The Colonial Motor Company Limited

91st Annual Report

2009

Notice of Annual Meeting

NOTICE IS HEREBY GIVEN that the 91st Annual Meeting of Shareholders of The Colonial Motor Company Limited will be held at the Registered Office of the Company on Level 1 of the CMC Building, 89 Courtenay Place, Wellington, New Zealand on Friday, 6 November 2009 commencing at 11:00am.

Agenda

1. The Chairman's introduction
2. Address from the Chairman
3. Shareholder discussion
4. Resolutions (see explanatory notes)

   To consider and, if thought fit, pass the following ordinary resolutions.

   (a) To re-elect Mr Peter David Wilson as a Director of the Company

   (b) To re-elect Mr Graeme Durrad Gibbons as a Director of the Company

   (c) To record the on-going appointment of Grant Thornton as Auditors and to authorise the Directors to fix the Auditors' remuneration.
5. General business

By order of the Board

N K Bartle
Company Secretary
23 September 2009

Explanatory notes to resolutions
Ordinary resolutions are passed by a simple majority of votes.

In accordance with the Company's Constitution, one third of the Directors must retire by rotation each year. The Directors to retire by rotation at the 2009 Annual Meeting are P D Wilson and G D Gibbons who are eligible and are standing for re-election.

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

Proxies
Any Shareholder is entitled to attend and vote at the meeting or to appoint a proxy to attend on their behalf. A proxy need not be a Shareholder of the Company. A proxy form accompanies this Notice. Proxy forms must be received at the Registered Office of the Company not later than 48 hours prior to the scheduled commencement of the meeting.

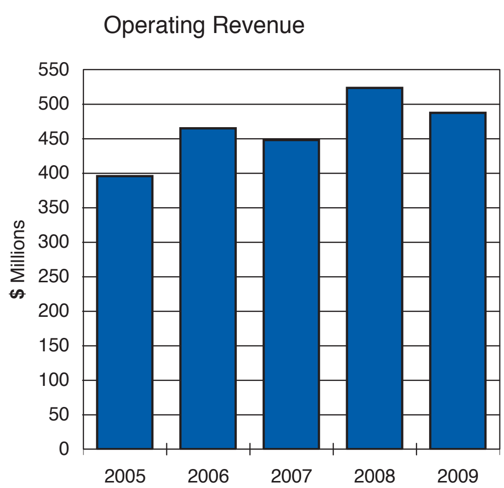
Representatives of Corporations
Corporate bodies appointing a representative to attend the meeting should comply with Clause 23 of the Constitution that reads as follows:

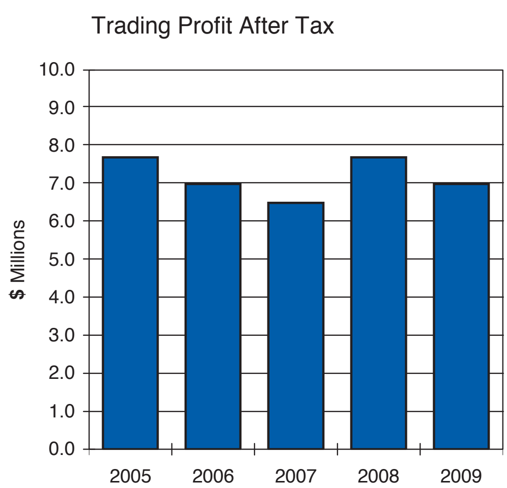
> *"Appointment of representative: A corporation which is a Shareholder may appoint a person to attend a meeting of Shareholders on its behalf in the same manner as that in which it could appoint a proxy."*

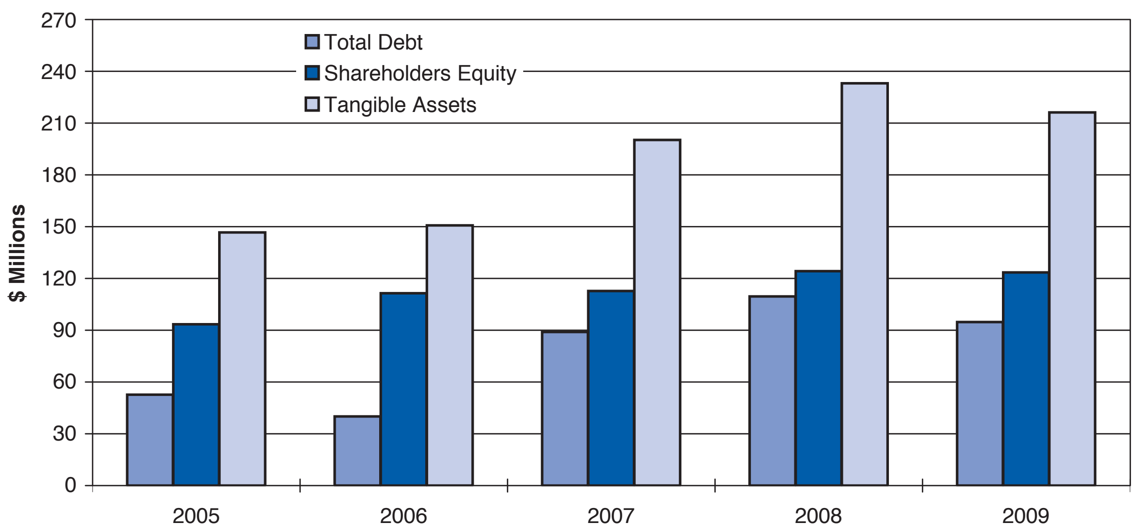
The Colonial Motor Company Limited
and Subsidiary Companies

Facts at a Glance and Five Year Trends

$000	2009	2008	2007	2006	2005
Reporting Basis	NZ IFRS	NZ IFRS	NZ IFRS	NZ GAAP	NZ GAAP
Operating Revenue	487,325	523,408	454,703	464,927	395,619
Trading Profit after Tax (excluding Non Trading Items)	7,002	7,660	6,499	6,964	7,715
Net Profit after Tax Attributable to Shareholders	4,614	7,217	6,499	11,461	12,913
Return on Average Shareholders' Funds					
- Trading Profit	5.6%	6.4%	5.8%	6.8%	8.5%
- Net Profit	3.7%	6.1%	5.8%	11.2%	14.2%
Trading Profit Per Dollar of Revenue	1.4c	1.5c	1.4c	1.5c	1.9c
Earnings per Share - Trading Profit after Tax	25.1c	27.5c	23.3c	25.0c	27.7c
- Net Profit After Tax	16.6c	25.9c	23.3c	41.2c	46.4c
Dividend per Share	15.0c	23.0c	23.0c	24.0c	22.0c
Shares on issue at Balance Date	27.851m	27.851m	27.851m	27.851m	27.851m
Current Ratio	1.3	1.3	1.5	2.0	1.8
Shareholders' Equity as a Percent of Total Assets	56.2%	52.7%	55.4%	72.4%	63.1%
Net Tangible Asset Backing per Share (after final dividend is paid)	$4.23	$4.27	$3.82	$3.76	$3.21







Directors' Report

Your Directors have pleasure in presenting the 91st Annual Report and audited Financial Statements of The Colonial Motor Company Limited ("CMC" or "Parent") and of the Group for the year ended 30 June 2009.

Revenue and Operating Profit

Gross Revenue for the year was $487.3 million ($523.4 million in 2008) while net profit after tax attributable to shareholders was $4.6 million ($7.2 million in 2008). The income tax expense was $2.9 million ($4.5 million in 2008). Although the profit is lower this year, the Board is satisfied that it was a creditable result under difficult national and international economic circumstances.

Property Valuation

This year all Group property was independently valued at 30 June 2009. Accounting standards require, on a property by property basis, taking reductions in value below original cost against profit and any increases in value, (or decreases that only reduce a previous revaluation) to equity. For this year that reflects as a $1.825m negative impact on profit (last year negative $0.423m) and a negative $0.408m adjustment to equity (last year positive $7.823m).

Dividends

Dividends paid in respect of this year will total 15 cents per share (23 cents per share in 2008). An interim dividend of 6 cents per share was paid on 6 April 2009 and a final dividend of 9 cents per share will be paid on 27 October 2009, both dividends being fully imputed. The value of the distributions for this year will be $4.2 million ($6.4 million in 2008) representing 91% (88% in 2008) of the net profit after tax attributable to shareholders.

The change in rate of corporate tax in New Zealand from 33% to 30% applied to CMC from 1 July 2008, the start of its 2008/2009 financial year. CMC has always paid fully imputed dividends and currently has a significant pool of imputation credits at the 33% level (see Note 16 on page 26). From 1 April 2010, dividends may only be imputed to a maximum of 30% and will result in shareholders who are on marginal tax rates of 33% or 38% having additional tax to pay. The Board is evaluating measures that it could take to distribute accumulated imputation credits.

Directors

The executive Directors on the Board are G D Gibbons, the Chief Executive, and J P Gibbons, Dealer Principal of Energy City Motors Limited. The independent Directors on the Board at 30 June 2009, and at the date of this report, were P J Aitken, I D Lambie and P D Wilson.

The Directors to retire by rotation at the 2009 Annual Meeting are P D Wilson and G D Gibbons who are eligible and are standing for re-election.

Director and Company Disclosures

Information required to be disclosed by the Directors and by the Company, to comply with the Companies Act 1993, the Securities Markets Act 1988 and the Listing Rules of the New Zealand Stock Exchange, is detailed on pages 41 to 44. A separate Governance Statement is provided on pages 38 to 40.

Directors Fees

At the 2007 Annual Meeting shareholders passed a resolution setting the maximum for total Directors' fees at $185,000 per annum. Total fees paid in this financial year were $168,000 ($173,800 in 2008).

It has been past practice to review Directors' fees every two years and for the Board to make a recommendation for any appropriate increase to the Annual Meeting. The review was due this year but has been deferred for 12 months due to the global economic crisis.

For the Directors
23 September 2009

J A Wylie

J P Gibbons

Chief Executive's Report

This financial year has been dramatic in terms of the business conditions in which we operate with new vehicle sales volumes comparable to the early 1990's. However, as a Group we were in much better shape to cope with this downturn and able to quickly adjust our businesses to suit the lower industry. The cities felt the pressure earliest and eventually even the stronger farming sectors of provincial New Zealand, with dairying, have hit head winds. Product sales to business in the export sector have all but dried up.

The affect on the Group has meant a fluctuating retail performance with a poor second half of 2008 and a relatively stronger outcome in the early months of 2009 as buyers bought before price rises kicked in. This has been followed by a long cold winter felt by all. Inventory levels have been reducing steadily over the year and with lower interest rates also contributing to our improved second half.

The worldwide motor industry has been particularly susceptible to the shattered global economy and the public has seen the major structural changes, particularly in the US, played out in the media. For all manufacturers in US, Europe, Japan and Asia production volumes fell dramatically. Excess stock took time to move through the distribution and retail channels before new production levels were re-established in line with actual customer demand.

Our primary brand, 'Ford', has emerged as a stronger player with sound future prospects. However there is much to be done to unify world platforms and ensure product meets buyer desires for sophisticated markets such as New Zealand.

Mazda's strength in smaller cars has stood the brand in good stead in our market with seven straight years of rising market share. Seven of our twelve Dealerships now represent Ford and Mazda in their markets.

In the world of heavy trucks, PACCAR stands out internationally as a premium organisation with premium brands Kenworth and DAF that are distributed by Southpac Trucks in New Zealand.

The new vehicle market in New Zealand is running over 30% down year-over-year, in some provincial areas this is well over 40%. Dealership actions to survive and prosper in the future have concentrated on improving efficiencies, reducing costs, as well trying to increase our share of the cake and being better at used car retailing.

Smaller cars are back in favour with models such as Fiesta, Mazda2, Focus and Mazda3, together with small SUV's and their competitors in those sectors accounting for nearly 60% of the new car market, compared to just over 42% five years ago.

People

Earlier this year Mike Corliss, who was the founding shareholder with us in Southpac Trucks, died from the illness that saw him leave the business. It was a sad day for all our people involved in the truck business.

Early next month Russell Marr will leave Timaru Motors and Trucks South after 30 years with the Group and 19 years as Dealer Principal. Russell will be 'following his heart' with the truck business to the new franchise operator. We had elected a number of years ago not to pursue the expansion of this business due to a franchise conflict of interest with our main truck business.

Wayne Pateman, the current Service Manager who first started at Timaru with work experience and as an apprentice, has been appointed Chief Executive of Timaru Motors, effective 5 October.

Dealerships and Property

The redevelopment of Dunedin City Ford was close to completion when the Dealership acquired the Mazda franchise for Otago. Initially from January 2009 the Mazda franchise operated from its existing leased facility but at the beginning of May we had completed the conversion and rebuild of the original Dealership workshop facing onto Andersons Bays Road and the Mazda business moved onto our Dunedin City Motors site.

At the end of 2008 we purchased a property adjacent to Southpac Trucks in Manukau City. Planning is underway on the integration of Southpac's business onto this single expanded site when the current lease arrangements expire.

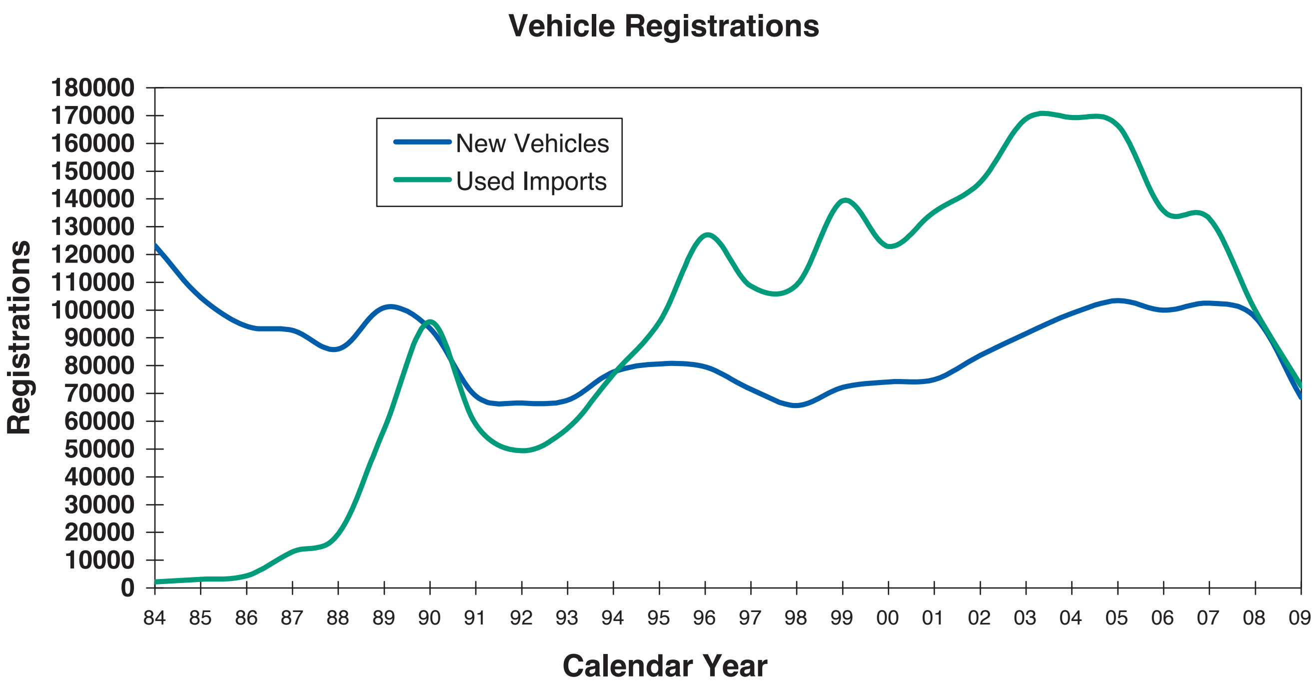
Avon City Motorcycles opened in April 2009 representing the Suzuki franchise in a new purpose-built facility on the large Avon City facility at the Sockburn roundabout in Christchurch.

During the second quarter the CASE IH tractor franchise became available for Southland and we moved quickly to open in leased premises a new Dealership "Advance Agricentre" on 1 July under the direction of Grant Price and his team. CASE IH is a brand owned by Case New Holland internationally and Southland Tractors is the New Holland dealer for Southland.

In recent weeks the expansion of the Kapiti facility leased by Capital City Motors Ford and Mazda business has been completed with the workshop doubled in size together with an expanded vehicle showroom to accommodate both brands.

At Balance Date we had no committed property projects however we continue to work on the Southpac plan.

In December 2008 the Group participated in the capital raising by Motor Trade Finances Ltd. As a Group we have been active participants in retail financing with MTF for well over 30 years.



Outlook

New Zealand exporters are struggling in the current weak international economy and high NZ dollar environment. This directly affects our Dealerships operating in provincial New Zealand. Inherently the recovery of exports will drive the economic wellbeing of New Zealand to which we provide products and services.

In this current tough environment the motor vehicle dealership world continues to evolve as some weaker players exit and franchise arrangements are changing. In the new environment we are reviewing our funding options and costs. Our focus remains on making each one of our Dealerships a top performing business in their marketplace. Our Dealership management and staff are the cornerstone of building these successful businesses.

G D Gibbons
Chief Executive

Income Statement for the year ended 30 June 2009

	NOTE	GROUP 2009 $000	GROUP 2008 $000	PARENT 2009 $000	PARENT 2008 $000
Revenue					
Sale of - Products		429,241	465,260	-	-
- Services		51,799	51,988	1,035	955
Other Income - Interest		294	332	2,615	2,731
- Other		5,991	5,828	5,628	4,794
- Intercompany Dividend		-	-	5,700	4,475
Total Revenue		487,325	523,408	14,978	12,955
Less Expenses	1				
Cost of Products Sold		381,856	416,593	-	-
Remuneration of Staff		56,829	55,675	1,263	1,290
Depreciation & Amortisation		3,416	3,555	1,222	1,163
Property Occupation Costs		9,269	8,508	480	399
Marketing, Promotion & Training Costs		5,572	6,161	46	62
Other Operating Costs		15,599	15,686	1,045	889
Interest Cost		4,904	4,754	2,782	2,782
Trading Profit before Tax		9,880	12,476	8,140	6,370
Realised Gain on Property Sales	14	-	834	-	834
Revaluation Decrease of Property	9	(1,825)	(423)	(1,825)	(423)
Impairment Loss on Goodwill	8	(563)	(854)	-	-
Profit Before Tax		7,492	12,033	6,315	6,781
Less: Income Tax Expense - Current	15	2,913	4,050	703	668
- Deferred	15	(40)	471	30	110
Profit after Tax for the period		4,619	7,512	5,582	6,003
Less Profit Attributable to non controlling Interest		5	295	-	-
Net Profit after Tax Attributable to Shareholders		4,614	7,217	5,582	6,003

	2009	2008
Basic & Diluted Earnings per Share on Net Profit after Tax	16.6 cents	25.9 cents
Dividend per Share	15.0 cents	23.0 cents
Net Tangible Assets per Share (pre Dividend)	$4.32	$4.39
Trading Profit After Tax	7,002	7,660

The Statement of Accounting Policies and the accompanying Notes form part of the Financial Statements

Balance Sheet as at 30 June 2009

	NOTE	GROUP 2009 $000	GROUP 2008 $000	PARENT 2009 $000	PARENT 2008 $000
Current Liabilities					
Trade & Other Payables	3	19,247	28,775	942	1,114
Provisions	13	635	749	195	254
Deposits	18	10,366	13,291	10,366	13,291
Advances from Subsidiaries	23	-	-	1,608	517
At Call Bank Borrowings	20(c)	30,100	28,100	30,100	28,100
Tax Payable	15	1,047	-	96	-
Financial Derivatives - Foreign Exchange	19	101	-	-	-
Financial Liabilities - Credit Contracts	20(a)	14,930	16,075	-	-
Impairment Allowance - Credit Contracts	20(a)	272	316	-	-
Total Current Liabilities		76,698	87,306	43,307	43,276
Non Current Liabilities					
Financial Liabilities - Credit Contracts	20(a)	18,277	21,435	-	-
Advances from Subsidiaries	23	-	-	2,257	2,247
Deferred Tax	15	-	1,197	173	1,892
Total Non Current Liabilities		18,277	22,632	2,430	4,139
Shareholders' Equity					
Share Capital	10	3,375	3,375	3,375	3,375
Property Revaluation Reserve		40,010	38,668	40,010	38,668
Foreign Exchange Hedging Reserve		(8)	1,732	-	-
Retained Earnings		80,385	80,784	44,152	43,582
Total Shareholders' Equity		123,762	124,559	87,537	85,625
Non Controlling Interest		1,662	1,657	-	-
Total Equity		125,424	126,216	87,537	85,625
Total Equity And Liabilities		220,399	236,154	133,274	133,040

The Statement of Accounting Policies and the accompanying Notes form part of the Financial Statements

	NOTE	GROUP		PARENT	
		2009 $000	2008 $000	2009 $000	2008 $000
Current Assets					
Cash and Bank Accounts	2	979	1,048	113	204
Trade & Other Receivables	7	24,952	30,304	25,571	30,199
Inventory	4	57,883	67,451	-	-
Investment in Subsidiary Companies	5	-	-	300	525
Tax Receivable	15	-	249	-	166
Financial Derivatives - Foreign Exchange	19	-	2,521	-	-
Financial Assets - Credit Contracts	20(a)	14,930	16,075	-	-
Total Current Assets		98,744	117,648	25,984	31,094
Non Current Assets					
Financial Assets - Credit Contracts	20(a)	18,277	21,435	-	-
Goodwill	8	1,838	1,950	-	-
Other Intangible Assets	8	392	465	-	-
Shares in Companies	5	1,100	140	-	-
Investments in Subsidiary Companies	5	-	-	18,093	17,505
Deferred Tax	15	1,339	-	-	-
Property, Plant & Equipment	9	98,709	94,516	89,197	84,441
Total Non Current Assets		121,655	118,506	107,290	101,946
Total Assets		220,399	236,154	133,274	133,040

For the Directors
23 September 2009

J A Wylie

J P Gibbons

The Statement of Accounting Policies and the accompanying Notes form part of the Financial Statements

Statement of Changes in Equity for the year ended 30 June 2009

	NOTE	GROUP 2009 $000	GROUP 2008 $000	PARENT 2009 $000	PARENT 2008 $000
Share Capital					
Opening Balance and Closing Balance	10	3,375	3,375	3,375	3,375
Property Revaluation Reserve					
Opening Balance		38,668	31,040	38,668	31,040
Fair value valuation movement		(408)	7,823	(408)	7,823
Transfer of realised property gain on sale		-	(48)	-	(48)
Deferred tax on items taken directly to equity		1,750	(147)	1,750	(147)
Closing Balance		40,010	38,668	40,010	38,668
Foreign Exchange Reserve					
Opening Balance		1,732	(1,575)	-	-
Movement in effective portion of financial hedging instruments		(2,486)	4,825	-	-
Deferred tax on items taken directly to equity		746	(1,518)	-	-
Closing Balance		(8)	1,732	-	-
Retained Earnings					
Opening Balance		80,784	80,252	43,583	39,802
Profit after tax for period attributable to Shareholders		4,614	7,217	5,582	6,003
Amalgamation of subsidiaries	6	-	-	-	4,463
Dividends paid to Shareholders	11	(5,013)	(6,685)	(5,013)	(6,685)
Closing Balance		80,385	80,784	44,152	43,583
Non Controlling Interest					
Opening Balance		1,657	1,586	-	-
Decrease in non controlling interest holding		-	-	-	-
Profit after tax for period attributable to non controlling interest		5	295	-	-
Dividends paid to non controlling interest holders		-	(224)	-	-
Closing Balance		1,662	1,657	-	-
Total Equity 30 June 2008		126,216	114,678	85,626	74,216
Total Movements as above		(792)	11,538	1,911	11,409
Total Equity 30 June 2009		125,424	126,216	87,537	85,626

The Statement of Accounting Policies and the accompanying Notes form part of the Financial Statements

Statement of Cash Flows for the year ended 30 June 2009

	NOTE	GROUP 2009 $000	GROUP 2008 $000	PARENT 2009 $000	PARENT 2008 $000
Cash Flows From Operating Activities					
Receipts from Customers		492,338	509,018	7,236	5,135
Interest Received		293	332	2,615	2,731
Dividends Received		-	-	5,700	4,475
Payments to Suppliers & Employees		(469,126)	(507,369)	(1,460)	(290)
Interest Paid		(4,904)	(4,754)	(2,782)	(2,782)
Income Taxes Paid		(1,617)	(4,468)	(440)	(760)
Net Cash Flow From Operating Activities	24	16,984	(7,241)	10,869	8,509
Cash Flows From Investing Activities					
Proceeds from Sale of Property, Plant & Equipment		4,400	5,541	101	2,056
Purchase of Property, Plant & Equipment		(14,170)	(15,160)	(8,309)	(8,590)
Purchase of Intangible Assets		(450)	(150)	-	-
Purchase of Investments		(960)	-	-	-
Investment in Subsidiaries		-	-	(4,200)	-
Sale of Investments		-	35	-	11
Decrease in Advances to Subsidiaries		-	-	6,285	-
Increase in Advances to Subsidiaries		-	-	-	(14,585)
Net Cash Flow From Investing Activities		(11,180)	(9,734)	(6,123)	(21,108)
Cash Flows From Financing Activities					
Increase in Borrowings		2,000	17,600	2,000	17,600
Increase in Deposits		-	1,387	-	477
Decrease in Deposits		(2,860)	-	(2,925)	-
Increase in Advances from Subsidiaries		-	-	1,101	-
Dividends Paid to Shareholders		(5,013)	(6,685)	(5,013)	(6,685)
Net Cash Flow From Financing Activities		(5,873)	12,302	(4,837)	11,392
Net Increase/(Decrease) in Cash Held		(69)	(4,673)	(91)	(1,207)
Opening Cash Brought Forward		1,048	5,721	204	1,411
Closing Cash Balance As Per Balance Sheet	2	979	1,048	113	204

The Statement of Accounting Policies and the accompanying Notes form part of the Financial Statements

Statement of Accounting Policies for the year ended 30 June 2009

REPORTING ENTITY

The Financial Statements presented are for The Colonial Motor Company Limited ("The Parent") and its subsidiaries and in-substance subsidiaries ("The Group"). The Parent and Group are Issuers under the Financial Reporting Act 1993. 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.

BASIS OF PREPARATION

- **Statement Of Compliance:** The Group is a profit oriented entity and its 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 Reporting Standards (NZ IFRS), the Financial Reporting Act 1993 and the Companies Act 1993. They also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

  The financial statements were authorised for issue by the Directors on 23 September 2009.

- **Presentation Currency:** These financial statements are presented in New Zealand dollars which is the Group's functional and presentation currency rounded to the nearest thousand.

- **Critical Accounting Estimates and Judgements:** The Group makes estimates and assumptions 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 and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and any future periods affected.

  The only estimates that have a significant risk of causing a material adjustment to the carrying amount of the assets and liabilities within the next financial year are as follows:

  Impairment of Goodwill
  The group tests for impairment annually, or when events indicate the carrying amount may not be recoverable. Impairment testing calculations require the use of estimates.

  Valuation of Inventory
  Inventory, particularly vehicles, is reviewed, on a transaction by transaction basis, as part of normal commercial trading to ensure it reflects fair value at balance date.

- **Measurement Base:** The financial statements have been prepared on an historical cost basis, modified by the revaluation of certain assets and liabilities to fair value through the income statement.

  Revenue and expenses are recognised using accrual accounting and the financial statements have been prepared on a going concern basis.

Statement of Accounting Policies for the year ended 30 June 2009

SIGNIFICANT ACCOUNTING POLICIES
The accounting policies set out below have been applied consistently to all periods presented in these financial statements, by the Parent and the Group.

The following specific accounting policies which materially affect the measurement of financial performance, cash flow and the financial position have been applied:

- **Basis of Consolidation:** Subsidiaries are entities controlled by the Parent. Control exists when the Parent has the power to govern the financial and operating policies so as to obtain benefits from its activities. 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 income and expenses from intra-group transactions, are eliminated in preparing the consolidated financial statements.

- **Financial Instruments:** Financial instruments primarily comprise cash at bank, receivables, payables, credit contracts, forward exchange contracts, shares in companies, borrowings and loans. All financial instruments are recognised in the Financial Statements initially at fair value plus any directly attributable transaction costs. Subsequent measurement is detailed under the accounting policy of each specific financial instrument. A financial instrument is recognised if the Parent and Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Parent and Group's contractual rights to the cash flows from the financial asset expire or if the Parent and Group transfers substantially all the risks and rewards of the asset to another party.

- **Cash and Cash Equivalents:** Cash and cash equivalents comprise cash on hand and cash at banks, net of overdrafts. In the Balance Sheet, cash and cash equivalents are disclosed as Cash and Bank Accounts.

- **Receivables:** Trade receivables and secured receivables are stated at cost which is considered to be fair value. Known losses are written off in the period in which they become evident. In addition, an impairment allowance (based on the aging of Trade Receivables and past experience of collectability) is maintained for doubtful accounts that could emerge in subsequent accounting periods.

- **Trade and Other Payables:** Trade and other payables are stated at cost.

- **Financial Assets & Liabilities – Credit Contracts:** The Group holds credit contract agreements with Motor Trade Finances Ltd (MTF) which are carried at their net settlement value.

  A liability arises under these agreements in the event of a customer defaulting on their finance payments to MTF and MTF having recourse to the Parent's relevant subsidiary for any outstanding balance.

  This liability is offset by the value of the loan to the customer, and ultimately, the value of the related vehicle that can be repossessed and sold in the event of any individual default.

  Allowance is also made for the estimated bad debts that may result from such financing agreements.

  These liabilities and assets were previously disclosed by way of Note as contingent, but under NZ IAS39 Financial Instruments they are classified as financial contracts and now disclosed on Balance Sheet.

Statement of Accounting Policies for the year ended 30 June 2009

- **Shares:** Shares comprise investments in Subsidiaries and shares in MTF.
  Shares in MTF are carried at fair value and shares in subsidiaries are carried at cost less any impairment.

- **Foreign Exchange:** These financial statements are presented in New Zealand dollars which is the functional and presentation currency of the Group.

  Foreign currency transactions are translated into the functional currency using the actual exchange rate at the date of the transaction.

  Forward exchange contracts are recognised initially at fair value.

  At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instruments are effective.

  Foreign exchange contracts outstanding at balance date are adjusted to fair value (mark to market). Adjustments that qualify as being effectively hedged are recognised through Equity and form the Foreign Exchange Hedging Reserve and those that do not so qualify are recognised through the Income Statement.

- **Borrowing Costs:** Interest expense comprises interest on deposits, bank borrowings and bank overdraft facilities. Interest costs are recognised using the effective interest rate method and expensed in the period they are incurred.

- **Employee Benefits:** The Parent and Group provides for benefits accruing to employees for salaries and wages, annual leave, sick leave and short term incentives under contractual obligation or when it is probable that payment will occur and they can be reliably measured.

  Contributions to superannuation schemes are expensed when incurred.

- **Revenue Recognition:** Revenue comprises the fair value of goods and services after elimination of sales within the Group. It is recognised when the significant risks and rewards of ownership have been transferred to the customer.

  Rental income arising from premises rental is accounted for on a straight line basis over the lease term. Property owned by the Parent is mainly leased to Subsidiaries and as such does not constitute Investment Property in accordance with NZ IAS40, Investment Property.

  Dividend Income is recognised on the date that the dividend is declared.

  Interest Income comprises interest on funds invested. Interest income is recognised in the Income Statement as it accrues using the effective interest rate method.

- **Valuation of Inventory:** New and used vehicles have been valued at fair value. Parts, accessories, workshop stocks, fuels and gases have been valued at cost, using, where applicable, the first in first out method. Cost includes expenditure incurred in acquiring the inventory and bringing to the existing location and condition. Due allowance has been made for obsolete and slow moving stock.

Statement of Accounting Policies for the year ended 30 June 2009

- **Intangible Assets:**

  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 acquired assets. Goodwill is subject to annual impairment testing or when events indicate that the carrying amount may not be recoverable and carried at cost less accumulated impairment losses.

  Other Intangible Assets: Certain property lease premiums are finite life intangible assets recorded at cost less accumulated amortisation which is recognised on a straight line basis over 10 years being the period of the leases.

- **Impairment:** The carrying amount of the Group's assets are reviewed at each balance sheet 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 recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the Income Statement.

  In respect of all assets except goodwill an impairment loss is reversed if there has been a change in the estimate used to determine the recoverable amount.

  In respect of goodwill and intangible assets that have an indefinite useful life the recoverable amount (value in use) is estimated at each reporting date. An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds the recoverable amount. A cash generating unit is the smallest, identifiable asset group that generates cash flows that are largely independent from other assets of the Group.

  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.

- **Property, Plant & Equipment and Depreciation:** Property, Plant & Equipment 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. Land and buildings, other than properties for sale, are revalued annually to fair value based on independent professional valuations. Land is not depreciated.

  Any revaluation surplus is credited to the asset revaluation reserve included in the equity section of the Balance Sheet except to the extent that it reverses a revaluation decrease for the same asset previously recognised in the Income Statement in which case the increase is credited to the Income Statement to the extent of the decrease previously charged.

  Any revaluation deficit is recognised in the Income Statement unless it directly offsets a previous surplus in the same asset in the equity reserve.

  Any accumulated depreciation as 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.

  The economic life of buildings has been assessed at between 33 and 100 years and they have been depreciated accordingly. Other fixed assets have been depreciated at Inland Revenue Department rates applicable at the time of acquisition. The general rate bands are shown below:-

Service Vehicles	18 - 36.0%	of Diminishing Value
Furniture, Fittings and Equipment	7.5 - 60%	of Diminishing Value

  Carrying values and depreciation rates are reviewed at each balance date to ensure depreciation rates are appropriate.

Statement of Accounting Policies for the year ended 30 June 2009

- **Taxation:** 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.

  Deferred tax uses the 'balance sheet' approach which recognises deferred tax assets and liabilities based on differences between the accounting and tax values of specific Balance Sheet items.

  Deferred tax assets and liabilities are carried at the tax rates expected to apply when the assets are recovered or liabilities settled.

  Income tax relating to items recognised directly in Equity are also recognised in Equity and not in the Income Statement.

  Deferred tax assets are carried on the basis that the Group expects future profits to exceed any reversal of existing temporary differences.

- **Goods & Services Tax ("GST")**: The Financial Statements are prepared net of GST with the exception of receivables and payables which are stated including GST.

- **Bailment Agreement:** New Ford and Mazda vehicles are funded by UDC Finance Limited ("UDC") under a bailment plan whereby these vehicles are owned by UDC and not included in the inventory or creditors of either the Dealership subsidiaries or the Group. There is no contractual obligation to pay UDC for these vehicles until they are sold.

- **Segment Reporting:** Segment reporting is not required because the Group operates in one business segment and only within New Zealand. The Group operates franchised motor vehicle dealerships.

- **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.

Notes to the Financial Statements for the year ended 30 June 2009

	GROUP		PARENT	
	2009 $000	2008 $000	2009 $000	2008 $000
1 Expenditure				
Expenditure in the Income Statement includes:				
Auditors' Remuneration - Audit Fees & Expenses	355	270	121	61
- Prospectus Audit	36	3	36	3
- Taxation Advice	3	5	3	5
Total Auditors' Remuneration	394	278	160	69
Operating Lease Expense	2,100	1,651	123	107
Directors' Fees	168	174	168	174
Bad Debts written off	368	383	-	-
Donations	3	5	-	-
Superannuation Fund Contributions	677	641	67	64
Movement in Impairment Allowance for:				
- Parts Inventory Obsolescence	125	(156)	-	-
- Doubtful Debts	(22)	24	-	-
- Credit Contracts	(44)	(69)	-	-

2 Cash and Bank Account Balances

	GROUP 2009 $000	GROUP 2008 $000	PARENT 2009 $000	PARENT 2008 $000
Bank Accounts in Funds	4,420	3,537	113	204
Bank Accounts in Overdraft	(3,441)	(2,489)	-	-
Net Cash and Bank Balance	979	1,048	113	204

This balance includes all cash and cash equivalents.

3 Trade & Other Payables

	GROUP 2009 $000	GROUP 2008 $000	PARENT 2009 $000	PARENT 2008 $000
Employee Benefits	4,062	4,070	250	291
Trade Payables	13,235	22,928	419	219
Other Payables	1,950	1,777	57	53
Intercompany Payables	-	-	216	551
	19,247	28,775	942	1,114

	GROUP		PARENT	
	2009 $000	2008 $000	2009 $000	2008 $000

4 Inventory

Vehicles & Implements	46,146	56,952	-	-
Parts, Accessories, Workshop, Fuels & Gases	13,771	12,408	-	-
Impairment Allowance for Parts Obsolescence	(2,034)	(1,909)	-	-
	57,883	67,451	-	-

New Ford and Mazda vehicles supplied under the UDC bailment plan are subject to the following conditions:

Ownership of the vehicles remains with UDC and they do not appear in the Balance Sheet of either the Dealership subsidiaries or the Group.

The cost of vehicles funded by UDC at 30 June 2009 was $40.8m (2008: $45.3m).

The UDC facility is being reviewed and may involve limited Parent Company guarantees for subsidiaries.

Parts Inventory is reviewed regularly for slow moving or obsolete stock. On an annual basis 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 financial year.

Total Inventory write down including Parts, Parts Obsolescence and Vehicles for the year ended 30 June 2009 was $0.759m (2008 $0.865m).

5 Investments

Current				
Advances to Subsidiaries	-	-	300	525
Non Current				
Shares in Subsidiaries	-	-	12,994	8,794
Advances to Subsidiaries	-	-	5,099	8,711
Investment in Subsidiary Companies	-	-	18,093	17,505
Shares in Motor Trade Finances Ltd	1,100	140	-	-

In December 2008 the Group participated in the capital raising by MTF which increased our investment to $1.1m (2008: $0.1m). Refer also to note 20(a).

6 Amalgamation of Subsidiaries

Effective 1 July 2007, Tara Services Limited, Tara Promotions Limited, Sri Temasek (Wellington) Limited, New Lynn Motors Limited, Maidstone Motors Limited and CMC Auckland Limited were amalgamated with the Parent Company. This resulted in the retained earnings of these subsidiaries being combined with the Parent Company. This had no affect on the Group position.

Transfer upon amalgamation of:

- Retained Earnings	-	-	-	4,463
- Property Revaluation Reserve	-	-	-	-
	-	-	-	4,463

	GROUP		PARENT	
	2009 $000	2008 $000	2009 $000	2008 $000

7 Trade and Other Receivables

Trade Receivables	22,033	26,319	-	585
Impairment Allowance for Doubtful Debts	(106)	(128)	-	-
	21,927	26,191	-	585
Other Receivables	2,791	3,929	9	-
Prepayments	234	184	38	35
Intercompany Receivables	-	-	25,524	29,579
	24,952	30,304	25,571	30,199

The carrying values of trade receivables and prepayments is considered to be their fair value. Bad debts are written off as soon as they become evident and amounted to $0.175m (2008 $0.102m). In addition, all receivables are reviewed for indications of impairment and an allowance maintained to cover accounts where there is objective evidence that the amount may not be able to be collected. The Group considers that no material concentration of credit risk exists with Trade Receivables due to the spread over a large number of customers.

An analysis of Trade Debtors that are past due at 30 June 2009 is as follows:

Trade Receivables				
Parts & Service Receivables				
- Total Outstanding	8,567	8,960	-	585
- Overdue (not impaired) 30 – 90	1,655	2,379	-	-
- Overdue (not impaired) 90 Day +	308	300	-	-
- % Current (not yet due)	77.0%	70.1%	-	-
- % overdue 90 days	3.6%	3.3%	-	-
- Impaired (written off during the year)	175	102	-	-
Vehicle Receivables				
- Total Outstanding	13,466	17,231	-	-
- Overdue (not impaired)	2,142	1,701	-	-
- Impaired	-	-	-	-
- Impaired (written off during the year)	-	-	-	-
Impairment Allowance				
- Balance 30 June 2008	128	104	-	-
- Bad Debts written off	(175)	(102)	-	-
- Impairment Allowance movement	153	126	-	-
- Balance 30 June 2009	106	128	-	-

8 Intangible Assets

	GROUP 2009 $000	GROUP 2008 $000	PARENT 2009 $000	PARENT 2008 $000
Goodwill:				
Balance at 30 June 2008				
Deemed Cost	1,950	2,654	-	-
Acquired during the year	450	150	-	-
Impairment Loss during the year	(563)	(854)	-	-
Balance at 30 June 2009				
Cost	3,642	3,192	-	-
Accumulated Amortisation & Impairment	(1,804)	(1,242)	-	-
Net Book Value	1,838	1,950	-	-

The cash generating units associated with the Goodwill are certain of the Group's Dealerships.

An impairment write down of $0.563m has been made following the review of "value in use".

The calculations for the recoverable amount based on "value in use" are based on the actual results for the immediate past two financial years to June 2008 and June 2009 together with the projected results for the next five financial years. It was assumed that there was no growth during the period of the forecasts.

Key assumptions relate to the general economic outlook, the level of the new and used vehicle industries and our business unit performance in this environment.

The discount rate used in completing the cash flow forecast to assess value in use is 12.4%. (2008: 11.0%)

Management considers that any reasonable change in a key assumption used in the determination of the recoverable amount would not cause the carrying amount of goodwill to exceed its recoverable amount.

	GROUP 2009 $000	GROUP 2008 $000	PARENT 2009 $000	PARENT 2008 $000
Other Intangibles:				
Balance at 30 June 2008				
Cost	724	724	-	-
Accumulated Amortisation	(259)	(186)	-	-
Net Book Value	465	538	-	-
Acquired during the year	-	-	-	-
Amortisation during the year	(73)	(73)	-	-
Balance at 30 June 2009				
Cost	724	724	-	-
Accumulated Amortisation	(332)	(259)	-	-
Net Book Value	392	465	-	-

Other intangible assets relate to property lease premiums which have a finite life. The maturity date is November 2014 and the remaining carrying value will be amortised on a straight line basis over the period ending on that date.

9 Property Plant & Equipment

	GROUP 2009 $000	GROUP 2008 $000	PARENT 2009 $000	PARENT 2008 $000
Land and Buildings				
Cost at 30 June 2008	53,147	45,524	51,265	44,132
Accumulated Depreciation	(6,364)	(5,434)	(5,743)	(4,993)
	46,783	40,090	45,522	39,139
Revaluation	38,391	31,040	38,391	31,040
Net Book Value	85,174	71,130	83,913	70,179
Additions	8,063	8,772	7,941	8,279
Disposals	-	(1,099)	-	(1,097)
Depreciation	(1,087)	(980)	(899)	(799)
Movement in Revaluation	(2,232)	7,351	(2,232)	7,351
Closing Net Book Value at 30 June 2009	89,918	85,174	88,723	83,913
Comprised of:				
Cost at 30 June 2009	61,210	53,147	59,206	51,265
Accumulated Depreciation	(7,451)	(6,364)	(6,642)	(5,743)
Revaluation	36,159	38,391	36,159	38,391
Net Book Value at 30 June 2009	89,918	85,174	88,723	83,913
Net book value includes capital work in progress of	18	1,236	18	1,236

All land and buildings were valued at 30 June 2009. The independent valuation was carried out by Darroch valuation staff and its principal valuer, Kerry Stewart, FPINZ, FNZIV. Valuations are based on a fair market basis determined from market based evidence and conditions.

The revaluation of property in the Group to the latest valuation resulted in a write down through the Income Statement of $1.825m (2008: $0.423m).

This was due to the new valuation being below the carrying value and there was insufficient previous positive revaluation reserve in relation to the individual asset to offset against.

Parent owned Land and Buildings are categorised as Property, Plant & Equipment because they are owned specifically for use in the revenue generating operations of its subsidiaries.

9 Property Plant & Equipment (continued)

	GROUP 2009 $000	GROUP 2008 $000	PARENT 2009 $000	PARENT 2008 $000
Furniture, Fittings & Equipment				
Cost at 30 June 2008	17,237	16,146	1,872	1,922
Accumulated Depreciation	(11,303)	(10,386)	(1,529)	(1,455)
Net Book Value	5,934	5,760	343	467
Additions	1,172	1,856	219	182
Disposals	(74)	(116)	(14)	(24)
Depreciation	(1,469)	(1,566)	(239)	(282)
Closing Net Book Value at 30 June 2009	5,563	5,934	309	343
Comprised of:				
Cost at 30 June 2009	17,888	17,237	1,865	1,872
Accumulated Depreciation	(12,325)	(11,303)	(1,556)	(1,529)
Net Book Value at 30 June 2009	5,563	5,934	309	343
Service Vehicles				
Cost at 30 June 2008	5,430	5,084	274	300
Accumulated Depreciation	(2,022)	(1,781)	(89)	(81)
Net Book Value	3,408	3,303	185	219
Additions	4,934	4,533	149	129
Disposals	(4,327)	(3,492)	(87)	(100)
Depreciation	(787)	(936)	(82)	(63)
Closing Net Book Value at 30 June 2009	3,228	3,408	165	185
Comprised of:				
Cost at 30 June 2009	5,111	5,430	273	274
Accumulated Depreciation	(1,883)	(2,022)	(108)	(89)
Net Book Value at 30 June 2009	3,228	3,408	165	185
TOTAL				
Cost at 30 June 2009	84,209	75,814	61,344	53,411
Accumulated Depreciation	(21,659)	(19,689)	(8,306)	(7,361)
	62,550	56,125	53,038	46,050
Revaluation	36,159	38,391	36,159	38,391
Net Book Value at 30 June 2009	98,709	94,516	89,197	84,441

	GROUP		PARENT	
	2009 $000	2008 $000	2009 $000	2008 $000

10 Share Capital

Ordinary Shares 27,850,910 (2008: 27,850,910)				
Total Share Capital	3,375	3,375	3,375	3,375

(a) All shares on issue are fully paid up but have no par value.

(b) All ordinary shares have equal voting rights and share equally in dividends and any surplus on winding up.

11 Dividends

	GROUP 2009 $000	GROUP 2008 $000	PARENT 2009 $000	PARENT 2008 $000
Dividends paid during the year ended 30 June 2009				
Final Y/E 30/06/08 – paid 3 Nov 2008 (12.0cps)	3,342	3,620	3,342	3,620
Interim Y/E 30/06/09 – paid 9 April 2009 (6.0cps)	1,671	3,065	1,671	3,065
Amount provided in the Financial Statements	5,013	6,685	5,013	6,685

These dividends include the supplementary dividends paid to overseas shareholders.

A final dividend of 9.0 cents per share will be paid on 27 October 2009.

In line with NZ IFRS, this final dividend has not been provided for in the financial statements for the year ended 30 June 2009.

12 Earnings Per Share

Basic and diluted earnings per share is calculated by dividing the profit after tax attributable to shareholders by the weighted average number of shares outstanding during the year

	GROUP 2009	GROUP 2008
Net Profit After Tax attributable to Shareholders	4,614	7,217
Weighted average number of shares	27,850,910	27,850,910
Basic and diluted earnings per share	16.6 cents	25.9 cents

13 Provisions

	GROUP 2009 $000	GROUP 2008 $000	PARENT 2009 $000	PARENT 2008 $000
Employee Benefits				
Provision at 1 July 2008	749	656	254	217
Increase / (Decrease) during the year	(114)	93	(59)	37
Provision at 30 June 2009	635	749	195	254

The Group provides for benefits such as sick leave and Directors' retirement allowances where there is a likelihood that the entitlement will be taken.

14 Realised Gain on Property Sales

	GROUP 2009 $000	GROUP 2008 $000	PARENT 2009 $000	PARENT 2008 $000
Gain on the sale of property	-	834	-	834

	GROUP		PARENT	
	2009 $000	2008 $000	2009 $000	2008 $000

15 Income Tax

Components of Income Tax Expense				
Current Tax expense	2,913	4,050	703	668
Deferred tax movement on temporary differences	(40)	471	30	110
	2,873	4,521	733	778
Current Tax Expense				
Profit Before Tax	7,492	12,033	6,315	6,781
Non Taxable Income	(431)	(1,198)	(5,701)	(5,309)
Non deductible expenditure	2,677	1,054	1,827	6
Change in unrecognised temporary differences	(28)	383	(99)	546
	9,710	12,272	2,342	2,024
Tax charge @ 30% (2008: 33%)	2,913	4,050	703	668
Tax paid	1,866	4,299	607	834
Tax payable / (Receivable)	1,047	(249)	96	(166)

The Corporate tax rate in New Zealand was changed from 33% to 30% with effect from 1 January 2008.

Deferred Tax				
Opening Deferred tax asset / (liability)	(1,197)	939	(1,892)	(1,635)
Rate change to Balance brought forward	-	(15)	-	149
Movement through Income Statement	40	(456)	(30)	(259)
Total Movement through Income Statement	40	(471)	(30)	(110)
Movement through Property Revaluation Reserve	1,750	(147)	1,749	(147)
Movement through Foreign Currency reserve	746	(1,518)	-	-
Total Movement through Equity Statement	2,496	(1,665)	1,749	(147)
Closing Deferred tax asset / (liability)	1,339	(1,197)	(173)	(1,892)

The Group has no deferred tax on unused tax losses to be utilised against future taxable profits.

Deferred Tax Assets and Liabilities are attributable to the following:				
Trade and Other Payables	27	105	-	78
Trade and Other Receivables	32	36	-	-
Employee Benefits	938	887	134	86
Inventories	610	573	-	-
Financial Derivatives	30	(756)	-	-
Impairment Allowance for Finance Bad Debts	82	95	-	-
Property, Plant and Equipment	(380)	(2,137)	(307)	(2,056)
	1,339	(1,197)	(173)	(1,892)

	GROUP		PARENT	
	%	$000	%	$000

15 Income Tax (continued)

Reconciliation of Effective Tax Rate

Year Ended 30 June 2009

	GROUP %	GROUP $000	PARENT %	PARENT $000
Profit for period		4,619		5,582
Total Income Tax Expense		2,873		733
Profit excluding Income Tax		7,492		6,315
Income tax using the domestic tax rate	30.0	2,248	30.0	1,895
Non deductible expenses	10.7	802	8.7	548
Tax exempt Income	(1.8)	(129)	(27.1)	(1,710)
Changes in Unrecognised Temporary Differences	(0.1)	(8)	(0.5)	(30)
Movement in Deferred Tax	(0.5)	(40)	0.5	30
Effective Tax Rate	38.3	2,873	11.6	733

Year Ended 30 June 2008

	GROUP %	GROUP $000	PARENT %	PARENT $000
Profit for period		7,512		6,003
Total Income Tax Expense		4,521		778
Profit excluding Income Tax		12,033		6,781
Income tax using the domestic tax rate	33.0	3,971	33.0	2,238
Non deductible expenses	2.9	348	0.0	2
Tax exempt Income	(3.3)	(395)	(25.8)	(1,752)
Changes in Unrecognised Temporary Differences	1.1	126	2.6	180
Movement in Deferred Tax	3.9	471	1.6	110
Effective Tax Rate	37.6	4,521	11.4	778

		GROUP		PARENT	
		2009 $000	2008 $000	2009 $000	2008 $000
16	**Imputation Account**				
	Balance at 1 April 2008	10,067	9,160	6,084	5,542
	Add Net Taxes Paid for the year ended 31 March	2,815	3,991	2,364	3,313
	Imputation Credits Received and Adjustments	-	4	628	317
		12,882	13,155	9,076	9,172
	Dividend Imputation to Shareholders	(3,094)	(3,088)	(3,094)	(3,088)
	Balance at 31 March 2009	9,788	10,067	5,982	6,084
	Balance available to be distributed by applying up to a maximum imputation ratio of 33:67 before 31 March 2010.	8,251	10,067	4,608	6,084

After that date, all imputation may only apply up to a maximum ratio of 30:70.

All Imputation Accounts are based on the tax year ended 31 March.

17 Contingent Liabilities/Capital Commitments

(a) Subsidiary Company Bank Guarantees

The Parent guarantees subsidiary company overdrafts to the agreed limits. The Parent was not called on to pay any overdrafts during the year. Refer to Note 23.

(b) The Subsidiary companies guarantee Parent bank borrowings – Refer Note 23.

		Group 2009	Group 2008	Parent 2009	Parent 2008
(c)	Parent Guarantee to pay for Vehicles	-	-	1,275	1,275

When the Parent enters into financial guarantee contracts to guarantee the indebtedness of other companies within the Group, the Parent considers these to be insurance arrangements and accounts for them as such. In this respect, the Parent treats the guarantee contract as a contingent liability until such time as it becomes probable that the Parent will be required to make a payment under the guarantee.

		Group 2009	Group 2008	Parent 2009	Parent 2008
(d)	Parent Bond to NZX	-	-	75	75
(e)	Parent guarantee to the National Bank of New Zealand for fuel accounts	-	-	80	80
(f)	Capital Commitments	-	1,992	-	1,992

18 Deposits

The Colonial Motor Company Limited ("the Parent") offers for subscription unsecured debt securities ("Deposits"). The Deposits are constituted by, issued under and are described in a trust deed dated 21 September 1994 as amended by a Deed of Modification dated 12 September 1996, Supplemental Trust Deed dated 29 September 1997, Deed of Release dated 23 March 1998, Supplemental Trust Deeds dated 31 March 1999, 12 November 1999, 16 November 2000, Deed of Release dated 26 November 2001, Supplemental Trust Deed dated 26 November 2001, Deed of Modification dated 20 August 2008, Supplemental Trust Deed dated 5 June 2009 and a Supplemental Trust Deed dated 2 July 2009 all made between the Parent, its Guaranteeing Subsidiaries (as therein defined) and New Zealand Permanent Trustees Limited as trustee for the holders of Deposits ("the Depositors").

Under the terms of the Trust Deed the Parent's 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.

Deposits are accepted under the terms of a Prospectus issued by the Parent and registered with the Companies Office. The latest Prospectus was registered on 30 October 2008.

The Deposits represent all indebtedness of the Parent in respect of funds borrowed from time to time by the Parent from shareholders, employees and non-members of the Parent, in the form of At-Call Deposits.

The maximum amount of Deposits on offer at 30 June 2009 is $20 million. Actual Deposits at 30 June 2009 were $10.4m (2008: $13.3m). Interest is payable on Deposits at the rate from time to time offered by the Parent as disclosed to the Depositors on the application form or as notified by the Parent to the Depositors in writing.

The interest rate applicable at 30 June 2009 was 4.25% (2008: 8.25%).

	GROUP 2009 $000	GROUP 2008 $000	PARENT 2009 $000	PARENT 2008 $000
19 Financial Derivatives – Foreign Exchange				
Foreign Exchange Asset / (Liability) at 30 June 2008	2,521	(2,668)	-	-
Movement during the year through				
- Equity Statement	(2,486)	4,825	-	-
- Income Statement	(136)	364	-	-
Foreign Exchange Asset / (Liability) at 30 June 2009	(101)	2,521	-	-

20 Financial Instruments

(a) Credit Risk

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

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

The Group places its cash and short term investments with high credit quality financial institutions 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.

Financial Assets & Liabilities – Credit Contracts

At balance date the Group had outstanding vehicle financing agreements with Motor Trade Finances Limited (MTF) of $33.207m (30 June 2008: $37.510m).

A liability arises under these agreements in the event of a customer defaulting on their finance payments to MTF and MTF having recourse to the Parent's relevant subsidiary for any outstanding balance.

This liability is offset by the value of the loan to the customer and, ultimately, the value of the related vehicle that can be repossessed and sold in the event of any individual default. The concentration of credit risk with respect to these finance agreements is limited due to the large number of individual customer agreements.

	2009 $000	2008 $000
Finance Agreements - current	14,930	16,075
- non current	18,277	21,435
Total Value of Finance Agreements at 30 June	33,207	37,510
Impairment Allowance	(272)	(316)
Carrying Value at 30 June	32,935	37,194
Actual Arrears - Value	120	139
- % of Total	0.36%	0.37%
Total Value of Accounts in Arrears - Value	2,241	2,140
- % of Total	6.75%	5.70%
Impaired (written off during the year)	194	281

Allowance is also made for the estimated bad debts that may result from such financing agreements and is disclosed in the Balance Sheet as Impairment Allowance – Credit Contracts. The impairment is calculated as a percentage of gross amounts outstanding under the Credit Contracts and is based on historical data of contracts in default and impaired.

These liabilities and assets were previously disclosed by way of note as contingent, but under NZ IAS39 Financial Instruments they are classified as financial contracts and now disclosed on Balance Sheet.

(b) Fair Value

The following methods and assumptions are used to estimate the fair value of each major class of financial instrument for which it is practical to estimate that value.

- Bank balances, Deposits, Creditors.
  The carrying amount is equivalent to a fair value.
- Shares in Other Companies
  The carrying amount is equivalent to the net cost of those shares and is considered to be at fair value.
- Advances
  This investment is carried at the original cost and is redeemable for cash at the carrying amount.
- Receivables
  The carrying amount is the recoverable amount for the receivable and is also considered to be at fair value.
- Credit Contracts
  The carrying value is the total of the net settlement value of each Credit Contract agreement.

(c) 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 market. At balance date specific rates were:

	GROUP AND PARENT	
	2009	2008
Interest Rate Risk		
• Bank Overdraft	10.2% - 10.7%	12.90% - 13.20%
• At-Call Deposits	4.25%	8.25%
• At-Call Bank Facility	3.45% - 4.75%	8.75% - 9.20%

The At-Call bank borrowings are unsecured and fall within the agreed committed facility requirements in place with the Group's bankers. These facilities have maturity dates ranging from December 2009 to September 2011 and are subject to renewal. The facility 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 Sensitivity

The effect of a movement of 1% in interest rates would be to change finance costs by $0.405m per annum. (2008: $0.414m)

(d) Foreign Currency Risk

The Group enters into fixed rate foreign exchange contracts to create a fair value hedge for the purchase of trucks on a contract-by-contract basis with firm customer orders and for units ordered for stock.

Other short term transactions are covered by forward exchange contracts and accounted for at that rate.

Foreign currency transactions are translated into the functional currency using the actual exchange rate at the date of the transaction.

Foreign exchange contracts outstanding at balance date are adjusted to fair value (mark-to-market). The market rates used at balance date to calculate this adjustment are supplied by the bank through which the contracts were established. Adjustments to transactions that qualify as being effectively hedged are recognised through Equity and those that do not so qualify are recognised through the Income Statement. The adjustment to fair value is recorded in the Balance Sheet as a Financial Derivative asset or liability.

The Parent has no foreign currency risk.

The principal values of forward exchange contracts entered into and outstanding at balance date were denominated in the following currencies. The values are stated in New Zealand dollars.

	GROUP	
	2009 $000	2008 $000
Currency		
Australian dollars	1,732	16,840
Euros	-	9,189
United States dollars	1,000	1,534
Other	-	-
TOTAL	2,732	27,563

Due to the close association between foreign currency commitments 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 for the year to 30 June 2009 or 30 June 2008.

(e) 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 Parent has committed revolving credit facilities with a number of financial institutions with maturity dates ranging from December 2009 to March 2012. These facilities are subject to financial covenants relating to the ability to pay interest, debt ratios (gearing) and liquidity. The Parent has met these obligations.

Financial liabilities in the form of At-Call deposits are payable on call. Trade and other payables are due within one year.

(f) Capital Management

The Group's capital includes share capital, retained earnings and property revaluation reserve.

The Group's policy is to maintain a strong capital base to ensure that the Parent and Group continue as going concerns, to maintain investor, supplier and market confidence and to sustain future development of the business. The Board regularly monitors current and future capital requirements and costs.

The Board is evaluating measures that it could take to distribute accumulated imputation credits.

There are no externally imposed capital requirements other than the financial covenants incorporated into the bank borrowing facilities and At-Call Deposit Trust Deed (see note 20(e) above).

There has been no change in the Group's management of capital during the years ended 30 June 2009 and 2008.

21 Financial Instruments by Category

	GROUP $000 At Cost	GROUP $000 Loans & Receivables	GROUP $000 Financial Derivatives	PARENT $000 At Cost	PARENT $000 Loans & Receivables	PARENT $000 Financial Derivatives
2009						
Assets as per Balance Sheet						
Cash and Bank Balances	979	-	-	113	-	-
Trade Receivables	-	24,952	-	-	25,571	-
Credit Contracts	-	33,207	-	-	-	-
Investment in Subsidiaries	-	-	-	-	18,393	-
Shares in Companies	1,100	-	-	-	-	-
Financial Derivatives – Foreign Exchange	-	-	-	-	-	-
Liabilities as per Balance Sheet						
Trade Payables	19,247	-	-	942	-	-
Deposits	10,366	-	-	10,366	-	-
Bank Borrowings	30,100	-	-	30,100	-	-
Credit Contracts	33,207	-	-	-	-	-
Advances from Subsidiaries	-	-	-	3,865	-	-
Financial Derivatives – Foreign Exchange	-	-	101	-	-	-
2008						
Assets as per Balance Sheet						
Cash and Bank Balances	1,048	-	-	204	-	-
Trade Receivables	-	30,304	-	-	30,199	-
Credit Contracts	-	37,510	-	-	-	-
Investment in Subsidiaries	-	-	-	-	18,030	-
Shares in Companies	140	-	-	-	-	-
Financial Derivatives – Foreign Exchange	-	-	2,521	-	-	-
Liabilities as per Balance Sheet						
Trade Payables	28,775	-	-	1,114	-	-
Deposits	13,291	-	-	13,291	-	-
Bank Borrowings	28,100	-	-	28,100	-	-
Credit Contracts	37,510	-	-	-	-	-
Advances from Subsidiaries	-	-	-	2,764	-	-

22 Remuneration of Employees

During the year to 30 June 2009 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 2009	Number of Employees 2008
100,000 - 110,000	16	17
110,001 - 120,000	14	14
120,001 - 130,000	14	10
130,001 - 140,000	11	10
140,001 - 150,000	6	7
150,001 - 160,000	3	5
160,001 - 170,000	4	-
170,001 - 180,000	3	7
180,001 - 190,000	4	6
190,001 - 200,000	4	1
200,001 - 210,000	1	3
220,001 - 230,000	1	1
230,001 - 240,000	1	-
240,001 - 250,000	-	1
250,001 - 260,000	1	1
260,001 - 270,000	1	-
270,001 - 280,000	-	1
290,001 - 300,000	1	-
300,001 - 310,000	-	1
340,001 - 350,000	-	1
390,001 - 400,000	-	1
410,001 - 420,000	1	1
430,001 - 440,000	-	1
470,001 - 480,000	1	-
	87	89

23 Related Party Transactions

The Group has related party transactions with its controlled entities, key management personnel and the Staff Superannuation Fund. The Colonial Motor Company Limited is the Parent and ultimate controlling party of the Group.

In presenting the financial statements of the Group the effect of transactions and balances between fellow subsidiaries and the Parent have been eliminated. All such transactions were in the normal course of business and provided on commercial terms.

- Material amounts outstanding between Parent and Subsidiaries at balance date comprised:

  At-Call loans subject to interest at current bank overdraft rates (10.20% - 10.70%) and other loans repayable on demand but with no fixed repayment terms or interest;

  Loans from Subsidiaries to Parent are either at-call and receive interest at 3.75% or have no fixed repayment terms or interest. All loans are unsecured.

	2009 $000	2008 $000
At-Call loans from Parent to Subsidiaries	300	525
Other loans from Parent to Subsidiaries	5,099	8,711
	5,399	9,236
At-Call loans from Subsidiaries to Parent	1,608	517
Other loans from Subsidiaries to Parent	2,257	2,247
	3,865	2,764

23 Related Party Transactions (continued)

	2009 $000	2008 $000
• Material transactions between Parent and Subsidiaries were:-		
Interest charged on advances and Inventory financing	2,607	2,727
Rent charged on property	5,130	4,382
Dividends received by the Parent from its Subsidiaries	5,700	4,475
• Guarantees between Parent and Subsidiaries		
The Parent guarantees the bank overdrafts of Subsidiaries		
Balances outstanding at year end	3,441	2,489
Maximum guarantee determined by agreed overdraft limits	6,420	6,370

The Parent guarantees Subsidiary company bank overdrafts to the agreed limits. The Parent was not called on to pay any amounts under these guarantees during the year.

Subsidiaries guarantee the borrowings of the Parent		
Balances outstanding at year end	30,100	28,100
Maximum guarantee determined by facility limits	38,000	29,500

The Subsidiaries that are 100% owned by the Parent, jointly and severally guarantee the amounts owed (both principal and interest) by the Parent under its revolving credit facilities with a number of financial institutions. Guarantees provided by Subsidiaries that are not wholly owned are for a proportion of the indebtedness that equates to the Parent's controlling interest.

- Material transactions between Subsidiaries were:

  Sales of vehicles and parts which are eliminated from Group income and expenses $16.9m (2008: $21.9m).

- Transactions with key management personnel were:

	2009 $000	2008 $000
Short term benefits (including salary, incentives, profit share, use of motor vehicle and other benefits)	3,799	3,740
Post Employment Benefits (including Superannuation contributions)	200	228
Share Related Benefits	-	-
Total Remuneration Benefits	3,999	3,968

Key management personnel includes Directors (executive and non executive), key management at the Group Office and Dealer Principals of all trading subsidiaries.

Mr P D Wilson, a director, is also Chairman of Westpac New Zealand Ltd, a registered bank that provides credit facilities to the Parent on normal commercial terms and conditions.

Mr G D Gibbons, a director, is also a director of Motor Trade Finances Ltd which provides vehicle finance facilities to operating subsidiaries on normal commercial terms and conditions. Refer note 20(a).

Also see Remuneration of Directors on page 41 and Remuneration of Employees – Note 22.

- The Colonial Motor Company Limited Staff Superannuation Fund.

  The Parent is the Trustee of The Colonial Motor Company Limited Staff Superannuation Fund (the Fund), a defined contribution scheme which key management personnel participate in. The Parent provides administrative services to the Fund and received fees of $0.050m (2008: $0.050m) during the year.

  The Fund holds an investment through an independent trustee of 259,130 (2008: 259,130) ordinary shares in the Company.

  All transactions between key management personnel, The CMC Staff Superannuation Fund and Group companies were in the normal course of business and provided on commercial terms.

	GROUP		PARENT	
	2009 $000	2008 $000	2009 $000	2008 $000

24 Cashflow Reconciliation

	2009 $000	2008 $000	2009 $000	2008 $000
Net Profit after Tax Attributable to Shareholders	4,614	7,217	5,582	6,003
Adjustments for non cash items				
- Depreciation	3,344	3,482	1,219	1,144
- Impairment Loss	563	854	-	-
- Amortisation	73	73	-	-
- Revaluation Decrease of Property	1,825	423	1,825	423
- Movement in				
- Impairment Credit Contracts	(44)	(69)	-	-
- Taxation	1,296	(419)	262	(92)
- Employee Benefits Provision	(114)	94	(58)	37
- Foreign Exchange	136	(364)	-	-
- Deferred Tax	(40)	471	30	110
- Non Controlling Interests share	5	70	-	-
Movement in Working Capital				
- Payables and Deposits	(12,408)	10,915	(171)	65
- Receivables & Prepayments	5,306	(8,194)	2,180	1,653
- Inventory	9,568	(19,573)	-	-
Items Classified as Investing Activities	-	(834)	-	(834)
Items Classified as Financing Activities	2,860	(1,387)	-	-
Net Cash Flow from Operating Activities	16,984	(7,241)	10,869	8,509

25 Operating Lease Commitments & Receivables

	2009 $000	2008 $000	2009 $000	2008 $000
Commitments under non-cancellable Operating Leases are due:				
Within one year	1,979	1,242	119	111
Between one and two years	1,220	974	117	110
Between two and five years	2,808	1,643	20	107
Over five years	-	-	-	-
	6,007	3,859	256	328

The Group owns most of the property from which it operates. However, some Dealerships operate from sites not owned by the Group or have additional premises leased from third parties. These Operating Lease commitments primarily refer to those properties. The leases are negotiated under normal commercial arrangements with varying terms, escalation clauses and renewal conditions. There are no undue restrictions imposed on these leases or contingent rents due. The Group does not carry any material finance leases.

	2009 $000	2008 $000	2009 $000	2008 $000
Receivables under non-cancellable Operating Leases are due:				
Within one year	351	255	351	255
Between one and two years	249	221	249	221
Between two and five years	240	229	240	229
Over five years	-	-	-	-
	840	705	840	705

The Group occupies most of the property that it owns. However, some dealerships have parts of their sites leased to third parties. These leases are on normal commercial terms and none has contingent rent clauses.

26 Subsidiary Companies

Vehicle Trading Companies	Dealer Principal	Franchise	Location
Southpac Trucks Ltd	Maarten Durent	Kenworth & DAF Heavy Trucks	Manukau City, Rotorua & Christchurch
South Auckland Motors Ltd	Matthew Newman	Ford & Mazda	Manukau City, Botany & Pukekohe
Energy City Motors Ltd	Jim Gibbons	Ford & Hertz Rentals	New Plymouth
Ruahine Motors Ltd	Russell Dempster	Ford	Waipukurau
Fagan Motors Ltd	Steve Lyttle	Ford & Mazda	Masterton
Stevens Motors Ltd	Stuart Gibbons	Ford & Mazda	Lower Hutt
Capital City Motors Ltd	Hamish Jacob	Ford & Mazda	Wellington, Porirua & Kapiti
M.S. Motors (1998) Ltd	Alan Kirby	Ford	Nelson & Blenheim
Hutchinson Motors Ltd	John Hutchinson	Ford	Christchurch
Avon City Motors Ltd	John Luxton	Ford	Christchurch South & Rangiora
Avon City Motorcycles Ltd	John Luxton	Suzuki Motorcycles	Christchurch South
Timaru Motors Ltd	Russell Marr	Ford & Mazda	Timaru
Trucks South Ltd	Russell Marr	Mercedes Benz Sterling & Fuso Heavy Trucks	Timaru
Dunedin City Motors Ltd	Robert Bain	Ford & Mazda	Dunedin & Oamaru
Macaulay Motors Ltd	Grant Price	Ford & Mazda	Invercargill & Queenstown
Southland Tractors Ltd	Grant Price	New Holland & Kubota Tractors	Invercargill & Gore
Advance Agricentre Ltd (Trading from 1 July 2009)	Grant Price	Case IH Tractors & Kuhn implements	Invercargill & Gore

Other Subsidiaries

Avery Motors Ltd, Capital City Paint & Panel Ltd, East City Ford Ltd, Panmure Motors Ltd, Papakura Ford Ltd, Pukekohe Motors Ltd, South Auckland Ford Ltd, Metro Training Services Ltd and Metro Motors (Porirua) Ltd.

All subsidiaries are 100% owned, with the exception of Southpac Trucks Ltd which is 85% owned and all subsidiaries balance on 30 June. All Group companies are registered in New Zealand.

Subsidiary companies operate as motor vehicle dealerships and related or incidental activities. The Parent Company provides administrative and financial services as well as leasing property occupied by those companies at market rates.

27 Post Balance Day Events

On 20 August 2009 the Parent announced the payment of a final dividend of 9.0 cents per share payable on 27 October 2009. (2008: 12.0 cents)

On 1 July 2009 the Company obtained the Case IH and Kuhn franchises for Southland. These products will be sold through a newly established company, Advance Agricentre Ltd, based in Invercargill and Gore.

On 2 October 2009 the Company will cease to hold the Mercedes Benz, Sterling and Fuso truck franchises currently handled by Trucks South Ltd in Timaru.

28 New Standards, Interpretations and Amendments

Certain new standards, interpretations and amendments to existing standards have been published that are mandatory for the Groups' accounting periods beginning on or after 1 January 2009 or later for which the Group has not early adopted.

The following standards may have an impact on the Group's reporting.

NZ IFRS 7 Financial Instruments
The amendment to this standard requires improved disclosure particularly relating to liquidity risks.

NZ IFRS 8 Operating Segments
This standard requires segment information to be disclosed on a similar basis to internal reporting. This may have an effect on disclosure only notes.

NZ IAS1 Presentation of Financial Statements
This standard requires some changes to the presentation of financial statements, particularly regarding changes in Equity and comparative information.

NZ IAS 3 Business Combinations and NZIAS 27 Consolidated and Separate Financial Statements.
The changes to these standards will affect future acquisitions and transactions with non controlling interests

NZ IAS 23 Borrowing Costs
The amendment to this standard requires borrowing costs to be capitalised where they can be directly attributed to the acquisition or construction of an asset.

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Audit Report

To The Shareholders of
The Colonial Motor Company Limited and Group

We have audited the financial report on pages 7 to 35. The financial statements provide information about the past financial performance of The Colonial Motor Company Limited (the Company) and Group and its financial position as at 30 June 2009. This information is stated in accordance with the accounting policies set out on pages 12 to 16.

Board of Directors Responsibilities
The Board of Directors is responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of financial statements that give a true and fair view of the financial position of The Colonial Motor Company Limited and Group as at 30 June 2009 and the results of operations and cash flows for the year ended on that date.

Auditor's Responsibilities
It is our responsibility to express to you an independent opinion on the financial statements presented by the Board of Directors.

Basis of Opinion
An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Board of Directors in the preparation of the financial statements; and
- whether the accounting policies are appropriate to the Company and Group circumstances, consistently applied and adequately disclosed.

We conducted the audit in accordance with New Zealand Auditing Standards. We planned and performed the audit so as to obtain all the information and explanations that we considered necessary in order to provide sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

We carry out other assignments for the Company and Group in the area of taxation advice. In addition to these assignments, principals and employees of our firm may deal with the Company and Group on arm's length terms within the ordinary course of trading activities of the Company and Group. Other than the audit, taxation advice, and arm's length transactions, we have no relationships with, or interest in, The Colonial Motor Company Limited and Group.

Unqualified Opinion

We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been kept by The Colonial Motor Company Limited and Group as far as appears from our examination of those records; and
- the financial statements on pages 7 to 35:
    - comply with generally accepted accounting practice in New Zealand;
    - comply with International Financial and Reporting Standards; and
    - gives a true and fair view of the financial position of The Colonial Motor Company Limited and Group as at 30 June 2009 and the results of their operations and cash flows for the year ended on that date.

Our audit was completed on 23 September 2009 and our unqualified opinion is expressed as at that date.

Grant Thornton

Grant Thornton
Christchurch

Chartered Accountants
Grant Thornton (Christchurch), an independent member firm of Grant Thornton New Zealand.
Other independent member firms in Auckland and Wellington. Grant Thornton New Zealand is a member of Grant Thornton International.

Governance Statement

Governance is the chain of command through which companies are run. Shareholders, as owners of a company, elect a board to direct its long-term strategy and to appoint a Chief Executive to manage the company. Reporting flows back up the chain to ensure that each link is performing its duties appropriately.

The CMC Group is structured so that each motor vehicle dealership is managed locally under the control of a Dealer Principal who reports to the Chief Executive. Each dealership represents vehicle franchises and the Dealer Principal also has a direct relationship with each franchisor.

Shareholders

The shareholders of CMC adopted the current Constitution in 2004 that specifies the administration of the Company and the relationship between shareholders. Copies of the Constitution are available from the Company or can be downloaded from the Companies Office website.

CMC is a public company listed on the New Zealand Stock Exchange operated by NZX Limited. Computershare Investor Services Limited maintains the register of shareholders.

A condition of listing is that CMC complies with the Listing Rules issued by the Stock Exchange. These include the requirement to continuously disclose market sensitive information. The market acts in the position of all current and potential shareholders and disclosure via the Stock Exchange is generally considered adequate notice. However, CMC has a policy of also communicating directly with its shareholders whenever practical.

Shareholders meet in person at annual meetings to

- consider the Company's financial performance and financial position
- elect or re-elect Directors
- approve the appointment of an external financial Auditor and
- set the maximum level of Director remuneration. The actual amount paid to each Director is disclosed in Annual Reports.

The Board of Directors issues two reports annually - an interim and a full year report - to provide shareholders with the information they need to monitor their investment in the Company. The CMC reports are designed to deliver that information in a clear, concise manner. The reports are mailed to all shareholders and are available for download from CMC's website.

Directors

The Board of Directors acts in a stewardship role on behalf of all shareholders. It approves the strategic direction of the Company, overseas the management of its capital resources, monitors its performance and compliance, ensures its assets are safeguarded and reports to shareholders.

New Directors are identified by the Nomination Committee of the Board or may be nominated by shareholders. The Constitution specifies that all new appointments plus one third of existing Directors must stand for election or re-election by shareholders at each annual meeting. The Constitution also specifies that there should be between five and seven Directors. The Board contains a mix of independent, executive and non-executive Directors.

The Board ensures that, consistent with its history and industry standing, CMC conducts its dealings with all stakeholders with integrity and respect. It maintains a Directors' Manual including a Code of Ethics that extends to all staff and sets out definitive standards of behaviour. In particular, Directors take care to comply with rules requiring disclosure of positions and occupations they have outside of CMC that may involve a conflict of interest.

The Directors have established a securities trading policy to comply with prevailing legislation that requires full disclosure by Directors and senior executives both before and after buying and selling shares in CMC. All share trades by Directors are reported to the Stock Exchange. The statutory registers of Directors, their shareholdings and interests are kept at the CMC's registered office.

The Board schedules at least eight meetings each financial year to monitor the progress of management on achieving the targets and objectives that the Board has set. The Board usually meets in Wellington but 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.

Board Committees

Where additional detailed supervision or consideration is required, the Board establishes committees that operate by making recommendations to the full Board for final resolution. There are three standing committees with specific written terms of reference.

Audit and Compliance Committee

Comprising P D Wilson (Chairman), J P Gibbons and I D Lambie, the Committee meets regularly with management and the external auditors to

- review the adequacy of controls to identify and manage areas of potential risk and to safeguard the assets of the Company;
- maintain the independence of the external Auditor and review the external audit functions generally; and
- evaluate the processes to ensure that financial records and accounting policies are properly maintained in accordance with statutory requirements and financial information provided to shareholders and the Board is accurate and reliable.

Members of the Committee have relevant financial qualifications and/or commercial experience.

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 CMC Group. Monthly reports from each dealership form a key element of the financial control mechanism.

An Internal Auditor works in conjunction with the external Auditors to complete a review of all dealerships every year for maintenance of the standard of accounting practices and for compliance with the internal policies and procedures. The Internal Auditor regularly reports to the Audit and Compliance Committee.

Remuneration Committee

J A Wylie (Chairman), P J Aitken and P D Wilson make up the Remuneration Committee the purpose of which is to ensure that the Directors and senior executives are fairly and reasonably rewarded for their individual contributions.

Management and Director remuneration is disclosed in the Annual Report.

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. It consists of J A Wylie (Chairman), G D Gibbons and J P Gibbons.

External Auditors

The role of external Auditors 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 Auditors have direct access to the Audit and Compliance Committee to discuss appropriate audit staffing, the extent of non-audit work and issues identified during audits. The primary audit engagement partner (currently Mr G McGlinn of Grant Thornton) is rotated periodically to provide a fresh perspective and to ensure greater independence. Fees paid for audit and non-audit work (such as taxation advice) are disclosed in the Annual Report.

Directors' Disclosures as required by the Companies Act 1993

(a) Directors' Interests

In relation to sections 140 and 211(1)(e) of the Act, no Director has declared any interest in a related party transaction with the Company during the year. The Company has received the following general disclosures of interest pursuant to section 140(2) of the Act that remain in place at the date of this report:

J A Wylie	-	Director of Wylie Associates Limited (and its associated companies).
G D Gibbons	-	Director of Motor Trade Finances Limited.
P D Wilson	-	Chairman of Westpac New Zealand Limited and Kermadec Property Fund Limited. Director of Westpac Banking Corporation, and Farmlands Trading Society. Member of the New Zealand Markets Disciplinary Tribunal and Chairman of the Special Division of that body.
P J Aitken	-	Chairman of Freemans Group New Zealand Limited. Managing Director of Clear Edge Limited. Director of Absolutevents Limited. Chairman of Trustees of Pindrop Foundation. Trustee of Mazda New Zealand Foundation and Northern Cochlear Implant Trust.

During the year J A Wylie and G D Gibbons were also Directors of all the Company's subsidiaries.

(b) Remuneration of Directors

Remuneration and all other benefits received by the Directors who held office during the year ended 30 June 2009 are disclosed pursuant to section 211(1)(f) of the Act as follows:

	Directors Fees 2009 $	Total Remuneration 2009 $	Total Remuneration 2008 $
J A Wylie (Chairman)	49,500	72,816	72,816
G D Gibbons	-	360,645	410,577
J P Gibbons	-	230,758	204,163
J A Blyth (Retired 31 December 2008)	16,500	24,578	33,000
P D Wilson	36,300	36,300	36,300
I D Lambie	33,000	33,000	34,125
P J Aitken (elected 9 November 2007)	33,000	33,000	22,000

Remuneration for J A Wylie, additional to Directors Fees, included the provision of a motor vehicle and in 2008 I D Lambie received consulting fees for activities carried out on behalf of the Company. P D Wilson received additional Directors Fees in his capacity as Chairman of the Audit & Compliance Committee of the Board.

Executive Directors do not receive Directors Fees for acting as a Director of the Company or of any Group subsidiary or associate company. Executive Directors acting in their capacity as employees of the Company or of a Group subsidiary received total remuneration including salary, incentives, superannuation contributions, use of a motor vehicle and other benefits in the year ended 30 June 2009 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.

As provided for in Clause 28.4 of the Company's Constitution, the Company provides for Directors Retirement Benefits. The total provided as at 30 June 2009 is $237,222 (2008: $239,800). Following the retirement of J A Blyth on 31 December 2008, the Board resolved to pay him a retirement allowance over two years. The payments made during this year from the provision amounted to $8,078 (2008: Nil) and are included in Mr Blyth's total remuneration above. Directors appointed after 1 May 2004 are not eligible to receive a retirement allowance unless authorised by shareholder resolution.

As provided for in Clause 29.4 of the Company's Constitution, an insurance policy is in place in relation to Directors and Officers liability. The policy ensures that generally Directors will incur no monetary loss as a result of actions undertaken by them as Directors. Certain actions are specifically excluded, such as incurring penalties and fines that may be imposed in respect of breaches of the law.

Director Disclosures as required by the Companies Act 1993

(c) Use of Company Information by Directors

During the year the Board did not receive any requests from Directors to use Company information provided to them in their capacity as an officer or employee that would not otherwise have been available to them.

(d) Share Dealings by Directors

Directors have disclosed under Section 148(2) of the Act the following acquisitions and disposals of relevant interests in shares in the Company between 1 July 2008 and 31 August 2009.

	Number of Shares				
Director	**Acquired**	**Disposed**	**Date**	**Price**	**Relationship**
G D Gibbons	24,624		11 July 2008	$3.23	Beneficial
G D Gibbons	10,000		13 July 2008	$3.23	Beneficial
G D Gibbons		44,000	3 October 2008	$3.18	Non-beneficial
G D Gibbons	4,000		3 October 2008	$3.18	Non-beneficial
G D Gibbons	315,537		2 December 2008	$2.78	Beneficial
G D Gibbons	6,688		11 December 2008	$2.75	Beneficial
G D Gibbons	100,000		12 December 2008	$2.75	Non-beneficial
G D Gibbons	36,908		26 May 2009	$2.38	Beneficial
G D Gibbons	104,800		11 June 2009	$2.40	Beneficial
G D Gibbons	100,000		19 June 2009	$2.39	Beneficial
G D Gibbons	100,000		24 June 2009	$2.35	Beneficial
J P Gibbons		44,000	3 October 2008	$3.18	Non-beneficial
J P Gibbons	2,000		3 October 2008	$3.18	Non-beneficial
J P Gibbons	100,000		12 December 2008	$2.75	Non-beneficial
J P Gibbons	4,000		31 December 2008	$2.70	Non-beneficial
J P Gibbons	20,000		17 March 2009	$2.40	Non-beneficial
J P Gibbons		61,000	31 March 2009	-	Non-beneficial
P J Aitken	5,000	-	12 May 2009	$2.50	Beneficial

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

	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 Persons of the Director	
	2009	2008	2009	2008	2009	2008
P J Aitken	5,000	-	-	-	-	-
J P Gibbons	1,989,174	1,989,174	976,802	957,802	381,450	379,450
G D Gibbons	2,276,222	1,577,665	460,590	404,590	51,441	47,441
I D Lambie	2,500	2,500	-	-	-	-
P D Wilson	15,000	15,000	-	-	-	-
J A Wylie	221,448	221,448	70,644	70,644	26,720	26,720

Disclosure of Substantial Security Holders

As required by section 26 the Securities Markets Act 1988, the Substantial Security Holders as at 31 August 2009 (from whom a notice under the Act had been received and the date of each such notice) were as follows:

	Date	Shares	%
P C Gibbons	30 June 2009	2,838,418	10.19
N L Gibbons	22 August 2003	2,128,869	7.64

Issued and Fully Paid Capital as at 30 June 2009 was made up of 27,850,910 ordinary shares. The above disclosures as at 31 August 2009 include voting securities arising by reason of joint holdings, powers of attorney and directorships as specifically required by the Securities Markets Act 1988 (sections 4 & 5). No shares have been counted more than once in the determination of Substantial Security Holders.

Distribution of Shareholders and Shareholdings

This distribution information reflects the position as at 31 August 2009.

			Number of Shareholders		**Number of Shares**	
			Number	%	Number	%
1	-	999	251	18.9%	133,151	0.5%
1,000	-	9,999	826	62.3%	2,766,201	9.9%
10,000	-	99,999	196	14.8%	4,724,565	17.0%
100,000	-	999,999	47	3.5%	12,103,746	43.4%
1,000,000+			6	0.5%	8,123,247	29.2%
TOTALS			1,326	100.0%	27,850,910	100.0%

Five Year Summary of Shareholder Return on Investment - 30 June Year Ended

Year	**Share Price @ 30 June**	**Dividends Paid - cps Date**	**Net**	**Gross**	**Gross Dividend Yield %**	**Change in Share Price cps**	**Total Gross Return cps**	**Gross Shareholder Return %**
2009	$2.40	06/04/09	6.0	26.9	8.1%	-90.0	-63.1	-19.1%
		03/11/08	12.0					
2008	$3.30	09/04/08	11.0	35.8	10.1%	-26.0	9.8	2.8%
		24/10/07	13.0					
2007	$3.56	03/04/07	10.0	34.3	11.4%	56.0	90.3	30.1%
		25/10/06	13.0					
2006	$3.00	03/04/06	11.0	32.1	10.4%	-8.0	24.1	7.8%
		26/10/05	10.5					
2005	$3.08	04/04/05	11.5	31.3	10.6%	13.0	44.3	15.0%
		27/10/04	9.5					

Note: Yields are calculated on the share price at the beginning of each year. The share price at 30/06/04 was $2.95.

Forty Largest Shareholdings as at 31 August 2009

	Shares	%
PC & FS Gibbons	1,933,064	6.9%
AD & SB Gibbons & LB Rogerson	1,249,849	4.5%
Estate RC Gibbons, NL, BR & JP Gibbons & PL Bennett	1,231,542	4.4%
Florence Theodosia Gibbons	1,096,365	3.9%
James Ian Urquhart	1,000,000	3.6%
Peter Craig Gibbons	905,354	3.3%
Faith Sara Gibbons	890,945	3.2%
Estate R C Gibbons, Deceased	565,635	2.0%
MI & C Louisson & Cooper & Co Trustee No 1 Limited	505,810	1.8%
EC, JP & GD Gibbons, CG Harrison & MA Barton	413,550	1.5%
MA & LE Gibbons & AK Cook	404,074	1.5%
Elevation Capital Managed Funds	404,000	1.5%
Accident Compensation Corporation	385,934	1.4%
JP & DM Gibbons & PL Bennett	382,121	1.4%
Graeme Durrad Gibbons	343,158	1.2%
Citibank Nominees (New Zealand) Limited	334,265	1.2%
Diana Durrad Harrison	308,592	1.1%
May Alice Gibbons	302,574	1.1%
Alison Durrad Beaumont	295,596	1.1%
Gillian Durrad Watson	294,954	1.1%
Robert Durrad Gibbons	294,836	1.1%
Sara Durrad Wood	294,358	1.1%
Anita Forbes Peake	283,224	1.0%
Nancy Lucy Gibbons	283,068	1.0%
Kate Enright & Carole Louisson	280,000	1.0%
JG, KS, SK & J Bale	276,208	1.0%
CG, AE & JG Harrison	276,208	1.0%
JG, J & CG Harrison	276,208	1.0%
The Colonial Motor Company Ltd Staff Superannuation Fund	259,130	0.9%
Rebecca Hope Wilson	250,000	0.9%
Leanne Barnes Rogerson	239,720	0.9%
National Nominees NZ Ltd	231,098	0.8%
Stuart Barnes Gibbons	230,486	0.8%
SH Majors & RH & SJ Wilson	228,770	0.8%
Elsie Craig Gibbons	225,897	0.8%
JA & RN Wylie & JD Hanning	217,848	0.8%
Investment Custodial Services Ltd	207,505	0.7%
Colin Michael Louisson & Nadine Tarsa	205,981	0.7%
Forsyth Barr Custodians Limited	185,009	0.7%
David Grindell	174,450	0.6%
Total of forty largest shareholdings	18,167,386	65.3%
Total shares on issue	27,850,910	100.0%

A number of the registered Shareholders may hold shares as nominee(s) on behalf of other parties.