



*The
Colonial
Motor Company
Limited*

HALF YEAR REPORT

For Six Months Ended 31 December 2008

The Colonial Motor Company Limited
HALF YEAR REPORT

For the Six Months Ended 31 December 2008

89 Courtenay Place
Wellington
27 February 2009

Dear Shareholder

Your Directors are pleased to advise you of the unaudited results of the Group for the six months ended 31 December 2008.

At the Annual Meeting last November we commented on the trading conditions we were experiencing at the time and that we were tracking slightly below budgeted levels and more in line with the six month period to 31 December 2006, rather than the immediately prior period to 31 December 2007. The trading result is consistent with that advice. However, we have reviewed the carrying value of Ford related goodwill and determined that an impairment adjustment is prudent.

Trading Profit after tax for the six month period was \$2.789m, compared to \$4.714m for the six month period to 31 December 2007 and \$3.079m to 31 December 2006. After deducting an impairment loss of \$0.562m the 2008 Net Profit after tax was \$2.227m.

Group revenue for the period was \$264.737m, slightly behind the prior period at \$266.074m. The prior period was affected by a one-time change in September 2007 to include Ford vehicle sales to lease companies not previously invoiced by Dealerships. The 2008 revenue included sales to lease companies for the full six months.

Inventory levels have been reduced since 30 June 2008, however managing the forward order pipeline in times of uncertain sales is extremely difficult.

The effect of the domestic slowdown was felt in the six month period and even more dramatic exposure of the New Zealand economy to the international credit crunch started to impact from November onwards.

The economic outlook nationally and internationally is negative and trading conditions are uncertain. Recent exchange rate changes will increase the price of imported goods but should significantly enhance the terms of trade for New Zealand's primary exports which drive much of the demand for our products. That said, we are well positioned financially and commercially to deal with expected challenges. We have strong brand representation and good product ranges that should enable us to maintain market share of new vehicles and we are committed to meeting our customers' needs through used car sales, parts and quality servicing.

On 31 December 2008, our Dunedin Dealership secured the Mazda franchise for Otago. The redevelopment of Dunedin City Ford has just been completed and work has started to house Mazda on the same site by the end of April. We have also purchased a property adjacent to Southpac Trucks in Manukau City to combine its Auckland operations onto a single location in the future. Work has recently finished on the Avon City site to accommodate the Suzuki Motorcycle franchise. These projects constitute the final phase of the program of investment in our Dealership facilities.

We are conscious of the current uncertainty around property values. The new district roll revaluations we have received since the end of the last financial year have shown increasing values. The Group's revaluation reserve at 30 June 2008 was \$38.7m. We will be reviewing the carrying values of all the Group's land and buildings at 30 June 2009.

Your Board has deliberated on the level of current earnings, unpredictability in the near term trading conditions and our wish to fairly reward our Shareholders through dividend distributions. A fully imputed dividend of 6.0 cents per share (2007 11.0 cents per share) will be paid on 6 April 2009.

For and on behalf of the Board
John A Wylie
CHAIRMAN

The Colonial Motor Company Limited

The Colonial Motor Company Limited and Subsidiaries Consolidated Income Statement For the Six Months ended 31 December 2008	6 Months to 31.12.08 \$M	6 Months to 31.12.07 \$M	12 Months to 30.06.08 \$M
Revenue			
Sale of			
- Products	235.322	236.971	465.260
- Services	26.309	26.099	51.988
Other Income			
- Interest	0.146	0.073	0.332
- Other	2.960	2.931	5.828
Total Revenue	264.737	266.074	523.408
Less Expenses			
Cost of Products Sold	210.843	212.272	416.593
Remuneration of Staff	28.992	27.702	55.675
Depreciation & Amortisation	1.864	1.828	3.555
Property Occupation Costs	4.711	4.052	8.508
Marketing, Promotion & Training Costs	3.018	2.737	6.161
Other Operating Costs	7.987	8.082	15.686
Interest Cost	3.089	2.044	4.754
Trading Profit before Tax	4.233	7.357	12.476
Realised gain on Property Sales	-	-	0.834
Revaluation decrease of Property	-	-	(0.423)
Impairment loss on Goodwill	(0.562)	-	(0.854)
Net Profit before Tax	3.671	7.357	12.033
Less:			
Provision for Tax			
- Current	1.298	2.375	4.050
- Deferred	0.117	0.067	0.471
Profit after Tax for the period	2.256	4.915	7.512
Less Profit Attributable to Minority Interest	0.029	0.201	0.295
Net Profit after Tax Attributable to Shareholders	2.227	4.714	7.217
Basic & Diluted Earnings per Share on Net Profit after Tax	8.0 cents	16.9 cents	25.9 cents
Dividend per Share	6.0 cents	11.0 cents	23.0 cents
Trading Profit after Tax	2.789	4.714	7.660
Net Tangible Assets per Share (pre Dividend)	\$4.32	\$4.03	\$4.39

The Colonial Motor Company Limited and Subsidiaries Consolidated Statement of Changes in Equity For the Six Months ended 31 December 2008	6 Months to 31.12.08 \$M	6 Months to 31.12.07 \$M	12 Months to 30.06.08 \$M
Shareholders Equity at beginning of period	124.559	113.092	113.092
Minority Interest at beginning of period	1.657	1.586	1.586
Total Equity at beginning of period	126.216	114.678	114.678
Net Profit After Tax	2.227	4.714	7.217
Dividends paid to Shareholders	(3.342)	(3.621)	(6.685)
Movement in Property Revaluation Reserve	-	-	7.628
Foreign Exchange Reserve	(1.030)	1.607	3.307
Minority Interest	0.152	0.202	0.071
Total Equity	124.223	117.580	126.216

The Colonial Motor Company Limited

The Colonial Motor Company Limited and Subsidiaries Consolidated Balance Sheet As at 31 December 2008	Notes	31.12.08 \$M	31.12.07 \$M	30.06.08 \$M
CURRENT LIABILITIES				
At Call Bank Borrowings		31.800	21.000	28.100
Trade & Other Payables		19.482	19.531	28.775
Provisions		0.706	0.706	0.749
Tax Payable		-	0.923	-
Financial Derivatives – Foreign Exchange	7	-	-	-
Financial Liabilities – Credit Contracts	12	15.705	17.783	16.075
Impairment Allowance – Credit Contracts		0.323	0.385	0.316
Deposits		11.344	12.277	13.291
TOTAL CURRENT LIABILITIES		79.360	72.605	87.306
NON CURRENT LIABILITIES				
Deferred Tax	11	0.912	0.076	1.197
Financial Liabilities – Credit Contracts	12	20.456	23.573	21.435
TOTAL NON CURRENT LIABILITIES		21.368	23.649	22.632
SHAREHOLDERS EQUITY				
Share Capital		3.375	3.375	3.375
Property Revaluation Reserve		38.668	31.040	38.668
Foreign Exchange Hedging Reserve		0.703	0.138	1.732
Retained Earnings		79.668	81.239	80.784
TOTAL SHAREHOLDER EQUITY		122.414	115.792	124.559
Minority Interest		1.809	1.788	1.657
TOTAL EQUITY		124.223	117.580	126.216
TOTAL EQUITY AND LIABILITIES		224.951	213.834	236.154
CURRENT ASSETS				
Cash & Bank Accounts		1.564	1.106	1.048
Trade & Other Receivables		25.363	27.390	30.304
Inventory		56.927	57.336	67.451
Tax Receivable		0.003	-	0.249
Financial Derivatives – Foreign Exchange	7	1.256	0.046	2.521
Financial Assets – Credit Contracts	12	15.705	17.783	16.075
Property for Sale		-	1.138	-
TOTAL CURRENT ASSETS		100.818	104.799	117.648
NON CURRENT ASSETS				
Financial Assets – Credit Contracts	12	20.456	23.573	21.435
Goodwill	10	1.838	2.805	1.950
Intangible Assets		0.428	0.501	0.465
Shares in Companies		1.026	0.164	0.140
Deferred Tax	11	-	-	-
Property, Plant & Equipment	13	100.385	81.992	94.516
TOTAL NON CURRENT ASSETS		124.133	109.035	118.506
TOTAL ASSETS		224.951	213.834	236.154

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The Colonial Motor Company Limited and Subsidiaries Consolidated Statement of Cash Flows For the Six Months ended 31 December 2008	6 Months to 31.12.08 \$M	6 Months to 31.12.07 \$M	12 Months to 30.06.08 \$M
Net Cash Flows from:			
Operating activities - Inflows	267.469	272.629	509.350
- Outflows	(255.687)	(279.487)	(516.591)
Net Cash Flow from Operating Activities	11.782	(6.858)	(7.241)
Investing activities - Inflows	1.769	2.022	5.576
- Outflows	(10.801)	(6.889)	(15.310)
Net Cash Flow from Investing Activities	(9.032)	(4.867)	(9.734)
Financing activities - Inflows	3.700	10.731	18.987
- Outflows	(5.934)	(3.621)	(6.685)
Net Cash Flow from Financing Activities	(2.234)	7.110	12.302
Net increase/(decrease) in cash held	0.516	(4.615)	(4.673)
Cash balance/(overdraft) at beginning of period	1.048	5.721	5.721
Cash balance/(overdraft) at end of period	1.564	1.106	1.048

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS For the Six Months ended 31 December 2008

1. Basis of Preparation

The Financial Statements contained in this Half Year Report have been prepared in accordance with Generally Accepted Accounting Practice (NZ GAAP) and NZ IAS 34 Interim Financial Reporting, as appropriate for profit oriented entities. They do not include all the notes in the most recent Annual Financial Statements and are to be read in conjunction with the Annual Report for the year ended 30 June 2008 which was prepared in accordance with International Financial Reporting Standards (IFRS).

These consolidated interim financial statements were approved for issue by the Board of Directors on 27 February 2009.

2. Accounting Policies

The accounting policies and methods of computation of The Colonial Motor Company and the Subsidiaries (the Group) results have been applied on a basis consistent with those of the previous Half Year Report and as disclosed in the audited 30 June 2008 annual Financial Statements, with the exception of land and buildings (that are not revalued at the half year and remain at the values disclosed at 30 June 2008).

3. Shares on Issue

The number of shares on issue at 31 December 2008 was 27,850,910 (31 December 2007: 27,850,910, 30 June 2008: 27,850,910).

4. Unaudited Financial Statements

These Half Year Financial Statements for the six months to 31 December 2008 have not been audited.

5. Minority Interest

The Parent Company shareholding in Southpac Trucks Limited remains unchanged from 31 December 2007 and 30 June 2008 at 85%. All other subsidiaries are wholly owned.

The Colonial Motor Company Limited

A brand new facility in Pukekohe for South Auckland Motors was welcomed into our world in July 2008.



CMC's Model T with driver Roger Gardner (on the crank handle) with crew Peter Gibbons (at the wheel) and Ken Mullan (absent from photo) ran in the "Model T Ford Centenary Commemorative Rally" in Blenheim in early February 2009.

100 Model T's assembled to celebrate 100 years of Model T's in NZ. Our 1919 Model T was officially registered for road use for the first time in 50 years.



Gore Farm Machinery joined Southland Tractors in July 2008.



John Blyth (3rd from right) retired from the CMC Board after 18 years as a Director and 42 years with the Group.

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Just completed is a new facility on the Avon City site for Suzuki Motorcycles.



Russell Marr (centre) and the truck team at Timaru Motors and Trucks South in front of an original Ford Louisville sold by the dealership in 1991 to Allied Concrete along with the latest Sterlings (the successor to Louisville) being prepared for delivery to the same customer.

The Sterling brand is ceasing production this year.



Steve Lyttle (left) congratulating Mark Mahood on receiving his Gold Watch for 25 years service with Fagan Motors and the CMC Group.

Graham Barthow, Lois Henry (South Auckland Motors) and Gerard Arthurs (Capital City Motors) also received their 25 year service gold watches during the year.

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Dunedin City Ford is the final dealership in the CMC Group to be redeveloped to the latest brand@retail standards.



Keith Kippenberger, New Car Manager, with client Richard Thomas checking out the features of the new Falcon G6E.



Geoff Sachtler, Service Advisor, discussing maintenance items with Mr Smaill, a long time client, in the new interactive service bay.



Mike Collins, Service Advisor, and Dennis Gillian, Parts, at the new customer reception area.



Avon City's paint and panel installed the latest "state of the art" paint equipment in early 2008.



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6. Capital Commitments & Contingent Liabilities

As at 31 December 2008 the Group had Capital Commitments of \$1.1m (31 December 2007: \$5.162m, 30 June 2008: \$1.992m).

Contingent Liabilities are unchanged from 30 June 2008.

7. Financial Derivatives – Foreign Exchange

These Half Year Financial Statements are presented in New Zealand dollars (rounded to the nearest thousand) 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.

Foreign exchange contracts outstanding at balance date are adjusted to fair value (mark-to-market). 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 of foreign exchange contracts outstanding is recorded in the Balance Sheet as a Financial Derivative asset or liability.

Forward Exchange Contracts outstanding at 31 December 2008 were \$9.635m (31 December 2007: \$36.005m, 30 June 2008: \$27.563m).

8. Inventories

New and used vehicles are valued at the lower of cost and net realisable value. Parts, accessories, workshop stocks, fuels and gases have been valued at cost using, where applicable, the first in first out method. Due allowance has been made for obsolete and slow moving stock. Stock writedowns for the six months ended 31 December 2008 were \$0.446m (31 December 2007: \$0.259m, 30 June 2008: \$0.865m).

9. Bailment Agreement

New Ford and Mazda vehicles are funded by UDC Finance Limited 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.

The cost of vehicles funded by UDC at 31 December 2008 was \$42.4m (31 December 2007: \$32.0m, 30 June 2008 \$45.3m).

10. Goodwill

Goodwill will be subject to annual impairment testing, or when events indicate that the carrying amount may not be recoverable. The carrying value was reviewed as at 31 December and an impairment loss of \$0.562m has been recognised to Ford related goodwill.

11. Taxation

The income tax expense for the current period is the tax payable on that period's taxable income, plus any deferred tax adjustment. Changes in deferred tax assets and liabilities, attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements, have resulted in a deferred tax liability of \$911,965 at balance date (31 December 2007: \$76,049, 30 June 2008: \$1,196,933).

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

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12. Financial Assets & Liabilities – Credit Contracts

At balance date the Group had outstanding vehicle financing agreements with Motor Trade Finances Limited (MTF) of \$36.161m (31 December 2007: \$41.356m, 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 Company'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.

13. Property, Plant & Equipment

Property, Plant & Equipment is shown at cost less accumulated depreciation except for land and buildings. Land and buildings, other than properties for sale, are revalued annually to the latest District Roll Rating Valuation. Property acquired is carried at purchase price until the next valuation is received.

14. Investment in Companies

In December 2008 the Group participated in the capital raising by Motor Trade Finances Limited and our investment now stands at \$1.026m (31 December 2007 \$0.164m, 30 June 2008 \$0.140m).

15. Reconciliation of Cash Flows to Operating Profit

	31.12.08	31.12.07	30.06.08
	\$M	\$M	\$M
Net Profit after Tax	2.227	4.714	7.217
Adjustments for Non Cash Items:			
Depreciation and Amortisation	1.864	1.828	3.555
Impairment Loss	0.562	-	0.854
Revaluation Decrease of Property	-	-	0.423
Movements in Provisions	0.311	0.862	(0.217)
Movements in Working Capital:			
Inventory	10.523	(7.777)	(19.573)
Payables and Deposits	(11.240)	(0.873)	10.915
Receivables	5.692	(4.258)	(8.205)
Other	(0.749)	(1.123)	0.011
Adjustment for Items classified as Investing & Financing Activities	2.592	(0.231)	(2.221)
Net Cash Flow from Operating Activities	11.782	(6.858)	(7.241)

16. Subsequent Events

On 27 February 2009 the Company announced an interim dividend of 6.0 cents per share payable on 6 April 2009.

There have been no other significant post balance day events.



The Colonial Motor Company Limited

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