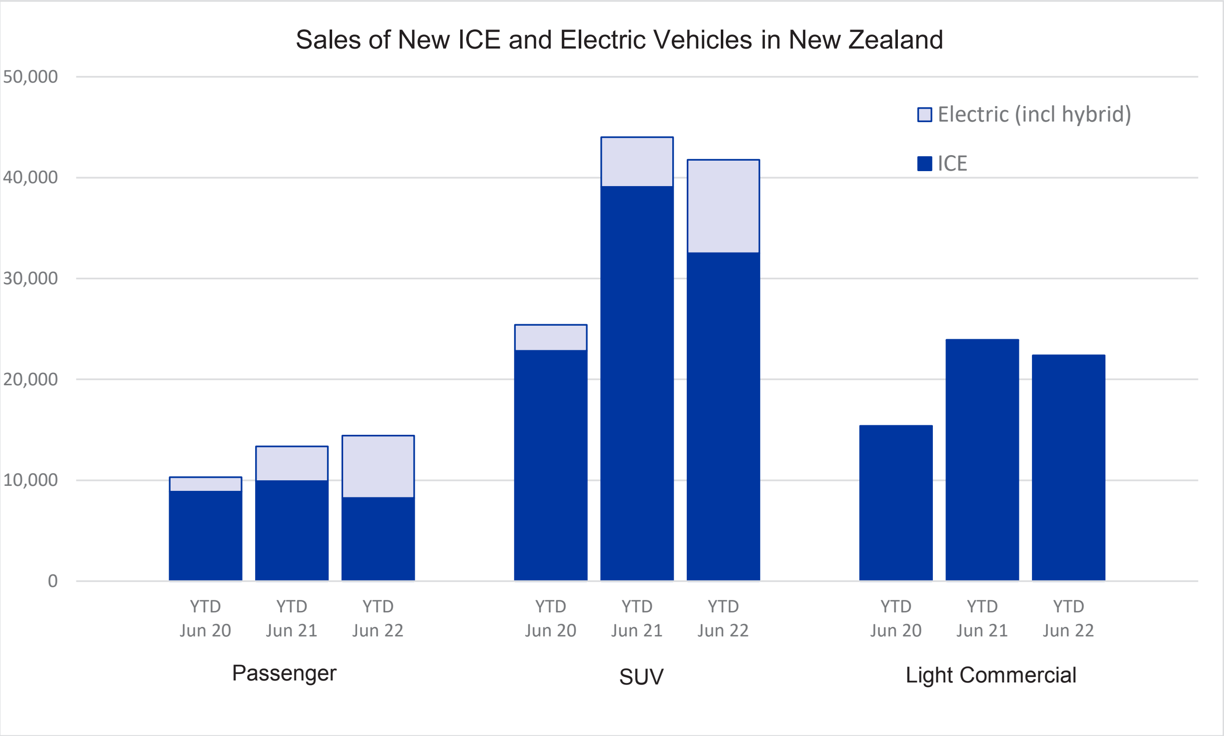
Car dealerships

Car dealerships generally experienced another strong year, assisted by higher-than-normal levels of discretionary income, consumers' appetite to spend and desirable product. Rarely have conditions aligned in such a way and the industry benefitted.

Growing social awareness of climate change and global clean vehicle regulations are influencing demand. A potential customer no longer has to trade-off the desirable features of an ICE (Internal Combustion Engine) vehicle in order to purchase an electrified one (EV including BEV, PHEV and hybrids). We are reaching an inflexion point and it is changing the game.

The Government's clean vehicle policies have incentivised local franchises to secure a supply of EVs from their international parent. Unfortunately, these vehicles are in short supply globally and the aggressive nature of the emissions targets appear to be adding to inflationary pressure in the market. While the execution of these policies still presents many unsolved challenges, the effects of climate change and the global response to this challenge is impacting everyone and our industry is no exception. The Group is committed to navigating the consequent risks, opportunities and obligations of the response to climate change in order to optimise sustainable, long-term value for our shareholders.

We remain in a mixed powertrain environment, allowing customers to choose a solution that best matches their needs. The new passenger segment for example is the most advanced on the electrified journey and already EVs in this segment are approaching 50% market share. The ever-increasing variety of EVs deliver considerable benefits, particularly in urban environments where range is less of a factor. Across the Group we continue to invest in our electrified infrastructure to ensure dealerships and staff are equipped to support an increasing number of next generation vehicles that are soon to be arriving in market.



Source: MIA new vehicle registration data July 2022

The light commercial segment on the other hand is a different beast. Few electrified vehicles are available in this segment and those that are remain in critically short supply. Operationally, light commercial vehicles often require a combination of off-road, payload, towing and extended range capability which, at this stage, remains a strength of the current ICE vehicles.

In terms of dealership redevelopment projects, we still have an extensive workbook and capital commitments ahead to upgrade existing facilities. Avon City Motors (Sockburn, Christchurch), Timaru Motors and Dunedin City Motors are all in the process of refurbishment and are due to be completed during the 2022-23 financial year. Team Hutchinson Ford's new dealership is complete and fully operational in the heart of the Christchurch CBD. Next will be a complete rebuild of the Fagan Motors sales and administration building in Masterton. Rising building and labour costs and material shortages have combined to slow progress and they continue to defer and complicate a number of other projects.

Truck and Tractor dealerships

The Southpac Trucks team has dug deep and delivered excellent results over the last couple of years, including operating as an essential service during lockdowns to support their customers in keeping the country moving. There will be limited relief next year as the team works hard to deliver on pent up demand for Kenworth and DAF trucks. Southpac's new and sizeable facility in Rotorua is due to begin operating this year, while in Timaru a dedicated TRP (Truck Related Parts) store is open and the service workshop is in the final stages of construction.

Agricentre South continues to grow its business from strength to strength and we are committed to continuing to invest in our people and facilities to support the expansion of the Case IH, New Holland and Kubota brands. A significant upgrade will soon be underway in Gore to enhance that sales and service operation, allowing Case IH and New Holland to operate from a single site.

Similar to cars, both trucks and tractors have struggled with inconsistent and delayed supply as they were impacted by manufacturing and supply chain disruptions at a time when demand remained strong. Longer than normal lead times are the result and these are likely to persist for some time to come. It is a difficult situation for all but our teams' flexible and proactive approach, in tandem with our franchise partners, continues to deliver the best possible outcome for customers. The 'beating heart' of our success remains in those teams' unwavering commitment to product support and customer service excellence.

Outlook

We continue to observe external economic factors that, in normal circumstances, should see a greater softening in demand and eventually a correction take place in the market. Despite considerable inflationary pressures across all aspects of our operations and the wider economy, the future remains particularly difficult to predict but one could safely speculate that we, as a country and an industry, have yet to experience the full impacts.

Fuel prices remain high but seem to have now dipped from their peak. Housing prices are currently falling but that is against a 50% rise in the last three years. Interest rates and the cost of living keep going up but wage growth, driven by labour shortages, counteracts the impact. Globally, the geo-political situation remains precarious, with the related impacts of the conflict and energy crisis in Europe, droughts and lockdowns in China as well as floods in Japan, all challenging the ability of supply chains to get on top of demand.

Like most commentators, we continue to expect uncertainty and it is prudent to do so. Directionally, the indicators suggest we are now in a softening market but the unknown is whether we are flying towards a soft landing or a bumpy one.

Our strategy is designed to adapt to whichever eventuality plays out. Continued investment in our people, processes and facilities ensures we deliver the best outcomes for our customers, franchise partners and shareholders. Our preference remains to make long-term capital investments in strategic property assets from which our dealerships can then deliver sustainable growth. These investments generally take time to bear fruit and they absorb considerable capital but, over the longer term, they provide flexibility and stability during less favourable times.

We are actively exploring new opportunities that utilise our core competencies. If they should materialise, they may require capital investment in property assets. We continuously balance investment in our long-term commitments with our existing loyal partners and our desire to deliver profitable growth in new areas of the business.

We have a great balance of youth and experience across the Group and we are actively working to develop and equip a new generation of leaders to build our resilience and capability for the challenges ahead.

Thank you to our franchise partners, customers and shareholders

We would like to acknowledge and thank each of our franchise partners for their continued support. We recognise and appreciate the enormity of the challenge in managing vehicle and parts supply in the current unpredictable environment. Our teams remain passionate and committed to their long-term success as well as ours and we look forward to continuing to partner with them into the future.

To all our customers who we serve through the Group's dealer network, we value your business and look forward to continuing to support your future needs. Thank you for your patience and understanding, our friendly teams are always there to help.

To our shareholders, thank you for your support during the leadership transition and for having a long-term outlook that enables the Directors and Management to invest for tomorrow.

A P 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, New Plymouth, Palmerston North & Christchurch	www.spt.co.nz
South Auckland Motors Ltd	Michael Tappenden	Ford & Mazda	Manukau City, Auckland Airport, Botany, Takanini & Pukekohe	www.southaucklandford.co.nz www.southaucklandmazda.co.nz
Southern Autos – Manukau Ltd	Andrew Craw	Suzuki, Peugeot, Citroen & Isuzu	Manukau City & Botany	www.southernautos.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.faganford.co.nz www.faganmazda.co.nz www.fagansuzuki.co.nz
Capital City Motors Ltd	Matthew Carman	Ford & Mazda	Lower Hutt, Wellington, Porirua & Kapiti	www.capitalcityford.co.nz www.capitalcitymazda.co.nz
M.S. Motors (1998) Ltd	Alan Kirby	Ford Nelson KIA Service Lane Bridgestone Tyres	Nelson Nelson Richmond Motueka & Richmond	www.msford.co.nz www.nelsonkia.co.nz
Hutchinson Motors Ltd	John Hutchinson	Ford Bridgestone Tyres	Christchurch & Greymouth Christchurch & Hornby	www.thf.co.nz
Avon City Motors Ltd	John Luxton	Ford	Christchurch & Rangiora	www.avoncityford.co.nz
Avon City Motorcycles Ltd	John Luxton	Suzuki & BMW Motorcycles Mahindra	Christchurch	www.avoncity.co.nz
Timaru Motors Ltd	Wayne Pateman	Ford & Mazda	Timaru	www.timaruford.co.nz www.timarumazda.co.nz
Dunedin City Motors Ltd	Robert Bain	Ford & Mazda	Dunedin, Oamaru & Alexandra	www.dcford.co.nz www.dcmazda.co.nz
Macaulay Motors Ltd	Grant Price Tim Rabbitte (DP)	Ford & Mazda Mahindra	Invercargill, Queenstown & Wanaka	www.macaulayford.co.nz www.macaulaymazda.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 & Cromwell Gore	www.agricentre.co.nz

Consolidated statement of financial performance
for the year ended 30 June 2022

		Notes	2022 $000	2021 $000
Revenue				
	Revenue		999,032	898,511
	Other revenue		3,816	2,662
Total revenue		1	1,002,848	901,173
Trading expenses				
	Cost of products and services sold		815,425	734,905
	Remuneration of staff		90,648	83,442
	Depreciation and amortisation		8,082	6,785
	Property occupation costs		3,964	3,630
	Marketing, promotion and training		6,056	5,414
	Other operating costs		24,901	23,290
	Interest	3	4,401	3,025
Total trading expenses		2	953,477	860,491
Trading profit before tax			49,371	40,682
Taxation				
	Current tax	4	14,166	11,628
	Deferred tax	4	(178)	(450)
	Total tax on trading		13,988	11,178
Non-controlling interest			2,038	1,580
Trading profit after tax			33,345	27,924
Non-trading items				
	Fair value revaluation of property		(420)	(3,445)
	Fair valuation of investments		68	170
	Total non-trading items before tax		(352)	(3,275)
Taxation				
	Deferred tax	4	190	184
Non-trading items after tax			(162)	(3,091)
Profit attributable to shareholders			33,183	24,833

Profit for the year

			2022 $000	2021 $000
Profit attributable to:	Shareholders			
	Trading profit after tax		33,345	27,924
	Non-trading items after tax		(162)	(3,091)
	Total attributable to shareholders		33,183	24,833
	Non-controlling interest		2,038	1,580
Profit for the year			35,221	26,413

Statistics per share

		Notes	2022	2021
Basic and diluted earnings per share		7		
	Profit attributable to shareholders (cents)		101.5	76.0
	Trading profit after tax (cents)		102.0	85.4
Dividends				
	Dividends (cents per share)		62.0	55.0
	Total dividends ($000)		20,271	17,982
Net tangible assets per share ($)			9.25	8.00

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

Consolidated statement of comprehensive income
for the year ended 30 June 2022

	Notes	2022 $000	2021 $000
Profit for the year		35,221	26,413
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Property revaluation reserve			
Fair value movement		23,982	25,166
Deferred tax	4	(675)	1,089
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		3,903	(962)
Deferred tax	4	(1,093)	269
Total other comprehensive income for the year		26,117	25,562
Total comprehensive income for the year		61,338	51,975
Total comprehensive income for the year attributable to:			
Shareholders		58,879	50,499
Non-controlling interest		2,459	1,476
Total comprehensive income for the year		61,338	51,975

Consolidated statement of changes in equity
for the year ended 30 June 2022

	Notes	2022 $000	2021 $000
Total equity at beginning of the year		265,834	230,800
Comprehensive income			
Profit for the year		35,221	26,413
Other comprehensive income		26,117	25,562
Total comprehensive income		61,338	51,975
Dividends paid to shareholders	22	(17,982)	(15,366)
Dividends paid to non-controlling interest		(1,350)	(1,575)
Total equity at end of year	20	307,840	265,834

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

Consolidated statement of financial position
at 30 June 2022

	Notes	2022 $000	2021 $000
Shareholders' equity			
Share capital	21	15,968	15,968
Retained earnings		171,883	156,682
Property revaluation reserve		113,304	89,997
Foreign exchange cash flow hedge reserve		2,185	(204)
Total shareholders' equity		303,340	262,443
Non-controlling interest		4,500	3,391
Total equity		307,840	265,834
Current liabilities			
Bank borrowings	25	8,732	12,197
At call deposits	24	31,076	32,304
Trade & other payables	12	47,423	54,740
Vehicle floorplan finance	23	28,443	55,866
Financial liabilities – credit contracts	14	956	1,142
Lease liabilities	15	2,027	2,041
Tax payable		5,044	6,016
Financial derivatives – foreign exchange	29	-	332
Total current liabilities		123,701	164,638
Non-current liabilities			
Bank borrowings	25	6,000	-
Financial liabilities – credit contracts	14	920	1,666
Lease liabilities	15	19,752	15,607
Total non-current liabilities		26,672	17,273
Total equity and liabilities		458,213	447,745
Current assets			
Cash & cash equivalents	13	11,844	14,736
Trade & other receivables	11	39,200	45,152
Inventory	8	137,020	163,378
Financial assets – credit contracts	14	942	1,121
Financial derivatives – foreign exchange	29	3,571	-
Total current assets		192,577	224,387
Non-current assets			
Financial assets – credit contracts	14	920	1,666
Intangible assets	16	1,028	1,028
Investments	18	1,356	2,552
Property, plant & equipment	9	238,170	196,619
Deferred tax	4	4,267	5,667
Right of use assets	15	19,895	15,826
Total non-current assets		265,636	223,358
Total assets		458,213	447,745

For the Directors

A J Waugh
Chair of the Board

J W M Journee
Chair of the Audit & Compliance Committee

Authorised for issue on 14 September 2022

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

Consolidated statement of cash flows
for the year ended 30 June 2022

	Notes	2022 $000	2021 $000
Operating cash flows			
Receipts from customers		1,008,488	897,607
Interest received		108	96
Dividends received		202	202
Payments to suppliers and employees		(922,003)	(862,531)
Interest paid		(4,401)	(3,025)
Income taxes paid		(15,139)	(8,304)
Net operating cash flows	6	67,255	24,045
Investing cash flows			
Proceeds from sale of property, plant & equipment		372	1,253
Proceeds from sale of investments		1,264	-
Purchase of property, plant & equipment		(24,154)	(19,460)
Net investing cash flows		(22,518)	(18,207)
Financing cash flows			
Movement in bank borrowings		(24,888)	5,978
Repayment of lease liabilities		(2,181)	(2,050)
(Decrease)/increase in deposits		(1,228)	4,916
Dividends paid to shareholders		(19,332)	(16,941)
Net financing cash flows		(47,629)	(8,097)
Net change in cash held		(2,892)	(2,259)
Cash at beginning of year		14,736	16,995
Cash at end of year	13	11,844	14,736

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

Notes to the consolidated financial statements
for the year ended 30 June 2022

Index to the notes

Notes on the 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 9.

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 14 September 2022.

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 other comprehensive income, 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.

Notes on 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.

No new accounting standards which became effective from 1 July 2021 were considered to be material for the Group.

New standards, interpretations and amendments
At the date of authorisation of these consolidated financial statements, certain new 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

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 the statement of financial performance 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.

	2022 $000	2021 $000
Revenue from		
Sale of products	926,432	828,119
Sale of services	72,600	70,392
Total revenue from contracts with customers	999,032	898,511
Interest	108	96
Other revenue	3,708	2,566
Total other revenue	3,816	2,662

2 Expenditure

Expenditure in the consolidated statement of financial performance includes:

	2022 $000	2021 $000
Auditor's remuneration		
Audit fees – statutory audit	494	500
Other services	-	12
Total auditor's remuneration	494	512
Operating lease expense	548	578
Directors' fees	295	204
Bad debts written off	39	31
Donations	39	24
Contributions to retirement savings		
CMC Workplace Savings Scheme	842	824
KiwiSaver	1,668	1,367
Increase/(decrease) in impairment allowance for:		
Parts inventory obsolescence	41	(3)
Used stock provision	696	(108)
Doubtful debts	(12)	(49)
Credit contracts	(7)	(4)

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.

	2022 $000	2021 $000
Trading profit before tax	49,371	40,682
Non-trading items before tax	(352)	(3,275)
Profit before tax for the year	49,019	37,407
Expected tax charge at 28%	13,726	10,474
Tax adjustments for:		
Non-deductible expenses	334	1,178
Tax exempt income	(71)	(146)
Changes in unrecognised temporary differences	177	122
Actual current tax charge	14,166	11,628
Movement in deferred tax	(368)	(634)
Total tax expense	13,798	10,994
Effective current tax rate on trading profit before tax	28.7%	28.6%
Effective current tax rate on profit before tax	28.9%	31.1%

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

Deferred tax asset	2022 $000	2021 $000
At the beginning of the year	5,667	3,675
Movement through the consolidated statement of financial performance		
On trading profit	178	450
On non-trading property depreciation	190	184
Movement through property revaluation reserve	(675)	1,089
Movement through foreign currency cash flow hedge reserve	(1,093)	269
At the end of the year	4,267	5,667

Deferred tax assets and liabilities are attributable to the following:		
Trade and other payables	6,221	5,608
Trade and other receivables	10	13
Employee benefits	1,587	1,085
Inventories	1,041	834
Financial derivatives	(1,000)	93
Impairment allowance for finance bad debts	4	6
Property, plant and equipment	(5,570)	(4,431)
Building depreciation rule change	1,974	2,459
Deferred tax asset at the end of the year	4,267	5,667

4(c) Imputation credit account

	2022 $000	2021 $000
Imputation credits available for use in subsequent reporting periods	46,003	39,592

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.

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.

	2022			2021		
	Operating segment $000	Corporate $000	Total Group $000	Operating segment $000	Corporate $000	Total Group $000
Revenue from customers	1,002,223	517	1,002,740	900,453	624	901,077
Depreciation & amortisation	5,229	2,853	8,082	4,469	2,316	6,785
Interest income	108	-	108	96	-	96
Interest expense	2,948	1,453	4,401	2,167	858	3,025
Trading profit before tax	47,869	1,502	49,371	38,544	2,138	40,682
Income tax	13,713	453	14,166	10,739	889	11,628
Total assets	224,249	233,964	458,213	250,653	197,092	447,745
Material non-cash items						
Revaluation loss on property	-	(420)	(420)	-	(3,445)	(3,445)
Deferred tax credit	336	32	368	316	318	634

6 Reconciliation of profit for the year with operating cash flows

	2022 $000	2021 $000
Profit for the year	35,221	26,413
Adjustments for non-cash items		
Depreciation and amortisation	8,082	6,785
Revaluation of property and investments	352	3,275
Cancellation of lease	(11)	-
Movement in		
Impairment of credit contracts	(7)	(3)
Deferred tax	(368)	(634)
Movement in working capital		
Trade and other payables	(7,349)	12,221
Tax payable	(972)	3,334
Trade and other receivables	5,950	(3,260)
Inventory	26,357	(24,086)
Net cash flow from operations	67,255	24,045

7 Earnings per share

	2022 $000	2021 $000
Trading profit after tax	33,345	27,924
Profit after tax for the year attributable to shareholders	33,183	24,833

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	102.0	85.4
Profit after tax attributable to shareholders	101.5	76.0

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 (2021: 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.

	2022 $000	2021 $000
Vehicles	107,998	139,274
Parts, accessories, workshop fuels and gases	32,670	27,086
Impairment allowance	(3,648)	(2,982)
Total inventory	137,020	163,378
Total inventory write-down including parts, parts obsolescence and vehicles	864	410

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 there is an observable active market for these type of assets.

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	Furniture, fittings & equipment	Service vehicles	Total
	$000	$000	$000	$000
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
Additions	14,859	3,337	1,284	19,480
Disposals	(115)	(279)	(373)	(767)
Depreciation	(2,071)	(2,035)	(818)	(4,924)
Movement in revaluation	21,721	-	-	21,721
Net book value at 30 June 2021	184,506	9,467	2,646	196,619
Cost or fair value at 30 June 2021	103,543	29,050	6,807	139,400
Accumulated depreciation	-	(19,583)	(4,161)	(23,744)
Revaluation	80,963	-	-	80,963
Net book value at 30 June 2021	184,506	9,467	2,646	196,619
Additions	20,769	2,785	621	24,175
Disposals	(59)	(323)	(112)	(494)
Depreciation	(2,697)	(2,165)	(830)	(5,692)
Movement in revaluation	23,562	-	-	23,562
Net book value at 30 June 2022	226,081	9,764	2,325	238,170
Comprised of:				
Cost or fair value at 30 June 2022	121,556	28,944	6,217	156,717
Accumulated depreciation	-	(19,180)	(3,892)	(23,072)
Revaluation	104,525	-	-	104,525
Net book value at 30 June 2022	226,081	9,764	2,325	238,170

	2022	2021
	$000	$000
Revaluation deficit recognised as non-trading items through the statement of financial performance	(420)	(3,445)
Capital work in progress included in the value of land & buildings at reporting date. Capital work in progress is not subject to depreciation until completed and brought into use	4,063	2,542
Capital commitments Commitments to the future acquisition of new dealership facilities and development projects to existing facilities	2,637	7,086

If land and buildings were measured at cost the carrying value would be $121,556k (2021: $103,543k)

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. 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 has been paid in full and ownership of the adjacent land parcel has been transferred to the Group. All of the performance obligations have been completed and the easement across the site granted. The final cost of the building work was in excess of the amount received from the Crown. This amount has been included in additions to the cost of buildings.

	2022 $000	2021 $000
Other Receivables		
Balance at 1 July	2,555	2,555
Payments received	(2,555)	-
Balance at 30 June – note 11	-	2,555
Performance obligation		
Balance at 1 July	1,072	5,404
Expenditure incurred	(2,067)	(4,332)
Transfer to Property, plant & equipment	995	-
Balance at 30 June – note 12	-	1,072

11 Trade and other receivables

	2022 $000	2021 $000
Trade receivables	37,319	41,646
Impairment allowance for expected credit losses	(36)	(48)
	37,283	41,598
Other receivables – greenway agreement note 10	-	2,555
Other receivables	1,631	780
Prepayments	286	219
Carrying value of trade and other receivables	39,200	45,152
Bad debts written off in year	39	31

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:

	2022 $000	2021 $000
Expected credit loss rate	0.10%	0.11%
Gross carrying amount	37,319	41,646
Expected credit loss	36	48
Movements in the loss allowance are as follows:		
Balance at 1 July	48	97
Allowance recognised in the statement of financial performance	(11)	(47)
Allowance recovered	(1)	(2)
Balance at 30 June	36	48

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.

	2022 $000	2021 $000
Trade payables	28,827	34,977
Employee benefits	9,091	9,269
Other payables – performance obligation note 10	-	1,072
Other payables	9,505	9,422
Total trade and other payables	47,423	54,740

13 Cash and cash equivalents

	2022 $000	2021 $000
Bank accounts in funds	11,844	14,736
Net cash and cash equivalents	11,844	14,736

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

14 Credit contracts

Dealerships arrange finance for customers to buy vehicles with a number of finance companies. Before the customers enter into the finance agreements, 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
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 the statement of financial performance.

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:

	2022 $000	2021 $000
Up to 1 year	956	1,142
1 to 2 years	494	913
2 to 3 years	324	490
3 to 4 years	80	230
4 to 5 years	22	33
Total	1,876	2,808
Impairment allowance	(14)	(21)
Carrying value of receivables	1,862	2,787

Number of credit contracts	123	170
Value of impaired accounts written off in the year ($000)	-	-
Actual arrears past due at 30 June ($000)	12	33
Arrears as a percentage of total	0.66%	1.17%
Total value of accounts in arrears at 30 June ($000)	135	304
Accounts in arrears as a percentage of total	7.21%	10.83%

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.

	2022 $000	2021 $000
Less than 1 year	1,103	1,371
1 to 2 years	562	1,041
More than 2 years	460	817
Total	2,125	3,229

15 Leases

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.

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 statement of financial position as a right of use asset and an associated lease liability. Property leases have original terms up to 24 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	27	1 – 16	7	24	23
Office building	1	8	8	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 2020	11,790	1,347	13,137
Additions	4,709	-	4,709
Depreciation	(1,881)	(139)	(2,020)
Right of use assets at 30 June 2021	14,618	1,208	15,826
Additions	6,459	-	6,459
Depreciation	(2,117)	(139)	(2,256)
Disposals	(134)	-	(134)
Total right of use assets at 30 June 2022	18,826	1,069	19,895

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
2022							
Lease liability	2,027	1,877	1,773	1,804	1,825	7,235	5,238
Finance charge	653	592	537	482	426	1,342	393
2021							
Lease liability	2,041	1,687	1,480	1,245	1,234	5,868	4,093
Finance charge	577	510	453	404	359	1,122	324

Interest costs for the year on lease liabilities was $649k (2021: $612k). 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 three properties which are sub-leased and exercise of the renewal is subject to the head lease.

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 $548k (2021: $578k) for the year and has been included in property occupation costs in the statement of financial performance. At 30 June 2022 the total commitment on these leases was $145k (2021: $258k).

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 $690k (2021: $764k) has been included in other revenue. The rent is receivable during the non-cancellable periods of these leases according to the following schedule.

Lease receivables

	2022 $000	2021 $000
Within one year	890	497
Between one and two years	863	266
Between two and five years	1,490	489
Over five years	258	141
Total operating lease receivables	3,501	1,393

16 Intangible assets

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, being South Auckland Motors Ltd and Dunedin City Motors Ltd, 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 an initial reduction in profitability from the levels seen in 2022 as the economy contracts followed by a stabilisation at this level.

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 10.2% (2021: 8.6%).

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 goodwill to exceed the recoverable amount.

The value of intangible assets was reviewed at 30 June 2022. There was no indication of impairment below their carrying amount (2021: $Nil).

Goodwill	2022 $000	2021 $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 (2021: 100%), with the exception of Southpac Trucks Limited which is 85% owned (2021: 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 Motors Ltd, Southern Autos – Manukau Ltd, Southern Lakes Motors Ltd, Southpac Trucks Ltd, The Hawkes Bay Motor Company Ltd and Timaru Motors Ltd.

Non-trading subsidiaries
Agricentre Ltd (formerly Advance Agricentre Ltd), Avery Motors Ltd, Capital City Paint & Panel Ltd, Central Lakes Automotive Ltd, East City Ford Ltd, Jeff Gray Ltd, The Motor Company Ltd (formerly Metro Motors (Porirua) Ltd), Centennial Motors Ltd (formerly Metro Training Services Ltd), Panmure Motors Ltd, Papakura Ford Ltd, CMC Motors Ltd (formerly Pukekohe Motors Ltd), Queenstown Motors Ltd, South Auckland Ford Ltd, South Auckland Honda Ltd, Southland Tractors Ltd, Stevens Motors Ltd, CMC Motor Group Ltd (formerly 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:

	2022 $000	2021 $000
Shareholders' equity	29,075	21,531
Total liabilities	64,004	74,838
Total equity and liabilities	93,079	96,369
Total assets	93,079	96,369
Net cash flows from:		
Operating activities	47,088	19,864
Investing activities	(4,116)	(1,795)
Financing activities	(44,237)	(17,565)
Net movement in cash held	(1,265)	504
Opening cash balance	2,357	1,853
Closing cash balance	1,092	2,357

18 Investments

	2022 $000	2021 $000
Shares in Motor Trade Finance Limited (MTF)	1,355	2,551
Other	1	1
Total investments	1,356	2,552

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. During the year 547,254 MTF shares were sold.

Shares are carried at fair value with changes in value recognised through the statement of financial performance.

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 2021. 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 2022 or 30 June 2021.

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 2020	15,968	64,021	385	146,936	227,310	3,490	230,800
Dividends paid - note 22	-	-	-	(15,366)	(15,366)	(1,575)	(16,941)
Total transactions with shareholders	-	-	-	(15,366)	(15,366)	(1,575)	(16,941)
Profit for the year	-	-	-	24,833	24,833	1,580	26,413
Other comprehensive income							
Property revaluation reserve							
Fair value movement	-	25,166	-	-	25,166	-	25,166
Deferred tax	-	1,089	-	-	1,089	-	1,089
Transfer on sale of property	-	(279)	-	279	-	-	-
Foreign exchange cash flow hedge reserve							
Fair value movement	-	-	(818)	-	(818)	(144)	(962)
Deferred tax	-	-	229	-	229	40	269
Total comprehensive income	-	25,976	(589)	25,112	50,499	1,476	51,975
Balance at 30 June 2021	**15,968**	**89,997**	**(204)**	**156,682**	**262,443**	**3,391**	**265,834**
Dividends paid - note 22	-	-	-	(17,982)	(17,982)	(1,350)	(19,332)
Total transactions with shareholders	-	-	-	(17,982)	(17,982)	(1,350)	(19,332)
Profit for the year	-	-	-	33,183	33,183	2,038	35,221
Other comprehensive income							
Property revaluation reserve							
Fair value movement	-	23,982	-	-	23,982	-	23,982
Deferred tax	-	(675)	-	-	(675)	-	(675)
Foreign exchange cash flow hedge reserve							
Fair value movement	-	-	3,318	-	3,318	585	3,903
Deferred tax	-	-	(929)	-	(929)	(164)	(1,093)
Total comprehensive income	-	23,307	2,389	33,183	58,879	2,459	61,338
Balance at 30 June 2022	**15,968**	**113,304**	**2,185**	**171,883**	**303,340**	**4,500**	**307,840**

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

	2022 $000	2021 $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

	Date paid	Cents per share	2022 $000	2021 $000
Final for the previous year	4 October 2021	40.0	13,078	10,462
Interim for the current year	28 March 2022	15.0	4,904	4,904
Dividends paid during the year			17,982	15,366

For details of the final dividend for the current year, see note 33.

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.

	2022 $000	2021 $000
Total vehicle floorplan finance	28,443	55,866

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 2022 was 3.25% (2021: 1.80%).

	2022 $000	2021 $000
Deposits	31,076	32,304
Maximum amount of deposits on offer	40,000	40,000

25 Bank borrowing

The Group has wholesale facilities with BNZ, ANZ and Westpac, three highly-respected international registered trading banks. The facilities with ANZ and BNZ have a maturity date of March 2023 and have been treated as current. The facility with Westpac has a maturity date of March 2024 and has been treated as non-current. The facilities are used to finance working capital and are drawn and repaid as required.

Wholesale borrowing is transacted only by the Company. Its indebtedness is guaranteed by its trading subsidiaries to the full extent of the facilities.

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”.

	2022 $000	2021 $000
Bank borrowing - current	8,732	12,197
Bank borrowing - non current	6,000	-
Combined facility limits	70,000	70,000

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 the statement of financial performance. 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 2022.

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

	2022 $000	2022 $000	2021 $000	2021 $000
	Fair value through profit or loss	Amortised cost	Fair value through profit or loss	Amortised cost
Assets				
Cash and bank accounts	-	11,844	-	14,736
Trade and other receivables	-	38,914	-	44,933
Credit contracts	-	1,862	-	2,787
Shares in companies	1,356	-	2,552	-
Financial derivatives – foreign exchange	3,571	-	-	-
	Financial liabilities at amortised cost	Financial derivatives at fair value	Financial liabilities at amortised cost	Financial derivatives at fair value
Liabilities				
Bank borrowings	14,732	-	12,197	-
At call deposits	31,076	-	32,304	-
Trade and other payables	37,918	-	44,246	-
Lease liabilities	21,779	-	17,648	-
Vehicle floorplan finance	28,443	-	55,866	-
Credit contracts	1,876	-	2,808	-
Financial derivatives – foreign exchange	-	-	-	332

27 Reconciliation of liabilities arising from financing activities

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

	At 1 July 2021 $000	Cash flows $000	Non-cash changes $000	At 30 June 2022 $000
Bank borrowing – note 25	12,197	2,535	-	14,732
At call deposits – note 24	32,304	(1,228)	-	31,076
Vehicle floorplan finance – note 23	55,866	(27,423)	-	28,443
Total short term borrowings	100,367	(26,116)	-	74,251
Credit contracts – note 14				
Short term	1,142	-	(186)	956
Long term	1,666	-	(746)	920
Lease liabilities – note 15				
Short term	2,041	(14)	-	2,027
Long term	15,607	4,145	-	19,752
Total liabilities arising from financing activities	120,823	(21,985)	(932)	97.906

	At 1 July 2020 $000	Cash flows $000	Non-cash changes $000	At 30 June 2021 $000
Bank borrowing – note 25	19,235	(7,038)	-	12,197
At call deposits – note 24	27,389	4,915	-	32,304
Vehicle floorplan finance – note 23	42,851	13,015	-	55,866
Total short term borrowings	89,475	10,892	-	100,367
Credit contracts – note 14				
Short term	1,403	-	(261)	1,142
Long term	2,379	-	(713)	1,666
Lease liabilities – note 15				
Short term	1,813	228	-	2,041
Long term	13,175	2,432	-	15,607
Total liabilities arising from financing activities	108,245	13,552	(974)	120,823

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 1% it would increase the annual amount written off through profit or loss by $0.02m (2021: $0.03m).

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:

	2022	2021
Bank overdrafts	5.95% - 15.10%	3.72% - 9.35%
At call deposits	1.80% - 3.25%	1.80% - 2.30%
Bank borrowing and bailment facilities	1.69% - 5.45%	1.65% - 3.80%

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 2023 to March 2024 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 the statement of financial performance and equity by $0.46m per annum (2021: $0.45m).

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 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.

Currency		2022 $000	2021 $000
Australian Dollars	(AUD 143.2m)	156,247	76,208
Euros	(EUR 58.8m)	102,047	46,118
Total		258,294	122,326

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 2022 or 30 June 2021.

29 Financial derivatives – foreign exchange

Foreign exchange asset/(liability)	2022 $000	2021 $000
Balance at 1 July	(332)	630
Movement during the year through		
Other comprehensive income	3,903	(962)
Statement of financial performance	-	-
Balance at 30 June	3,571	(332)

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 the statement of financial performance. 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.

30 Dealership franchise agreements

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 Group manages and mitigates this risk through stable and profitable operating businesses that deliver on franchise objectives in conjunction with a customer first approach. In addition, strong relationships with brand partners, at both the Group and dealership levels, focuses on delivering mutually beneficial long term outcomes to further manage this risk.

Other notes

31 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:

	2022 $000	2021 $000
Short term benefits (including salary, incentives, profit share, use of motor vehicles and other benefits)	9,302	8,543
Post-employment benefits (including contributions to retirement savings schemes)	508	229
Share related benefits	-	-
Total remuneration benefits	9,810	8,772

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 48 and remuneration of employees on page 49.

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 $0.08m during the year (2021: $0.07m).

The Scheme holds 162,196 (2021: 162,196) ordinary shares in the Company representing 4.9% (2021: 4.4%) 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.

32 Contingencies

There were no contingent assets or liabilities at 30 June 2022 (2021: $Nil).

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.

33 Events after the reporting date

On 22 July 2022, a conditional offer was accepted for the sale of the shares held in The Hawkes Bay Motor Company Limited.

On 16 August 2022, a dividend of 47.0 cents per share was declared to be paid fully imputed on 3 October 2022, representing a total payment of $15.4 million.

Independent auditor's report

To the shareholders of The Colonial Motor Company Limited

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of The Colonial Motor Company Limited (the "Company") and its subsidiaries (the "Group") on pages 10 to 40 which comprise the consolidated statement of financial position as at 30 June 2022, 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 consolidated financial position of the Group as at 30 June 2022 and its consolidated 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.

Our Firm also carried out services with respect to verification of voting results at the annual general meeting. Subject to certain restrictions, partners and employees of our firm may also deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. These matters have not impaired our independence as auditor of the Group. The Firm has no other relationship with, or interest in, the Group.

Key audit matters

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

Why the matter is significant	How our audit addressed the key audit matter
Recognition of revenue from contracts with customers The Group has recognised revenue from contracts with customers of $999m for the financial year. The accounting policies for recognition of revenue and the breakdown of revenue from different performance obligations are set out in note 1. Revenue from sale of products is recognised when the control of the vehicle has passed to the customer which is normally at the time of delivery of the vehicle. We have raised this as a key audit matter due to the large number of transactions throughout the reporting period and risk that revenue transactions have been recorded in the incorrect period based on the date of recording the transaction compared to when control of the vehicle has been transferred to the customer.	In obtaining sufficient and appropriate audit evidence we: • evaluated the Group's recognition of revenue by assessing the processes that management has in place to ensure that appropriate revenue recognition policies have been consistently applied in accordance with NZ IFRS 15 *Revenue from contracts with customers*. • Tested a sample of sales transactions on either side of the reporting date to substantiate that the appropriate terms of the relevant contracts had been satisfied, that the control of the vehicle had passed to the customer and therefore revenue was recognised in the correct period.
Valuation and existence of inventory (new and used vehicles) The Group has a significant level of inventory on hand ($137m) held at multiple locations. Much of the inventory relates to new and used vehicles ($108m) as set out in note 8. The assessment of net realisable value can fluctuate because of general economic conditions, new vehicle sales, incentives, prices paid on trade in, age, condition and configuration of vehicles. We have raised this as a key audit matter due to the large number of vehicles held at different locations and the judgement applied to measure vehicles at the lower of cost or net realisable value in accordance with NZ IAS 2 Inventories.	In obtaining sufficient appropriate audit evidence we: • Verified the existence of new and used vehicles through our attendance at year-end stock counts across all dealerships. • Confirmed the inventory balances funded by bailment arrangements and related liabilities directly with the finance companies. • Compared the carrying value of a sample of vehicles held at reporting date to post year end sale values, or if not sold, to equivalent market evidence to verify that the value of inventory held at year-end was not overstated.

Other information

The Directors are responsible for the other information. The other information comprises the information in the Annual Report which accompanies the consolidated financial statements and audit report.

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 connections 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, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of the auditor's responsibilities for the audit of the 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 the Company's shareholders, as a body, for our audit work, for this report or for the opinion we have formed.

Grant Thornton New Zealand Audit Limited

Grant Thornton

Ryan Campbell

Auckland

14 September 2022

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 2022 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 2022.

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 updated the existing securities trading policy to comply with prevailing legislation that requires full disclosure by directors and senior executives both before and after buying and selling CMC shares. All share trades by directors and senior executives are reported to the market and Director's trades are disclosed in the Annual Report.

The directors have established a protected disclosures (*whistle blower*) policy to comply with prevailing practice to protect employees who make disclosures of information about serious wrongdoing within the Group.

2. Board composition and performance

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

The Board operates under a written charter which sets out the roles and responsibilities of the Board and distinguishes them between the respective roles and responsibilities of the Board and the Management.

The Company's constitution specifies that there should be between five and seven directors. The Board contains a mix of two independent directors and five executive and non-executive directors who are not independent, which reflects the shareholder mix. The Board chair is an independent director. 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. 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 annual meeting. A person can also be nominated by shareholders and stand for election as a director at an annual meeting. The terms of appointment of each newly appointed director are provided in writing.

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 written terms of reference.

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

The Committee comprises J W M Journee (Chair and independent director), A J Waugh (independent director) and G D Gibbons (non-executive director) and it 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: A J Waugh (Chair) and G D Gibbons 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 meets at least three times during the reporting year. The Company's policy is to review remuneration levels for directors and senior staff every two years. Directors' fees were last reviewed in 2021. Director and management remuneration is disclosed in the Annual Report. The Company 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. The Committee utilises a skills matrix to determine 'best fit and skill set' to ensure the Company retains the cross-section of abilities required for a balanced board. The Company does not currently have a formal written diversity policy.

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 period, the Board held 11 meetings through a mix of physical attendance, telephone and video conference.

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. These 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 five additional disclosures to shareholders and on NZX in relation to guidance, the appointment of a director and the election of a new Chair.

A condition of listing is that the Company complies with the Listing Rules issued by 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 notification to all. 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 the Company's Annual Reports, including full details for executive directors. Remuneration of other staff is also disclosed in the $10,000 bands specified in company disclosure 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 annually and as needs arise and assesses which risks to insure with the assistance of an external insurance broker.

The Audit & 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.

During the annual strategic planning review (and periodically throughout the year), the Board and Management review the 'whole of business' risk matrix which has captured the short and long-term risks for the Group.

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 & Safety Committee active at each subsidiary. The Group Health and Safety Manager 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 Chair of the Audit & Compliance Committee meet at least twice a year, the auditor attends Committee meetings at least three times a year and the audit partner attends the Company's 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 lead 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 on-going appointment of the external auditor and to authorise the audit remuneration
- 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 Listing Rules are incorporated by reference into the constitution.

CMC maintains a website through which shareholders and interested stakeholders can communicate with the Company and access financial and operational information. Computershare Investor Services Limited maintains the register of shareholders.

Disclosures as required by the Companies Act 1993

(a) Director profiles 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:

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 and chair of its Audit Committee. Ashley became a director in November 2015.

Graeme Durrad Gibbons, BCom, CA
Lower Hutt

After gaining a commerce degree at Otago University, Graeme began his career with Ford New Zealand and then 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 retired as Chief Executive on 30 September 2021.

He was previously a director of Motor Trade Finances Limited and chair of its Audit Committee.

Matthew James Newman, BA
Auckland

Until his retirement from the position on 30 June 2022, Matthew was the Chief Executive Officer of the Group's largest car dealership, South Auckland Motors (Ford and Mazda) and of Southern Autos – Manukau (Suzuki, Citroen, Peugeot and Isuzu). 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 Chair of the Ford Dealer Council and also of Counties Manukau Rugby Union. Matthew became a director in November 2013 and he will be retiring from the Board at the conclusion of the annual meeting in November.

Stuart Barnes Gibbons
Lower Hutt

Stuart joined the Group in 1982 as an apprentice technician in Morrinsville. He was appointed Chief Executive / Dealer Principal of Stevens Motors, Lower Hutt in 2002 and held the position until Stevens Motors was merged with Capital City Motors on 1 July 2020. Stuart managed the property project for the Lower Hutt hub facility up to its completion. In July 2022, he then took up the Group Office role of Group Manager: Strategic Development. Stuart is a past Chair of the Ford Dealer Council. He became a director in July 2014.

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, Themarket.com Limited, Farmlands Co-operative Society Limited and West Auckland Trust Services Limited and is a member of the Quantiful Limited Advisory Board. John became a director in December 2018.

Gillian Durrad Watson, BA
Auckland

Gillian has a business background in the real estate industry and has worked in production management in the television industry. She is a significant shareholder who has had a life-long focus and interest in the Company and in September 2021 became CMC's first female Director.

John Ormond Hutchinson
Christchurch

John was appointed as a director with effect from 1 September 2022. He is currently the Chief Executive and Dealer Principal of Team Hutchinson Ford in Christchurch, a role he took over in September 2006. He joined Team Hutchinson in 1994 in vehicle sales after working in the UK at Credit Suisse First Boston and running his own business in Christchurch. John is a current member and past president of the Ford Dealer Council.

(b) Remuneration of directors

Remuneration and all other benefits received by the directors who held office during the year ended 30 June 2022 are disclosed pursuant to section 211(1)(f) of the Act as follows:

	Directors' fees 2022 $	Total remuneration 2022 $	Total remuneration 2021 $
A J Waugh (Chair)	84,257	84,257	59,950
J P Gibbons	54,317	331,150	114,131
G D Gibbons	44,625	330,412	1,224,285
S B Gibbons	-	185,650	186,931
M J Newman	-	845,572	872,683
J W M Journee	62,766	62,766	54,500
G D Watson	49,583	49,583	-

A J Waugh was elected Chair of the Board in November 2021 and has received additional fees commensurate with that position from that date. Remuneration for the Chair, additional to directors' fees, includes the provision of a motor vehicle.

J W M Journee was elected Chair of the Audit & Compliance Committee in November 2021 and has received additional fees commensurate with that position from that date.

Executive Directors do not receive directors' fees for acting as a director of the Company or of any subsidiary. Executive Directors acting in their capacity as employees of the Company or of a subsidiary received total remuneration including salary, incentives, superannuation contributions, use of a motor vehicle and other benefits in the year ended 30 June 2022 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 retiring Group Chief Executive, G D Gibbons (who is also a director), has in the year to 30 June 2022 a fixed component (including salary, motor vehicle and superannuation contributions) of $330,412 (2021: $415,134) and an annual short term incentive component of $Nil (2021: $809,151) based on the current year's trading performance. There are no long term incentives or share schemes in place.

Dealer Principals/Chief Executive Officers of subsidiary companies receive a profit incentive in their remuneration based on their dealership's profit. The remuneration received by M J Newman as an executive, as disclosed above, is for the twelve months to 30 June 2022 and includes a short term profit incentive component of $574,822 (2021: $606,552). Similarly, the remuneration of S B Gibbons as an executive is shown for the twelve months to 30 June 2022 and has no short term profit component (2021: $Nil).

In accordance with clause 28.4 of its constitution, the Company may provide for director retirement benefits. There was no provision held at 30 June 2022 (2021: $268,500). Directors appointed after 1 May 2004 are not eligible to receive a retirement allowance unless authorised by shareholder resolution. The provision at June 2021 was paid to J P Gibbons following his retirement from the Board after 29 years as a director, including the past 10 years as Chair. There are no further payments to be made under clause 28.4 of the constitution.

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 of a relevant interest in shares in the Company between 1 July 2021 and 31 August 2022.

Director	Number of shares acquired	Date of transaction	Price per share	Type of interest
A J Waugh	1,374	24 August 2021	$9.85	Beneficial
A J Waugh	14	24 August 2021	$9.97	Beneficial
A J Waugh	5	25 August 2021	$10.10	Beneficial
M J Newman	500	21 February 2022	$10.85	Beneficial
M J Newman	1,000	22 February 2022	$10.95	Beneficial

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

(e) Composition of the Board

At the reporting date, five Directors were male and one female. Of the 17 Group officers, there was one female officer and the rest were male (2021: 6 Directors - male, 17 officers – 16 male and 1 female).

(f) Remuneration of employees

During the year to 30 June 2022 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 2022	2021	Remuneration $			Number of employees 2022	2021
100,001	-	110,000	39	45	330,001	-	340,000	1	-
110,001	-	120,000	25	32	340.001	-	350,000	1	-
120,001	-	130,000	26	24	350,001	-	360,000	1	-
130,001	-	140,000	24	20	360,001	-	370,000	2	-
140,001	-	150,000	15	11	370,001	-	380,000	1	1
150,001	-	160,000	11	9	380,001	-	390,000	-	1
160,001	-	170,000	13	8	430,001	-	440,000	1	2
170,001	-	180,000	11	8	440,001	-	450,000	-	1
180,001	-	190,000	6	6	450,001	-	460,000	2	-
190,001	-	200,000	6	7	470,001	-	480,000	-	1
200,001	-	210,000	6	5	510,001	-	520,000	1	-
210,001	-	220,000	3	1	530,001	-	540,000	1	-
220,001	-	230,000	8	2	620,001	-	630,000	1	1
230,001	-	240,000	2	3	670,001	-	680,000	1	-
240,001	-	250,000	2	2	680,001	-	690,000	-	1
250,001	-	260,000	7	2	690,001	-	700,000	-	1
260,001	-	270,000	1	5	750,001	-	760,000	1	-
270,001	-	280,000	1	-	800,001	-	810,000	1	-
280,001	-	290,000	2	-	870,001	-	880,000	-	1
290,001	-	300,000	1	2	1,270,001	-	1,280,000	1	1
300,001	-	310,000	1	2	1,470,001	-	1,480,000	1	-
320,001	-	330,000	1	4					
							Total	228	209
							Total full time equivalent employees	1,022	988

The remuneration package of the Group Chief Executive, A P Gibbons, in the year to 30 June 2022 was $757,446 comprising a fixed component (including salary, motor vehicle and superannuation contributions) of $296,614 and an annual short term incentive component of $460,832 based on the current year's trading performance.

Disclosures as at 30 June 2022 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:
G D Gibbons
M J Newman
S B Gibbons
G D Watson

(b) Directors' relevant interests at 30 June 2022

	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	
	2022	2021	2022	2021	2022	2021
G D Gibbons	670,656	670,656	2,474,467	2,474,467	184,520	184,520
S B Gibbons	1,975,299	1,975,299	650,435	650,435	6,151	6,151
M J Newman	31,500	30,000	-	-	-	-
A J Waugh	9,758	8,365	-	-	376	376
J W M Journee	2,613	2,613	-	-	-	-
G D Watson	614,069	n/a	354,810	n/a	105,000	n/a

(c) Substantial Product Holders

As required by section 293 of the Financial Markets Conduct Act 2013, the Substantial Product Holders as at 31 August 2022 (from whom a notice under the Act had been received and the date of each such notice) were as follows:

	Date	Shares	%
J P Gibbons	21 October 2020	2,079,599	6.36
S B Gibbons	11 March 2021	2,625,734	8.03
G D Gibbons	22 March 2021	3,145,123	9.62

Issued and fully paid capital as at 30 June 2022 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 Product Holders.

A number of shares identified under J P Gibbons are also jointly held or have trustees in common with D M 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 & L B Rogerson, J H Smith & A F Peake and M A Gibbons & A K Cook.

A number of shares identified under G D Gibbons are also jointly held or have trustees in common with A K Gibbons & S D Wood, S D & D M Wood, R D Gibbons & S D Wood, 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 2022.

Individual shareholding	**Number of shareholders**		**Number of shares**	
	Number	**%**	**Number**	**%**
1 - 999	349	21.3	149,998	0.4
1,000 - 9,999	974	59.4	3,133,565	9.6
10,000 - 99,999	253	15.4	6,761,855	20.7
100,000 - 999,999	61	3.8	19,618,892	60.0
1,000,000 +	2	0.1	3,030,322	9.3
Total	1639	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 - cps Date**	**Net**	**Gross**	**Gross dividend yield %**	**Change in share price cps**	**Total gross return cps**	**Gross shareholder return %**
2022	$9.51	28/03/22	15.0	76.4	8.3	31.0	107.4	11.7
		04/10/21	40.0					
2021	$9.20	29/03/21	15.0	65.3	9.5	235.0	300.3	43.8
		05/10/20	32.0					
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	80.0	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					

Note: Yields are calculated on the share price at the beginning of each year. The share price at 30 June 2017 was $7.50.

(1) Due to the effects on the Group's business of the Covid-19 nationwide 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 2022

	Shares	%
AD & SB Gibbons & LB Rogerson	1,742,228	5.3
Florence Theodosia Gibbons	1,288,094	3.9
JP & DM Gibbons & PL Bennett	834,556	2.6
Graeme Durrad Gibbons	670,656	2.1
PL & LC Bennett & JP Gibbons	634,030	1.9
Diana Durrad Harrison	630,078	1.9
BR & CM Gibbons & PL Bennett	627,208	1.9
Gillian Durrad Watson	614,069	1.9
Robert Durrad Gibbons	613,930	1.9
Sara Durrad Wood	613,369	1.9
Alison Durrad Beaumont	603,454	1.8
RJ Field & AJ Palmer	600,000	1.8
AD & GV Beaumont & GD Gibbons	585,215	1.8
MI & C Louisson & RM Carruthers	563,777	1.7
JP & DM Gibbons & PL Bennett	492,055	1.5
MA Gibbons, AK Cook & SB Gibbons	474,348	1.5
GD & AK Gibbons & SD Wood	470,012	1.4
JG, J & CG Harrison	458,317	1.4
Citibank Nominees (New Zealand) Limited	450,434	1.4
May Alice Gibbons	355,196	1.1
DD & BW Harrison & GD Gibbons	354,810	1.1
GD & IW Watson & GD Gibbons	354,810	1.1
RD Gibbons, SD Wood & GD Gibbons	354,810	1.1
SD & DM Wood & GD Gibbons	354,810	1.1
Hart Capital Partners Limited	347,863	1.0
CG & JG Harrison	335,244	1.0
KS, SKE & J Bale	324,244	1.0
E A Romans	323,482	1.0
RB & JG Tait & IJ Craig	305,006	0.9
Rebecca Hope Wilson	300,478	0.9
Leanne Barnes Rogerson	281,410	0.9
SH Majors, RH & SJ Wilson	268,556	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
Pauline Lucy Bennett	223,138	0.7
MC Duurentijdt, JT van Gaal & KD Trustees Limited	215,983	0.6
Bruce Robert Gibbons	201,372	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
James Picot Gibbons	169,860	0.5
CMC Workplace Savings Scheme Trustee Limited	148,196	0.5
KS, SK & MG Bale	147,929	0.5
Helen Ailsa Louisson	140,870	0.4
Ian Forbes Michie	135,730	0.4
GH & FT Gibbons & SJ Wilson	122,413	0.4
JO & MG Young	120,835	0.4
Sally Blundell Fell	118,174	0.4
Anne Blundell Norman	118,173	0.4
Total of fifty largest shareholdings	20,431,668	62.5
Total shares on issue	32,694,632	100.0

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. A number 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 May 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 were the international decisions of Ford Motor Company to sell its tractor and heavy truck businesses which resulted in Ford in NZ ceasing to import both products.

Most of the CMC dealership 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, New Plymouth, 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, Hyundai, Isuzu Utes, Peugeot, Citroen, Mahindra; Suzuki, Kawasaki, Yamaha & BMW motorcycles.

Details of the Group's current dealerships, locations and the franchises they represent are detailed on page 9 in the report.

Greenhouse gas emissions are now driving the power source for vehicles away from fossil fuel and the internal combustion engine to clean sources – electricity, hydrogen, bio fuel or others yet-to-be identified.

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.