

The following historical financial information is presented:

- Pages 24 to 25: Summary of the Borrowing Group financial statements for the five years ended 30 June 2005 and the six months ended 31 December 2005.
- Pages 26 to 36: Audited financial statements for the Borrowing Group for the year ended 30 June 2005.
- Pages 37 to 65: Unaudited financial statements for the Borrowing Group for the six months ended 31 December 2005.
- Pages 66 to 67: Auditors' Report.

financials

SUMMARY FINANCIAL STATEMENTS

The following summary of financial statements for the five years ended 30 June 2005 prepared under New Zealand Financial Reporting Standards as modified by the Securities Regulations 1983 ("NZ FRS") and the year ended 30 June 2005 prepared under New Zealand equivalents to International Financial Reporting Standards as modified by the Securities Regulations 1983 ("NZ IFRS") have been extracted from audited financial statements of the Borrowing Group.

The summary of financial statements for the six months ended 31 December 2005 prepared under NZ IFRS have been extracted from the unaudited financial statements of the Borrowing Group.

See page 13 for an explanation of the Borrowing Group. The Summary has been prepared in accordance with Clause 7 of the Second Schedule of the Securities Regulations 1983.

Summary Statement of Financial Performance of Borrowing Group

	Year ended 30 June NZ FRS					NZ IFRS	NZ IFRS
	2001	2002	2003	2004	2005	Year ended 30 June 2005	6 months ended 31 Dec 2005
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Total operating revenues	137,265	162,018	182,039	212,169	269,718	269,718	152,644
Total surplus before interest and tax	13,834	18,421	16,109	23,724	27,926	30,035	11,142
Total interest expense	(1,292)	(410)	(567)	(2,170)	(5,141)	(5,141)	(4,089)
Total surplus before tax	12,542	18,011	15,542	21,554	22,785	24,894	7,053
Taxation	(1,372)	(1,601)	2,845	(1,919)	(2,152)	(2,152)	(2,143)
Total surplus after tax	11,170	16,410	18,387	19,635	20,633	22,742	4,910
Surplus attributable to minority interest	(39)	(20)	(51)	-	-	-	-
Surplus attributable to shareholders of Hellaby Holdings	11,131	16,390	18,336	19,635	20,633	22,742	4,910
Dividends paid	(3,478)	(7,943)	(10,344)	(15,251)	(18,695)	(18,695)	(9,840)
Total surplus/deficit retained by group	7,653	8,447	7,992	4,384	1,938	4,047	(4,930)
Dividends paid per share (cents)	7.0	16.0	21.0	31.0	38.0	38.0	20.0

The Borrowing Group has no extraordinary items as defined by clause 7 of the Securities Regulations 1983.

Summary Statement of Financial Position of Borrowing Group

	Year ended 30 June NZ FRS					NZ IFRS	NZ IFRS
	2001	2002	2003	2004	2005	As at 30 June 2005	As at 31 Dec 2005
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Total tangible assets	116,622	115,697	136,768	145,128	180,423	178,450	224,265
Total assets	118,547	119,318	149,324	159,004	219,242	221,287	269,118
Total liabilities	52,997	45,643	68,381	73,904	132,205	132,205	184,995
Total equity	65,550	73,675	80,943	85,100	87,037	89,082	84,123

The financial performance of the Borrowing Group is impacted by a number of different factors:

- The performance of the Guaranteeing Subsidiaries which will fluctuate as they operate in different business environments;
- Investments held by Hellaby Holdings Limited in non-guaranteeing subsidiaries are recorded at the lower of cost (less amounts written off) or market value, and the financial performance will be affected by any adjustments required to reflect this value; and
- The timing of dividends received by the Borrowing Group from non-guaranteeing subsidiaries.

Accounting Policies

The financial statements for the five years ended 30 June 2005 prepared under NZ FRS have been consistently prepared based on the accounting policies on pages 27 to 29.

The financial statements for the year ended 30 June 2005 and the six months ended 31 December 2005 prepared under NZ IFRS have been consistently prepared based on the accounting policies on pages 39 to 44.

A reconciliation of the Statement of Financial Performance for the year ended 30 June 2005 and the Statement of Financial Position as at 30 June 2005 prepared under NZ FRS and NZ IFRS is detailed on page 63 as Note 30 to the Financial Statements. The principle differences relate to the non amortisation of goodwill and brands under NZ IFRS.

Changes in Borrowing Group Structure

On 1 May 2002 Hellaby Holdings Limited acquired 100% of Diesel Distributors Limited. The surplus before tax contributed by Diesel Distributors Limited during the first full year of ownership being the year ended 30 June 2003 was \$0.80 million.

On 1 May 2003 Hellaby Holdings Limited acquired 100% of TRS Agri-Tire Limited (renamed TRS Tyre & Wheel Limited). The surplus before tax contributed by TRS Agri-Tire Limited during the first full year of ownership being the year ended 30 June 2004 was \$1.89 million.

On 31 August 2004 Hellaby Holdings Limited acquired 100% of BBQ Factory Limited. The surplus before tax contributed by BBQ Factory Limited for the ten month period ended 30 June 2005 was \$0.38 million (as prepared under NZ FRS) and \$1.30 million (as prepared under NZ IFRS).

On 31 January 2005 Hellaby Holdings Limited acquired 100% of Elldex Packaging Limited. The surplus before tax contributed by Elldex Packaging Limited for the five months ended 30 June 2005 was \$0.94 million (as prepared under NZ FRS) and \$1.02 million (as prepared under NZ IFRS).

Sale of Investments in Non-Guaranteeing Subsidiaries

On 30 September 2000 Hellaby Holdings Limited sold its 100% investment in Taylors Limited resulting in a gain on sale of \$1.29 million.

On 30 June 2001 Hellaby Holdings Limited sold 100% of Patton Refrigeration Limited resulting in a gain on disposal of \$2.25 million.

On 31 December 2001 Hellaby Holdings Limited sold 39.2% of its investment in New Zealand Wool Services International Limited resulting in a gain on sale of \$3.35 million.

Taxation Position of the Borrowing Group

As at 30 June 2001 and 30 June 2002 the Borrowing Group had non-refundable prepaid tax amounting to \$11.0 million and \$13.3 million of which \$3.4 million and \$4.0 million respectively was recognised in the Statement of Financial Position based on expected utilisation over the respective ensuing three year period.

The Borrowing Group also had unrecognised future tax benefits relating to timing differences at 30 June 2001 and 30 June 2002 amounting to \$3.8 million and \$3.3 million respectively. At 30 June 2002 the Borrowing Group had access to tax losses in excess of \$10 million, tax effect \$3.3 million. The Borrowing Group has since fully utilised all available tax losses.

During the year ended 30 June 2003 the Borrowing Group recognised a one-off income tax benefit of \$6.5 million which included a \$1.6 million future tax benefit arising from timing differences previously not recognised.

During the year ended 30 June 2004 a further \$4.1 million of tax was prepaid and recognised in the Statement of Financial Performance.

During the year ended 30 June 2005 all remaining future tax benefits previously not recognised were recognised in the Statement of Financial Position.

Subsequent Events

On 26 April 2006 Hellaby Holdings entered into a conditional sale agreement to sell its 82.5% interest in Rodd & Gunn Limited for total consideration of \$13.6 million. The agreement is conditional on obtaining shareholder approval.

Following a review of the year to date trading performance of the BBQ Factory an initial impairment review has been undertaken which indicates that the BBQ Factory goodwill may be written down at 30 June 2006 by up to \$5.0 million. In accordance with Hellaby Holdings Limited's accounting policy, a comprehensive review will be undertaken at 30 June 2006 which will incorporate the results for the year, the end of season financial position and the 30 June 2007 budget.

FINANCIAL STATEMENTS FOR THE BORROWING GROUP

FOR THE YEAR ENDED 30 JUNE 2005

The audited financial statements on pages 26 to 36 are for the Borrowing Group for the year ended 30 June 2005 prepared in accordance with NZ FRS as modified by the Securities Regulations 1983 and the accounting policies noted on pages 27 to 29.

BORROWING GROUP STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2005

	Note	2005 \$000	2004 \$000
Sales Revenue		269,637	212,061
Rental Revenue		81	108
Total Revenue		269,718	212,169
Operating Surplus before Taxation	1	22,785	21,554
Taxation	2	(2,152)	(1,919)
Net Surplus of the Borrowing Group		20,633	19,635

The net surplus of the Borrowing Group relates to continuing activities.

BORROWING GROUP STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2005

	Note	2005 \$000	2004 \$000
Share Capital	3	16,286	16,287
Retained Earnings	4	70,751	68,813
Shareholders' Equity		87,037	85,100
Non-Current Liabilities			
Term Liabilities	5	85,244	36,885
Total Non-Current Liabilities		85,244	36,885
Current Liabilities	6	46,961	37,019
Total Liabilities		132,205	73,904
TOTAL LIABILITIES AND EQUITY		219,242	159,004
Non-Current Assets			
Property, Plant and Equipment	7	26,032	22,340
Intangible Assets	8	38,819	13,876
Future Tax Benefit	9	8,646	4,453
Investments	10	17,292	17,088
Total Non-Current Assets		90,789	57,757
Current Assets	11	128,453	101,247
TOTAL ASSETS		219,242	159,004

The accompanying notes on pages 27 to 36 form part of these financial statements.

BORROWING GROUP STATEMENT OF MOVEMENTS IN EQUITY FOR THE YEAR ENDED 30 JUNE 2005

	Note	2005 \$000	2004 \$000
EQUITY AT BEGINNING OF THE YEAR		85,100	80,942
Net surplus for the year	4	20,633	19,635
Total recognised revenues and expenses		20,633	19,635
Movement in minority interests		-	(226)
Distributions to shareholders	4	(18,695)	(15,251)
Repurchase of shares	3	(1)	-
EQUITY AT END OF THE YEAR		87,037	85,100

BORROWING GROUP STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2005

	Note	2005 \$000	2004 \$000
CASH FROM OPERATIONS	12		
Cash was provided from :			
Receipts from customers		267,104	219,995
Interest received		144	312
Dividends received		4,301	2,858
Other receipts		2,063	577
Cash was applied to :			
Payments to suppliers and employees		(249,416)	(204,299)
Interest paid		(5,381)	(2,429)
Taxation paid		(6,302)	(3,495)
Movement in goods and services tax		(3,601)	(2,047)
Net Cash from operating activities		8,912	11,472
CASH FROM INVESTING ACTIVITIES			
Cash was provided from :			
Proceeds from sale of property, plant and equipment		12,704	1,106
Proceeds from sale of shares		1,637	6,839
Proceeds from investments		607	4,173
Cash was applied to :			
Purchase of property, plant and equipment		(13,885)	(8,461)
Purchase of investments		(36,422)	(8,562)
Net overdraft acquired with purchase of subsidiary		(742)	-
Net Cash from Investing Activities		(36,101)	(4,905)

	Note	2005 \$000	2004 \$000
CASH FROM FINANCING ACTIVITIES			
Cash was provided from :			
New Debt		49,740	2,000
Advances from Subsidiaries		2,387	4,474
Cash was Applied to :			
Decrease in Borrowings		(736)	(304)
Repurchase of Shares		(1)	-
Dividends Paid		(18,695)	(15,251)
Net Cash from Financing Activities		32,695	(9,081)
Net Movement in Cash		5,506	(2,514)
Opening Cash Balance		(948)	1,566
Exchange Rate Fluctuation on Opening Balance		-	-
Closing Cash Balance		4,558	(948)
Consisting of:			
Cash and Deposits	11	4,560	2,161
Bank Overdraft	6	(2)	(3,109)
CLOSING CASH BALANCE		4,558	(948)

BORROWING GROUP STATEMENT OF ACCOUNTING POLICIES

Reporting Entity

Hellaby Holdings Limited is a public company registered in New Zealand under the Companies Act 1993 and listed on the New Zealand Stock Exchange.

As at 30 June 2005 the Borrowing Group consists of Hellaby Holdings Limited and its guaranteeing subsidiaries as listed below. All these subsidiaries are 100% owned.

- AB Equipment Limited
- AB Rental Limited
- BBQ Factory Limited
- Brake & Transmission NZ Limited
- Diesel Distributors Limited
- Elldex Packaging Limited
- Eurolift NZ Limited
- Hellaby Properties Limited
- Levana Textiles Limited
- TRS Tyre & Wheel Limited

Hellaby Holdings Limited is an issuer for the purposes of the Financial Reporting Act 1993. The financial statements have been prepared in accordance with the Securities Regulations 1983 and where these do not conflict, New Zealand Financial Reporting Standards.

The financial statements have been prepared on the basis of historical cost with the exception of certain items for which specific accounting policies are identified.

GENERAL ACCOUNTING POLICIES

Principles of Consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all Guaranteeing Subsidiaries of Hellaby Holdings Limited as at 30 June 2005 and the results of these subsidiaries for the year then ended. Hellaby Holdings Limited and its Guaranteeing Subsidiaries together are referred to in these financial statements as the Borrowing Group.

Subsidiaries are all those entities over which Hellaby Holdings Limited has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether Hellaby Holdings Limited controls another entity.

(ii) Guaranteeing subsidiaries

Guaranteeing subsidiaries which form part of the Borrowing Group are fully consolidated from the date on which control is transferred to Hellaby Holdings Limited. They are deconsolidated from the date that control ceases or they cease to be part of the Borrowing Group.

The purchase method of accounting is used to account for the acquisition of subsidiaries by Hellaby Holdings Limited. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Borrowing Group's share of the identifiable net assets acquired is recorded as goodwill.

Intercompany transactions, balances and unrealised gains on transactions between subsidiary companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by Hellaby Holdings Limited.

(iii) Non guaranteeing subsidiaries:

Non guaranteeing subsidiaries are not members of the Borrowing Group and are accounted for as an investment of the Borrowing Group at the lower of cost, less amounts written off or market value. Cost includes the fair value of consideration paid, assets given or liabilities assumed together with any costs directly attributable to the acquisition of the investment.

(iv) Associates

Associates are all entities over which Hellaby Holdings Limited has significant influence but not control, generally evidenced by holding of between 20% and 50% of the voting rights. Investments in associates are accounted for as an investment of the Borrowing Group at the lower of cost, less amounts written off or market value. Cost includes the fair value of consideration paid, assets given or liabilities assumed together with any costs directly attributable to the acquisition of the investment.

Goodwill

Goodwill, representing the difference between the cost on acquisition and the fair value of the net assets acquired, is recognised in the Statements of Financial Performance over the shorter of its estimated life or twenty years.

Foreign Currencies

Transactions denominated in a foreign currency are converted to New Zealand dollars at the exchange rates in effect at the date of the transaction, except when forward currency contracts have been taken out to cover short-term forward currency commitments. Where short-term forward currency contracts have been taken out, the transaction is translated at the rate contained in the contract. Monetary assets and liabilities arising from trading transactions or overseas borrowings are translated at closing rates.

Goods and Services Tax (GST)

The Statement of Financial Performance and Statement of Cash Flows have been prepared so that all components are exclusive of GST. All items in the Statements of Financial Position are exclusive of GST, with the exception of receivables and payables which include GST invoiced.

Inventories

Trading stocks, raw materials and work in progress are valued at the lower of cost and net realisable value. Cost is determined throughout the Borrowing Group by specific identification, first-in first-out and average cost. Cost includes an appropriate proportion of overheads incurred in the normal course of business in bringing the product to its location and condition at balance date.

Receivables

Receivables are valued at estimated net realisable value. The valuation is net of a provision for estimated doubtful debts.

All known losses are written off against earnings in the period in which they are identified.

Property, Plant and Equipment

All property, plant and equipment is initially recorded at cost. Depreciation, other than on freehold land, is provided for and is calculated on a straight line basis so as to allocate the cost of the assets over their useful lives as follows:

Buildings	10-40 years
Plant and Equipment	4-5 years
Motor Vehicles	4-5 years
Furniture, Office Equipment and Fittings	4-10 years

Taxation

Income tax expense recognises, on a comprehensive basis, the current obligations and all amounts arising from differences between the accounting results and assessable income. Income tax expense includes prepaid non-refundable income tax in respect of tax credits attached or to be attached to Hellaby Holdings Limited dividend distributions, except to the extent that the directors believe the prepaid non-refundable income tax is recoverable in the foreseeable future.

A future income tax benefit is recognised in the financial statements only where there is virtual certainty that the benefit of the timing differences will be utilised.

Revenue

Sales revenue represents revenue earned from the sale of the Borrowing Group's products and services, net of returns, allowances and GST. Fees and dividends are recognised when they are received or become receivable.

Leased Assets

Operating lease payments are recognised as an expense in the periods the amounts are payable.

Financial Instruments

The Borrowing Group is party to financial instruments, including forward exchange contracts, with off-balance sheet risk to meet financing needs and to reduce exposure to fluctuations in interest rates and foreign exchange rates. Exposure to gains or losses on these contracts is generally offset by a related loss or gain on the item being hedged. Gains and losses on currency contracts which hedge specific short term foreign currency denominated commitments are recognised as a component of the related transaction in the period in which the transaction is completed.

Impairment

Annually, the Directors assess the carrying value of each asset. Where the estimated recoverable amount of the asset is less than its carrying amount, the asset is written down. The impairment loss is recognised in the Statement of Financial Performance.

Statement of Cash Flows

The following are the definitions of the terms used in the statement of cash flows:

- (a) Operating activities include all transactions and other events that are not investing or financing activities.
- (b) Investing activities are those activities relating to the acquisition, holding and disposal of property, plant and equipment and of investments. Investments can include securities not falling within the definition of cash.
- (c) Financing activities are those activities that result in changes in the size and composition of the capital structure. This includes both equity and debt not falling within the definition of cash. Dividends paid in relation to the capital structure are included in financing activities.
- (d) Cash is considered to be cash on hand and current accounts in banks, net of bank overdrafts.

Changes in Accounting Policies

There have been no changes in accounting policies in the current period.

All policies have been applied on bases consistent with those used in previous periods.

Comparatives

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with the current year.

BORROWING GROUP NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

1. Operating surplus before taxation is arrived at after crediting /(charging) the following items:

	2005	2004
	\$000	\$000
Operating revenue		
Sales	269,637	212,061
Rental	81	108
Other income		
Dividend investment revenue		
- subsidiaries not part of Borrowing Group	3,441	1,981
- associates not part of Borrowing Group	860	877
Interest	321	357
Foreign exchange gains	540	301
Net surplus on sale of assets	2,364	3,915
Operating expenses		
Depreciation		
- freehold buildings	(65)	(66)
- leasehold buildings	(98)	(12)
- plant and equipment	(3,707)	(2,965)
- furniture, office equipment and fittings	(1,531)	(1,262)
- motor vehicles	(1,075)	(1,060)
Total depreciation expense	(6,476)	(5,365)

	2005	2004
	\$000	\$000
Amortisation of intangible assets		
- goodwill	(2,093)	(1,074)
Fees paid to principal auditor		
- audit	(197)	(151)
- tax audit and compliance	(124)	(74)
- acquisition completion audits	(9)	-
- other assurance	-	(92)
Bad debts	(240)	(361)
Increase in doubtful debts provision	(90)	(47)
Directors' fees	(185)	(180)
Donations	(34)	(36)
Interest	(5,462)	(2,527)
Leasing and rental charges	(15,357)	(12,961)
Rent abatement	-	(1,031)
Foreign exchange losses	(365)	(390)
Loss on sale of shares	(2)	(489)
Provision for investments to lower of cost or net realisable value	(694)	1,633

2. Taxation

	2005	2004
	\$000	\$000
Taxation at 33% of operating surplus	7,519	7,113
Adjusted for the tax effect of:		
Non assessable Income		
- Capital Profits	(355)	(992)
- Other	(309)	(510)
Non deductible expenses	522	707
Imputation credits on dividends received	(1,600)	(598)
Movement in imputation credit accounts	(985)	951
Club Life losses utilised	(978)	-
Future tax benefit recognised	(1,662)	(4,752)

Taxation per Statement of Financial Performance		
	2,152	1,919
Comprising:		
Estimated current year tax	5,706	5,720
Movement in future income tax benefit	(3,554)	(3,801)
	2,152	1,919

Imputation Credit Memorandum Account		
Balance at beginning of year	(3,118)	833
Dividends	(6,717)	(7,251)
Taxation	6,200	3,300
Balance at end of the year	(3,635)	(3,118)

The benefit of the tax prepaid is recoverable against tax on future income.

3. Share Capital

	2005	2004	2005	2004
	Number of Issued Shares		\$000	\$000
Opening ordinary shares	49,197,086	49,197,086	16,287	16,287
Shares repurchased during the year as treasury stock	(190)	-	(1)	-
Total fully paid ordinary shares	49,196,896	49,197,086	16,286	16,287

Treasury Stock

Shares held as treasury stock as at balance date total 1,114,406 shares (2004: 1,114,216 shares).

Share Rights

All ordinary shares rank equally with one vote attached to each fully paid ordinary share with the exception of shares held as treasury stock as all their rights and obligations are suspended.

4. Retained Earnings and Dividends

	2005	2004
	\$000	\$000
Retained Earnings		
Balance at beginning of year	68,813	64,429
Net Surplus attributable to the Borrowing Group	20,633	19,635
Dividends	(18,695)	(15,251)
Balance at end of year	70,751	68,813
Comprising		
Borrowing Group Subsidiaries	70,751	68,813
Total Retained Earnings	70,751	68,813
Dividends		
Final dividend - prior year	(9,348)	(7,380)
Interim dividend - current year	(9,347)	(7,871)
	(18,695)	(15,251)
Supplementary dividends to foreign investors	(80)	(116)
Foreign investor tax credits	80	116
Total Dividends	(18,695)	(15,251)

The dividends were fully imputed.

5. Term Liabilities

	Rates	2005	2004
	%	\$000	\$000
Borrowings			
Repayable			
Between 1 and 2 years - Secured 7.25%		83,000	34,000
		83,000	34,000

The interest rate on borrowings is floating

Provision for rent abatement

Balance at beginning of year	2,885	2,500
Plus transfer from revenue	-	1,031
Less payments	(641)	(646)
Balance at end of year	2,244	2,885
Total Term Liabilities	85,244	36,885

The rental payable by Kirkcaldie & Stains Limited has been underwritten to the extent of the difference between rental payable under the terms of the lease and the higher of market rental or 5% of turnover on the basis that the underwritten payment by Hellaby Holdings Limited will not be higher than the previous year. The provision is expected to be utilised by December 2008.

6. Current Liabilities

	2005	2004
	\$000	\$000
Borrowings	2,568	2,830
Bank overdraft	2	3,109
Trade creditors and accruals	32,244	24,177
Employee entitlements	3,871	3,484
Provision for taxation	3,674	3,118
Amounts due to related companies	4,602	301
Total Current Liabilities	46,961	37,019
Secured	2,570	6,527
Unsecured	44,391	30,492
Total Current Liabilities	46,961	37,019

Security for secured current and term liabilities is provided in the form of :

- Charge over specific assets
- Mortgage on properties
- Floating debenture over assets.

The weighed average effective interest rates on bank borrowings was 7.9% (2004: 7.5%).

7. Property, Plant and Equipment

	2005	2004
	\$000	\$000
Cost		
Land - Freehold	521	521
Buildings - Freehold	2,547	2,547
Buildings - Leasehold	1,375	741
	4,443	3,809
Plant and Equipment	28,695	24,797
Furniture, Office Equipment and Fittings	12,407	11,157
Motor Vehicles	7,255	6,707
Total cost	52,800	46,470
Accumulated Depreciation		
Buildings - Freehold	1,090	1,025
Buildings - Leasehold	710	583
Plant and Equipment	13,850	13,248
Furniture, Office Equipment and Fittings	7,077	5,641
Motor Vehicles	4,041	3,633
Total accumulated depreciation	26,768	24,130
Net Book Value		
Land - Freehold	521	521
Buildings - Freehold	1,457	1,522
Buildings - Leasehold	665	158
Plant and Equipment	14,845	11,549
Furniture, Office Equipment and Fittings	5,330	5,516
Motor Vehicles	3,214	3,074
Total Net Book Value of Property, Plant and Equipment	26,032	22,340

The latest government valuation of freehold land and buildings at 30 June 2005 amounts to \$2.8 million (2004: \$2.8 million).

8. Intangible Assets

	2005	2004
Note	\$000	\$000
Goodwill		
Balance at beginning of year:		
Acquired at cost	17,285	14,891
Accumulated amortisation	(3,409)	(2,335)
Book Value of Goodwill at beginning of year	13,876	12,556
Acquisition of Borrowing Group Subsidiaries	10 26,980	-
Other Acquisitions	56	2,394
Amortisation	(2,093)	(1,074)
Balance at end of year:		
Acquired at cost	44,321	17,285
Accumulated amortisation	(5,502)	(3,409)
Book Value of Goodwill at end of year	38,819	13,876

9. Future Tax Benefit

	2005	2004
Note	\$000	\$000
Non-refundable prepaid tax	8,427	5,308
Present value based on forecast utilisation over the ensuing three years		
Balance at beginning of year	5,308	1,217
Club Life losses utilised	978	-
Movement in Borrowing Group imputation credit account	985	-
Paid and recognised during the year	1,156	4,091
Balance at end of year	8,427	5,308
Timing Differences		
Balance at beginning of year	2,263	1,602
Movement during the year	1,591	661
Balance at end of year	3,854	2,263
Total Future Tax Benefit	12,281	7,571
Comprising:		
Current	11 3,635	3,118
Non-current	8,646	4,453
Total Future Tax Benefit	12,281	7,571

The Borrowing Group has accounted for all future tax benefits relating to timing differences at 30 June 2005 in the Statement of Financial Position (2004 - timing differences of \$1.66 million not recognised).

10. Investments

	2005	2004
	\$000	\$000
Investment in Associates not part of Borrowing Group	5,790	6,163
Investment in Subsidiaries not part of Borrowing Group	11,502	10,760
Unquoted Investments	-	45
Loans and Advances	-	120
Total Investments	17,292	17,088
	2005	2004
	\$000	\$000
Movement in Investments		
Balance at beginning of year	17,088	15,436
Acquisitions during year	310	9,089
Disposals during year	(800)	(5,804)
Provision for investments to lower of cost or net realisable value	694	(1,633)
Balance at end of year	17,292	17,088

Subsidiary Companies included in Borrowing Group:

Name of Subsidiary	Principal Activities	Interest held by Borrowing Group	
		2005	2004
AB Equipment Limited	Materials handling and construction equipment	100%	100%
AB Rental Limited	Forklift rentals	100%	100%
BBQ Factory Limited	Barbeque and spa pool distributor	100%	-
Brake & Transmission NZ Limited	Automotive parts distributors	100%	100%
Diesel Distributors Limited	Diesel engine components distributor	100%	100%
Elldex Packaging Limited	Packaging manufacturer and distributor	100%	-
Eurolift NZ Limited	Forklift sales and rentals	100%	100%
Hellaby Properties Limited	Property owner	100%	100%
Levana Textiles Limited	Textiles manufacturer	100%	100%
TRS Tyre & Wheel Limited	Tyre importer and distributor	100%	100%

On 31 August 2004 Hellaby Holdings Limited purchased the shares of BBQ Factory Limited for consideration of \$25.6 million.

On 1 February 2005 Hellaby Holdings Limited purchased the shares of Elldex Packaging Limited for consideration of \$9.2 million with a further \$1.0 million consideration payable contingent on renewing a key customer contract. The tax paid operating surplus contributed to the Borrowing Group's Statement of Financial Performance was \$0.9 million.

On 1 February 2005 Brake & Transmission NZ Limited acquired the trade and assets of John Bates Auto Supplies for consideration of \$0.7 million. Details of the assets and liabilities acquired are shown below.

On 4 August 2003 Brake & Transmission NZ Limited acquired the trade and assets of Bindons Auto Electric Limited for consideration of \$2.9 million. The tax paid operating surplus contributed to the Group's Statement of Financial Performance for the period 4 August 2003 to 30 June 2003 was \$95,000.

Principal Subsidiary Companies not part of Borrowing Group:

Name of Subsidiary	Principal Activities	Interest held by Borrowing Group	
		2005	2004
Diesel Distributors Australia Pty Limited	Diesel engine components distributor	100%	100%
R Hannah & Co Limited	Specialty shoe retailer	85%	85%
Rodd & Gunn Limited	Apparel retailer	82.5%	85%
Teamwork Inteletrac Limited	Mobile data dispatch systems	55%	-

On 9 January 2004 Hellaby Holdings Limited sold its 63% shareholding in Club Life Holdings Limited and its 50% shareholding in Taylors Manufacturing Limited on 30 June 2004.

On 1 November 2004 Hellaby Holdings Limited acquired a 40% shareholding in Teamwork Inteletrac Limited, increasing to 55% on 31 May 2005 for consideration of \$0.3 million.

On 30 June 2004 Rodd & Gunn Limited convertible notes were converted into \$8.2 million paid up share capital, increasing Hellaby Holdings interest to 85% (2003 : 53%).

All subsidiary companies above have a balance date of 30 June and, with the exception of Diesel Distributors Australia Limited, which is incorporated in Australia, are incorporated in New Zealand.

Associated Companies not part of Borrowing Group:

Name of Associate	Principal Activities	Interest held by Group		Group Carrying Amount	
		2005	2004	2005	2004
Bert Teubel Limited	Metal products manufacturer	-	49%	-	714
Bombay Petfoods Limited	Petfood supplier	49%	49%	957	833
Energy Intellect Limited	Metering/communications	25%	25%	2,083	588
New Zealand Wool Services International Limited	Wool scouring and exporting	20%	20%	3,487	3,627

The associated companies have a balance date of 30 June and are incorporated in New Zealand.

Bert Teubel was disposed of on 1 July 2004 for consideration of \$1,215,000.

Loans and Advances

Interest on loans and advances is at a weighted average interest rate of 8.5% (2004 - 8%) per annum.

Acquisition and Divestment of Subsidiaries

Subsidiaries and business undertakings acquired/disposed by Hellaby Holdings Limited and subsidiaries during the past two years are listed as follows:

Date	Subsidiary	Transaction
May 2005	Teamwork Inteletrac Limited (1)	acquired 55%
February 2005	Bates Auto Supplies Limited (acquired by Brake & Transmission)	acquired 100%
January 2005	Elldex Packaging Limited	acquired 100%
August 2004	BBQ Factory Limited	acquired 100%
June 2004	Taylor's Manufacturing Limited (1)	divested 50% interest
January 2004	Club Life Holdings Limited (1)	divested 63% interest
May 2003	TRS Agri-Tire Limited (renamed TRS Tyre & Wheel Limited)	acquired 100% interest

(1) Not Guaranteeing Subsidiaries of the Borrowing Group. These investments have been recorded at the lower of cost or market value in these financial statements.

The movement in assets and liabilities resulting from the wholly owned Borrowing Group subsidiaries acquired are as follows:

	Acquisition 2005 \$000	Divestment 2005 \$000	Acquisition 2004 \$000	Divestment 2004 \$000
Consideration				
Cash on settlement, including costs	36,122	-	-	-
Total Consideration	36,122			
Assets and Liabilities Acquired				
Cash and deposits	7	-	-	-
Fixed assets	1,906	-	-	-
Receivables	6,491	-	-	-
Inventories	10,812	-	-	-
Intangible assets	26,980	-	-	-
Payables	(9,325)	-	-	-
Borrowings	(749)	-	-	-
Total Net Assets Acquired	36,122			

11. Current Assets

		2005	2004
	Note	\$000	\$000
Inventories			
- Raw materials		3,031	2,144
- Work in progress		1,808	1,406
- Finished goods		71,431	57,037
Total inventory		76,270	60,587
Cash and deposits		4,560	2,161
Loans and advances		346	245
Current portion of future income tax benefit	9	3,635	3,118
Amount due from subsidiaries not part of Borrowing Group		2,411	1,105
Amount due from associates not part of Borrowing Group		1	-
Trade debtors and prepayments		41,230	34,031
Total Current Assets		128,453	101,247

12. Reconciliation of Operating Surplus with Cash Flows

	2005	2004
	\$000	\$000
Operating Surplus before Taxation	22,785	21,554
Non Cash Items:		
Depreciation	6,476	5,365
Amortisation of intangible assets	2,093	1,074
Unrealised foreign exchange losses	74	188
Provision for investments to lower of cost or net realisable value	(694)	1,633
Other:		
Taxation	(6,302)	(3,495)
Classified as Investing:		
Net gain on sale of assets	(2,364)	(3,915)
Loss on sale of shares	2	489
Movement in Working Capital:		
Trade creditors	(7,579)	(4,579)
Inventory	(4,871)	(5,812)
Receivables	(708)	(1,030)
Net Cash from Operating Activities	8,912	11,472

13. Capital Commitments

	2005	2004
	\$000	\$000
Commitments at the end of the year not provided for in the financial statements	352	257

14. Operating Lease Commitments

	2005	2004
	\$000	\$000
Gross commitments under non-cancelable operating leases for the Borrowing Group are due:		
Within 1 year	16,182	13,801
Between 1 and 2 years	12,735	10,495
Between 2 and 5 years	17,632	12,282
Over 5 years	6,652	4,701
Total Operating Lease Commitments	53,201	41,279

The commitments partly relate to head and subtenancy agreements for rental accommodation and will be partially offset by receivables from subtenants.

15. Contingent Liabilities

	2005	2004
	\$000	\$000
Contingent liabilities under contracts, guarantees and other agreements arising in the ordinary course of business on which no loss is anticipated are as follows:		
Guarantees in respect of performance of contracts	35,518	39,642
Letters of Credit	9,316	4,157
Total Contingent Liabilities	44,834	43,799

16. Related Party Transactions**Intra-Group Transactions**

During the current and previous financial years the Borrowing Group advanced and repaid loans to subsidiaries and associates not part of the Borrowing Group. Amounts due to and from these companies as at balance date are shown in Notes 6 and 11. In total loans advanced and repaid to the companies amounted to \$3.0 million advance (2004: \$3.3 million advance).

Brake & Transmission (BNT)

Automotive franchise holder, Midas New Zealand, was acquired on 1 June 2003 by parties associated with Hellaby Holdings Limited directors, H Green, W Carter and D Houldsworth, and BNT Chief Executive G Horne. Products of \$970,000 were sold by BNT to Midas franchisees during the year (2004 - \$941,406) on normal trade terms.

BNT leases premises at Omega Street, North Harbour, Auckland owned by G Horne's family trust. Lease payments of \$466,804 were made for the 12 months (2004 - \$347,580 for 9 months).

17. Segment Information

	Revenue	Surplus/ (Deficit)	Assets
2005	\$000	\$000	\$000
Automotive	88,156	12,617	47,827
Industrial	127,386	10,001	81,680
Retail	32,016	1,644	35,233
Other	22,080	2,452	22,390
Corporate Office and Investment	80	1,212	32,112
	269,718	27,926	219,242
Interest		(5,141)	
Income tax		(2,152)	
Operating Surplus before Tax		20,633	

	Revenue	Surplus/ (Deficit)	Assets
2004	\$000	\$000	\$000
Automotive	86,359	11,684	45,637
Industrial	114,499	9,125	78,166
Other	11,213	238	9,573
Corporate Office and Investment	98	2,677	25,628
	212,169	23,724	159,004
Interest		(2,170)	
Income tax		(1,919)	
Operating Surplus before Tax		19,635	

Geographic Segments

	Revenue	Surplus	Assets
2005	\$000	\$000	\$000
New Zealand	269,718	20,633	216,821
Australia	-	-	2,214
United States	-	-	207
	269,718	20,633	219,242

	Revenue	Surplus	Assets
2004	\$000	\$000	\$000
New Zealand	212,169	19,635	157,988
Australia	-	-	809
United States	-	-	207
	212,169	19,635	159,004

18. Financial Instrument Disclosure

Credit Risk

Financial Instruments which potentially subject the Borrowing Group to credit risk principally consist of bank balances, accounts receivable, and forward exchange contracts. The domestic credit risk is managed through the use of bank guarantees or internal credit limits for customers. Maximum exposures to credit risk as at balance date are:

	2005	2004
	\$000	\$000
Bank balances	4,560	2,161
Accounts receivable	41,230	34,031
Due from subsidiaries and associates not part of Borrowing Group	2,412	1,105
Loans and advances	346	365

Concentration of Credit Risk

Credit Risk is spread across a number of countries in the form of bank deposits and receivables

	2005	2004
New Zealand	96.3%	91.5%
Australia	3.0%	3.9%
United States	-	0.6%
Other Countries	0.7%	4.0%
	100.0%	100.0%

Currency Risk

Currency risk is the risk of loss to the Borrowing Group arising from changes in exchange rates. Foreign currency exposures and risks arise as the Borrowing Group purchases and sells inventory denominated in foreign currency to hedge trade receivables and trade payables. The currencies in which the Borrowing Group primarily deals are Australian Dollars, Japanese Yen, United States Dollars, and the Euro.

Foreign Exchange Contracts

At balance date the Borrowing Group had entered into foreign exchange contracts maturing during 2005 through to 2006 to sell the equivalent of NZ \$29.4 million (2004: NZ \$13.6 million) and to buy the equivalent of NZ \$7.3 million (2004: \$1.8 million).

Interest Rate Risk

The Borrowing Group has long and short term debt facilities, the interest rates for which are shown in Notes 5 and 6.

Credit Facilities

The Borrowing Group has credit facilities of NZ \$108.5 million (2004: \$66 million). Outstanding borrowings at 30 June 2005 were NZ \$85.6 million (2004: \$39.9 million).

Fair Values

There are no material differences between the fair value and carrying value of assets and liabilities.

19. Impact of Adopting New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS")

In December 2002 the New Zealand Accounting Standards Review Board announced that International Financial Reporting Standards ("IFRS") will apply to all New Zealand entities for periods commencing on or after 1 January 2007. Entities will also have the option of voluntarily early adopting the new standards for periods beginning on or after 1 January 2005.

Since this date New Zealand equivalents to International Reporting Standards ("NZ IFRS") have been issued. In complying with these, New Zealand entities will be in compliance with IFRS.

The Borrowing Group has adopted NZ IFRS effective from 1 July 2005 with the first NZ IFRS compliant financial statements being published for the half year ending 31 December 2005 and the full year ending 30 June 2006.

On adoption Hellaby Holdings Limited identified the following key differences:

NZ IAS 39 Financial Instruments: Recognition and Measurement

Under NZ IAS 39, the fair value of derivatives entered into by the Borrowing Group must be recognised on the Statement of Financial Position. Changes in the fair value of these derivatives must be recorded through the Statement of Financial Performance unless hedging documentation and effectiveness requirements are met in which case changes in fair value are able to be recorded through equity. Under the current accounting policies the fair value of derivatives is disclosed but not recognised in the financial statements.

NZ IAS 38: Accounting for Intangibles

Under NZ IAS 38, goodwill will cease to be amortised and will be subject to an annual impairment review. The amortisation for the year ended 30 June 2005 amounted to \$2.1 million.

Under NZ IAS 38, the Borrowing Group is required to identify any other intangible assets as distinguished from goodwill that were acquired in relation to acquisitions made during the NZ IFRS conversion period. Subject to meeting the recognition and measurement criteria, any assets identified, for example a brand, will result in separate recognition of these assets and a reduction to goodwill.

NZ IAS 12 Income Taxes

This standard requires recognition of deferred tax using the comprehensive basis applied to temporary differences together with a different test associated with recognition of losses. This will result in the Borrowing Group recognising deferred tax balances not currently recognised under the current accounting policies, in particular deferred tax in relation to the fair value of financial instruments and the carrying value of intangible assets other than goodwill.

To date the Borrowing Group has not been able to reliably estimate the impacts of these differences on the financial statements.

The purpose of this disclosure is to highlight the key impacts the Borrowing Group expects as a result of transitioning to NZ IFRS from current accounting policies of Hellaby Holdings Limited based on the standards and interpretations as they are today. It is possible that future developments to NZ IFRS will change the nature of the adjustments required by the time the Borrowing Group reports its first financial statements prepared under NZ IFRS.

20. Subsequent Events

Hellaby Holdings Limited declared a final dividend of 20 cents per share, fully imputed, paid 7 October 2005 (2004: 19 cents).

On 1 July 2005 Hellaby Holdings Limited acquired 80% of the shares in Discount Shoe Warehouse Limited, trading as No.1 Shoe Warehouse for consideration of \$26.3 million.

On 1 July 2005 Hellaby Holdings Limited increased its shareholding in R Hannah & Co Limited from 85% to 94.2% for consideration of \$6.2 million.

On 31 October 2005 Brake & Transmission NZ Limited acquired the trade and assets of Automotive Supplier Thames for consideration of \$0.7 million.

On 31 December 2005 Hellaby Holdings disposed of its 75% investment in Oakleys Plumbing Supplies Limited.

On 3 March 2006 Hellaby Holdings announced details of a dividend reinvestment plan allowing shareholders to utilise all or part of their dividend to acquire shares in Hellaby Holdings.

On 29 March 2006 Hellaby Holdings Limited increased its shareholding in R Hannah & Co Limited from 94.2% to 100% for consideration of \$2.3 million.

On 1 April 2006 Diesel Distributors Limited acquired the trade and assets of B&E Diesel Spares in Australia for consideration of \$1.0 million.

On 26 April 2006 Hellaby Holdings notified the NZX that it had entered into a conditional agreement to sell its 82.5% interest in Rodd & Gunn Limited for total consideration of \$13.6 million. The agreement is conditional on obtaining shareholder approval.

Hellaby Holdings declared an interim dividend for the year ended 30 June 2006 of 15 cents per share, fully imputed, paid 28 April 2006.

Following a review of the year to date trading performance of the BBQ Factory Limited an initial impairment review has been undertaken which indicates that the BBQ Factory Limited goodwill may be written down at 30 June 2006 by up to \$5.0 million. In accordance with Hellaby Holdings Limited's accounting policy, a comprehensive review will be undertaken at 30 June 2006 which will incorporate the results for the year, the end of season financial position and the 30 June 2007 budget.

INTERIM FINANCIAL STATEMENTS FOR THE BORROWING GROUP

FOR THE 6 MONTHS ENDED 31 DECEMBER 2005

The unaudited financial statements on pages 37 to 65 are for the Hellaby Holdings Limited Borrowing Group for the six month period ended 31 December 2005. The financial statements have been prepared under NZ IFRS as modified by the Securities Regulations 1983 and the accounting policies noted on pages 39 to 44 following the adoption of NZ IFRS by Hellaby Holdings Limited. The impact of adopting NZ IFRS for the period ended 31 December 2005 and the year ended 30 June 2005 has been disclosed in Note 30 to the financial statements on pages 63 to 65.

BORROWING GROUP INCOME STATEMENT FOR THE PERIOD ENDED 31 DECEMBER 2005

	6 months ending 31 December 2005 Note	12 months ending 30 June 2005
	\$000	\$000
Revenue	4	
Sale of goods	152,573	269,637
Other revenue	2,578	9,522
Total income	155,151	279,159
Expenses		
Cost of inventory sold	96,280	165,441
Rental & operating leases	9,018	15,094
Salaries & wages	21,417	38,984
Depreciation & amortisation	3,241	6,643
Other expenses	14,053	22,962
Profit before finance costs	11,142	30,035
Less finance costs	4,089	5,141
Profit before tax	5	7,053
Income tax	6	2,152
Profit after tax attributable to the Borrowing Group	4,910	22,742
	Cents	Cents
Earnings per share attributable to the Borrowing Group:	7	
Basic and diluted earnings per share	10	46
Basic and diluted earnings per share (annualised)	20	-

BORROWING GROUP BALANCE SHEET AS AT 31 DECEMBER 2005

	31 December 2005 Note	30 June 2005 \$000
ASSETS		
Current assets		
Inventories	10 91,102	76,270
Derivative financial instruments	11 100	-
Receivables	9 44,277	43,595
Cash and cash equivalents	8 2,538	4,560
Other current assets	12 320	346
Total current assets	138,337	124,771
Non-current assets		
Property, plant and equipment	14 21,457	24,106
Intangible assets	16 44,853	42,837
Investments	13 49,633	17,292
Future tax benefit	15 14,838	12,281
Total non-current assets	130,781	96,516
Total Assets	269,118	221,287
LIABILITIES		
Current liabilities		
Derivative financial instruments	11 387	-
Current tax liabilities	15 8,297	3,674
Trade and other payables	17 35,836	32,600
Payable to related parties	17 9,589	4,602
Provisions	17 2,889	3,514
Borrowings	18 6,782	2,570
Total current liabilities	63,780	46,960
Non-current liabilities		
Borrowings	18 104,500	83,000
Payables	17 15,306	-
Provisions	17 1,409	2,245
Total non-current liabilities	121,215	85,245
Total Liabilities	184,995	132,205
Net Assets	84,123	89,082
EQUITY		
Contributed equity	21 16,286	16,286
Cash flow hedge reserve	22 (92)	-
Retained profits	22 67,929	72,796
Total Equity	84,123	89,082

The accompanying notes on pages 39 to 65 form part of these financial statements.

BORROWING GROUP STATEMENT OF MOVEMENTS IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2005

	31 December 2005	30 June 2005
	Note	\$000
Total equity at the beginning of the period	89,082	85,036
Fair value of financial instruments on adoption of NZ IFRS net of tax	22	63
Movement in cash flow hedge reserve net of tax	22	(92)
Profit for the period	4,910	22,742
Total recognised income and expense for the period	4,881	22,742
Dividends provided for or paid	23	(9,840)
Re-purchase of shares		-
		(1)
Total equity at the end of the period	84,123	89,082

BORROWING GROUP STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2005

	6 months ending 31 December 2005	12 months ending 30 June 2005
	Note	\$000
Cash flows from operating activities		
Receipts from customers	187,010	267,104
Payments to suppliers and employees	(191,018)	(253,017)
Cash from operations	(4,008)	14,087
Dividends received	262	4,889
Interest received	77	144
Other revenue	687	1,475
Interest paid	(3,992)	(5,381)
Income taxes paid	(62)	(6,302)
Net cash (outflow)/inflow from operating activities	29	(7,036)

	6 months ending 31 December 2005	12 months ending 30 June 2005
	Note	\$000

Cash flows from investing activities

Payment for purchase of Borrowing Group businesses, net of cash acquired	(3,474)	(36,122)
Payment for purchase of non-Borrowing Group businesses, net of cash acquired	(11,985)	(1,042)
Payments for property, plant and equipment	(4,530)	(13,885)
Proceeds from sale of equity investments	-	1,637
Proceeds from sale of property, plant and equipment	4,745	12,704
Repayment of loans	24	607
Net cash (outflow) from investing activities	(15,220)	(36,101)

Cash flows from financing activities

Proceeds from borrowings	25,182	49,440
Repayment of borrowings	-	(736)
Advances from subsidiaries and associates not part of Borrowing Group	4,364	2,687
Repurchase of shares	-	(1)
Dividends paid to Hellaby Holdings Limited's shareholders	(9,840)	(18,695)
Net cash inflow from financing activities	19,706	32,695
Net (decrease)/increase in cash and cash equivalents	(2,550)	5,506
Cash and cash equivalents at the beginning of the period	4,558	(948)
Effects of exchange rate changes on cash and cash equivalents	7	-
Cash and cash equivalents at end of the period	8	2,015
Consisting of:		
Cash and cash equivalents	2,538	4,560
Bank overdraft	(523)	(2)
Closing cash balance	8	2,015

The accompanying notes on pages 39 to 65 form part of these financial statements..

BORROWING GROUP STATEMENT OF ACCOUNTING POLICIES

1. Summary of significant accounting policies

These financial statements for the Borrowing Group for the interim 6 months reporting period ended 31 December 2005 have been prepared in accordance with the Securities Regulations 1983 and where these Regulations do not conflict with New Zealand equivalents to the International Report Standards ("NZ IFRS"), in accordance with NZ IFRS.

(a) Basis of preparation of interim financial statements

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Entities reporting

The financial statements are for Hellaby Holdings Limited Borrowing Group as defined below. Hellaby Holdings Limited is domiciled in New Zealand. Its registered office is at Level 9, Worldwide Tower, 8-10 Whitaker Place, Auckland.

As at 31 December 2005 the Borrowing Group consists of Hellaby Holdings Limited and its Guaranteeing Subsidiary companies being:

- AB Equipment Limited
- AB Rental Limited
- BBQ Factory Limited
- Brake & Transmission NZ Limited
- Diesel Distributors Limited
- Elldex Packaging Limited
- Eurolift NZ Limited
- Hellaby Properties Limited
- Levana Textiles Limited
- TRS Tyre & Wheel Limited

The Borrowing Group is designated as a profit-orientated entity for financial reporting purposes.

Statutory base

Hellaby Holdings Limited is a company registered in New Zealand under the Companies Act 1993 and is an issuer in terms of the Securities Act 1978.

Application of NZ IFRS 1 First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS)

Financial statements of Hellaby Holdings Limited until 30 June 2005 had been prepared in accordance with previous New Zealand Financial Reporting Standards (NZ FRS).

NZ FRS differs in certain respects from NZ IFRS. When preparing the Borrowing Group interim financial statements for the half year ended 31 December 2005, management has amended certain accounting and valuation methods applied in the previous NZ FRS financial statements to comply with NZ IFRS as modified by the Securities Regulations 1983. With the exception of financial instruments, the comparative figures were restated to reflect these adjustments. The Borrowing Group has taken the exemption available under NZ IFRS 1 only to apply NZ IAS 32 and NZ IAS 39 from 1 July 2005.

Reconciliations and descriptions of the effect of transition from previous NZ FRS to NZ IFRS on the Borrowing Group's equity and its net income are given in Note 30.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through the income statement.

Critical accounting estimates

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Borrowing Group's accounting policies.

(b) Principles of consolidation

(i) *Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all guaranteeing subsidiaries of Hellaby Holdings Limited ("Hellaby Holdings") as at 31 December 2005 and the results of these subsidiaries for the 6 months then ended. Hellaby Holdings and its Guaranteeing Subsidiaries together are referred to in these financial statements as the Borrowing Group.

Subsidiaries are all those entities over which Hellaby Holdings as the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether Hellaby Holdings controls another entity.

(ii) *Guaranteeing Subsidiaries*

Guaranteeing Subsidiaries which form part of the Borrowing Group are fully consolidated from the date on which control is transferred to Hellaby Holdings. They are deconsolidated from the date that control ceases or they cease to be part of the Borrowing Group.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Borrowing Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Borrowing Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Intercompany transactions, balances and unrealised gains on transactions between subsidiary companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by Hellaby Holdings.

(iii) *Non-guaranteeing subsidiaries:*

Non-guaranteeing subsidiaries are not members of the Borrowing Group and are accounted for as an investment of the Borrowing Group at the lower of cost, less amounts written off or market value. Cost includes the fair value of consideration paid, assets given or liabilities assumed together with any costs directly attributable to the acquisition of the investment.

(iv) *Associates*

Associates are all entities over which Hellaby Holdings has significant influence but not control, generally evidenced by holding of between 20% and 50% of the voting rights. Investments in associates are accounted for as an investment of the Borrowing Group at the lower of cost, less amounts written off or market value. Cost includes the fair value of consideration paid, assets given or liabilities assumed together with any costs directly attributable to the acquisition of the investment.

(c) **Segment reporting**

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

(d) **Foreign currency translation**

(i) *Functional and presentation currency*

Items included in the financial statements of each of the subsidiaries' operations are measured using the currency of the primary economic environment in which it operates ('the functional currency'). The financial statements are presented in New Zealand dollars, which is Hellaby Holdings' functional and presentation currency.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

(iii) *Foreign operations*

The results and balance sheets of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions)
- all resulting exchange differences are recognised as a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(e) Revenue recognition

Revenue comprises the fair value for the sale of goods and services, excluding Goods and Services Tax, rebates and discounts and after eliminating sales within the Borrowing Group. Revenue is recognised as follows:

(i) Sales of goods - wholesale

Sales of goods are recognised when a Borrowing Group subsidiary has delivered products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

(ii) Sales of goods - retail

Sales of goods are recognised when a Borrowing Group subsidiary sells a product to the customer. Retail sales are usually in cash or by credit card. The recorded revenue is the gross amount of sale, including credit card fees payable for the transaction. Such fees are included in distribution costs.

(iii) Sales of services

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(iv) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Borrowing Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(v) Rental income

Rental income is recognised on an accruals basis in accordance with the substance of the relevant agreements.

(vi) Dividend income

Dividend income is recognised when the right to receive payment is established.

(f) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by 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, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(g) Leases*(i) The Borrowing Group is the lessee*

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight line basis over the period of the lease.

(ii) The Borrowing Group is the lessor

Assets leased to third parties under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

(h) Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment irrespective of whether any indicators identifying a possible impairment have been identified. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(i) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(j) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for doubtful receivables is established when there is objective evidence that the Borrowing Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the average cost of capital. The amount of the provision is recognised in the income statement.

(k) Inventories

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials and where applicable, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realisable value is the estimated selling

price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(l) Investments and other financial assets*Investments*

Investments are accounted for at the lower of cost, less amounts written off or market value.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Borrowing Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet.

(m) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Borrowing Group designates certain derivatives as either; (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or (2) hedges of highly probable forecast transactions (cash flow hedges).

Certain subsidiaries document at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. These subsidiaries also document their assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(iii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting or hedge accounting has not been adopted. Changes in the fair value of these derivative instruments are recognised immediately in the income statement.

(iv) Financial instruments comparative period

For comparative purposes, the Borrowing Group is party to financial instruments, being forward exchange contracts, with off-balance sheet risk to meet financing needs and to reduce exposure to fluctuations in interest rates and foreign exchange rates. Exposure to gains or losses on these contracts is generally offset by a related loss or gain on the item being hedged. Gains and losses on currency contracts which hedge specific short term foreign currency denominated commitments are recognised as a component of the related transaction in the period in which the transaction is completed.

(n) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments that are not

traded in an active market (for example, over the counter derivatives) is determined using valuation techniques. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance date.

(o) Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Borrowing Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

- Buildings	10 - 40 years
- Plant and equipment	4 - 15 years
- Motor vehicles	4 - 5 years
- Furniture, fittings and office equipment	4 - 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(p) Intangible assets*(i) Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Borrowing Group's share of the net identifiable assets of the acquired business at the date of acquisition. Goodwill on acquisitions of businesses is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash generating units for the purpose of impairment testing. Each of those cash generating units represents the Borrowing Group's investment in each subsidiary.

(ii) Brands

Brands are valued independently as part of the fair value of businesses acquired from third parties where the brand has a value which is substantial and long-term and where the brands can be sold separately from the rest of the businesses acquired. Brands are amortised over their estimated life, except where it is considered that the useful economic life is indefinite. Brands have only been valued for acquisitions that have occurred since the opening IFRS balance sheet date as the group has taken advantage of the exemption not to reopen business combinations since this date. No deferred tax is recognised in relation to brands as they are deemed to have an indefinite life and therefore are not being consumed by the relevant subsidiary.

(iii) Software costs

Software costs have a finite useful life. Software costs are capitalised and written off over the useful economic life of 2 to 5 years.

(q) Trade and other payables

These amounts represent liabilities for goods and services provided to the Borrowing Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(r) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Borrowing Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

(s) Share Capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Where any Borrowing Group subsidiary purchases Hellaby Holdings' equity share capital (treasury shares), the consideration paid, including any directly attributable costs (net of income taxes) is deducted from equity attributable to Hellaby Holdings' equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transactions costs and the related income tax effects, is included in equity attributable to Hellaby Holdings' equity holders.

(t) Provisions

Provisions for legal claims, service warranties and rental obligations are recognised when the Borrowing Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(u) Employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave, contributions paid to defined contribution pension schemes and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(v) Dividends

Provision is made for the amount of any dividend declared on or before the balance date but not distributed at balance date.

(w) Earnings per share

Basic and diluted earnings per share is calculated by dividing the profit attributable to the Borrowing Group, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the half-year, adjusted for bonus elements in ordinary shares issued during the half-year.

2. Transition to IFRS

Application of NZ IFRS 1

The Borrowing Group's interim financial statements for the six months ended 31 December 2005 are the first financial statements that comply with NZ IFRS, as modified by the Securities Regulations 1983. These financial statements have been prepared as described in Note 1. The Borrowing Group has applied NZ IFRS 1 in preparing these financial statements.

Hellaby Holdings transition date is 30 June 2004. The Borrowing Group prepared its opening NZ IFRS balance sheet at that date. The reporting date of these interim financial statements is 31 December 2005. The Borrowing Group's NZ IFRS adoption date is 1 July 2005.

In preparing these interim financial statements in accordance with NZ IFRS 1, the Borrowing Group has applied the mandatory exceptions and certain of the optional exemptions from full retrospective application of NZ IFRS.

The following optional exemptions from full retrospective application have been applied.

(i) Business combinations exemption

The Borrowing Group has applied the business combinations exemption in NZ IFRS 1. It has not restated business combinations that took place prior to the 30 June 2004 transition date.

(ii) Fair value as deemed cost exemption

The Directors' have decided not to use the exemption in NZ IFRS 1 to set the fair value as the deemed cost of property, plant and equipment.

(iii) Exemption from restatement of comparatives for NZ IAS 32 and NZ IAS 39

The Borrowing Group has applied previous NZ FRS rules to derivatives, financial assets, financial liabilities and to hedging relationships for the comparative information. The adjustments required for differences between NZ FRS and NZ IAS 32 and NZ IAS 39 are determined and recognised at 1 July 2005.

The following mandatory exceptions from retrospective application have been applied.

(i) De-recognition of financial assets and liabilities exception

Financial assets and liabilities derecognised before 30 June 2004 are not re-recognised under NZ IFRS. The application of the exemption from restating comparatives for NZ IAS 32 and NZ IAS 39 means that the Borrowing Group recognised from 30 June 2004 any financial assets and financial liabilities derecognised since 30 June 2004 that does not meet the NZ IAS 39 de-recognition criteria. The Directors have chosen not to apply the NZ IAS 39 de-recognition criteria to an earlier date.

(ii) Hedge accounting exception

The Directors have adopted hedge accounting in certain subsidiaries from 1 July 2005 only if the hedge relationship meets all the hedge accounting criteria under NZ IAS 39. The application of this exception at the opening balance sheet date of 1 July 2005 is detailed in Note 11.

(iii) Estimates exception

Estimates under NZ IFRS at 30 June 2004 are required to be consistent with estimates made for the same date under previous GAAP, unless there is evidence that those estimates were in error. No adjustments to previous estimates have been made by the Directors.

(iv) Assets held for sale and discontinued operations exception

The Directors apply NZ IFRS 5 prospectively from 1 July 2005. Any assets held for sale or discontinued operations are recognised in accordance with NZ IFRS 5 only from 1 July 2005. The Borrowing Group did not have any assets that met the held for sale criteria during the period presented. No adjustment was required.

The reconciliations in Note 30 provide a quantification of the effect of the transition to NZ IFRS. The following three reconciliations provide details of the impact of the transition on:

- profit for the 12 months ended 30 June 2005
- equity at 30 June 2004
- equity at 30 June 2005

3. Financial risk management

The Borrowing Group's activities expose it to a variety of financial risks; market risk (including currency risk and fair value interest rate risk), credit risk, liquidity risk and cash flow interest rate risk. The Borrowing Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Borrowing Group. The Borrowing Group uses derivative financial instruments such as foreign exchange contracts to hedge certain risk exposures.

Risk management is carried out by management who evaluate and hedge financial risks.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Borrowing Group's functional currency.

The Borrowing Group purchases and sells inventory denominated in foreign currency. The Borrowing Group is exposed to foreign exchange risk arising from currency exposures primarily Australian Dollars, Japanese Yen, United States Dollars and the Euro.

Forward contracts are used to manage foreign exchange risk. Management are responsible for managing exposures in each foreign currency by using external forward currency contracts.

For segment reporting purposes, certain subsidiaries designate contracts as fair value hedges or cash flow hedges, as appropriate, as hedges of foreign exchange risk on specific assets, liabilities or future transactions on a gross basis.

The Borrowing Group's risk management policy is to generally hedge between 50% and 100% of anticipated transactions (component part purchases) in foreign currencies for the subsequent 12 months.

(ii) Fair value interest rate risk

Refer to (d) below.

(b) Credit risk

The Borrowing Group has no significant concentrations of credit risk. The Borrowing Group companies have procedures in place to ensure that sales of products and services are made to customers with an appropriate credit history. Derivative counterparties and cash transactions are limited to high credit quality financial institutions.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close-out market positions.

(d) Cash flow and fair value interest rate risk

As the Borrowing Group has no significant interest-bearing assets, the Borrowing Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Borrowing Group's interest-rate risk arises from long-term borrowings. Borrowings are at variable rates and therefore the Borrowing Group is exposed to cash flow interest-rate risk.

4. Segment Information

(a) Description of segments

The Borrowing Group is organised into the following business segments by product and service type:

Automotive

The automotive division is comprised of Brake & Transmission NZ Limited, an importer and distributor of automotive and commercial replacement parts, and Diesel Distributors Limited, a wholesale distributor of diesel fuel injection, turbocharger and ancillary diesel engine parts.

Industrial

The industrial division includes AB Equipment Limited, an importer and distributor of materials handling, construction and transport equipment; AB Rentals Limited, a company that rents forklifts; Eurolift NZ Limited, an importer and distributor of materials handling equipment; and TRS Tyre & Wheel Limited, an importer and distributor of tyres and wheels.

Retail

The retail division includes the BBQ Factory Limited, an outdoor living and home heating retailer.

Other

Includes Levana Textiles Limited, a manufacturer of knitted textiles and Elldex Packaging Limited, a manufacturer and importer of flexible plastic packaging and Hellaby Holdings Limited, the holding company for the investments in guaranteeing and non-guaranteeing group companies.

(b) Primary reporting format - business segments

6 months ended	Automotive	Industrial	Retail	Other	Inter- segment eliminations/ unallocated	Group
31 December 2005	\$000	\$000	\$000	\$000	\$000	\$000
INCOME STATEMENT						
Sales to external customers	46,490	73,170	20,311	18,633	-	158,604
Intersegment sales	(126)	(5,905)	-	-	-	(6,031)
Total sales revenue	46,364	67,265	20,311	18,633	-	152,573
Other revenue/income	123	943	466	1,118	(72)	2,578
Total segment revenue/income	46,487	68,208	20,777	19,751	(72)	155,151
Segment result	5,786	3,480	527	1,349	-	11,142
Interest						(4,089)
Income tax expense						(2,143)
Net Profit for the Year						4,910
BALANCE SHEET						
Segment assets	52,342	88,911	60,444	226,588	(159,167)	269,118
Intersegment assets	(229)	(8,231)	-	(150,707)	159,167	-
Total Assets	52,113	80,680	60,444	75,881	-	269,118
Segment liabilities	30,083	68,277	34,952	135,443	(83,760)	184,995
Intersegment liabilities	(20,328)	(48,957)	(16,094)	1,619	83,760	-
Total Liabilities	9,755	19,320	18,858	137,062	-	184,995
Other segmental items						
Acquisitions of property, plant and equipment, intangibles and investments	1,237	3,464	1,134	33,247	-	39,082
Depreciation and amortisation expense	635	2,162	164	280	-	3,241
Impairment of inventories	(35)	280	(441)	-	-	(196)
Impairment of trade receivables	(16)	23	-	(40)	-	(33)
Provision for investments to lower of cost or net realisable value	-	-	-	(36)	-	(36)

12 months ended	Automotive	Industrial	Retail	Other	Inter- segment eliminations/ unallocated	Group
30 June 2005	\$000	\$000	\$000	\$000	\$000	\$000
INCOME STATEMENT						
Sales to external customers	88,453	148,670	32,016	22,088	-	291,227
Intersegment sales	(297)	(21,285)	-	(8)	-	(21,590)
Total sales revenue	88,156	127,385	32,016	22,080	-	269,637
Other revenue/income	289	1,937	1,287	6,153	(144)	9,522
Total segment revenue/income	88,445	129,322	33,303	28,233	(144)	279,159
Segment result	12,617	9,986	1,644	5,788	-	30,035
Interest						(5,141)
Income tax expense						(2,152)
Net Profit for the Year						22,742
BALANCE SHEET						
Segment assets	48,902	94,746	36,563	205,793	(164,717)	221,287
Intersegment assets	(661)	(12,627)	(406)	(151,023)	164,717	-
Total Assets	48,241	82,119	36,157	54,770	-	221,287
Segment liabilities	31,369	75,282	11,127	103,722	(89,295)	132,205
Intersegment liabilities	(22,712)	(54,729)	(7,859)	(3,995)	89,295	-
Total Liabilities	8,657	20,553	3,268	99,727	-	132,205
Other segmented items						
Acquisitions of property, plant and equipment, intangibles and investments	12,504	2,338	22,766	5,528	-	43,136
Depreciation and amortisation expense	1,230	4,566	398	448	-	6,642
Impairment of inventories	(312)	(317)	846	250	-	467
Impairment of trade receivables	115	(14)	34	36	-	171
Provision for investments to lower of cost or net realisable value	-	-	-	(694)	-	(694)

(c) Secondary reporting format - geographical segments

	Segment revenues from sales to external customers				Segment assets		Acquisitions of property, plant and equipment, intangibles and investments	
	December	June	December	June	December	June	December	June
	2005	2005	2005	2005	2005	2005	2005	2005
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
New Zealand	155,151	279,159	266,835	219,073	39,082	43,136		
Australia	-	-	2,283	2,214	-	-		
	155,151	279,159	269,118	221,287	39,082	43,136		

5. Income and Expenses

	December 2005 \$000	June 2005 \$000
Profit before income tax		
includes the following specific income and expenses		
Depreciation		
Freehold buildings	34	65
Leasehold buildings	120	98
Plant and equipment	1,733	3,707
Furniture fittings and office equipment	586	1,329
Motor vehicles	563	1,075
Total depreciation	3,036	6,274
Amortisation		
Software costs	205	368
Total amortisation	205	368
Operating lease payments	9,018	15,357
Foreign exchange (gains)/losses	(50)	175
Provision for investments to lower of cost or net realisable value	(36)	(694)
Remuneration of auditors		
Audit of Borrowing Group	-	197
Tax audit, compliance and IRD liaison	17	124
Acquisition completion audits	-	9
Other assurance services	48	-
Dividend income	262	4,889
Loss on forward contracts not qualifying as a hedge	150	-
Wages, salaries and other short term benefits	21,417	38,984
Total wages and salaries	21,417	38,984
Financing Costs		
Interest	4,089	5,141
Total financing costs	4,089	5,141
Gain on sale of property, plant and equipment	243	732
Gain on sale of shares	230	1,630

The Borrowing Group had 952 employees (30 June 2005: 935 employees).

6. Income tax expense

(a) Income tax expense

	December 2005 \$000	June 2005 \$000
Current tax	2,143	5,706
Deferred tax	-	(3,554)
Income Tax Expense	2,143	2,152
Deferred income tax revenue included in income tax expense comprises:		
Increase in future tax benefit	-	(3,554)
	-	(3,554)

(b) Reconciliation of income tax expense to tax rate applicable to profits of the Borrowing Group companies

	December 2005 \$000	June 2005 \$000
Profit from continuing operations before income tax expense	7,053	24,894
Tax at the New Zealand tax rate of 33% (2005 - 33%)	2,327	8,215
Tax effect of amounts which are either deductible or taxable in calculating taxable income:		
Imputation credits on dividends received	43	808
Tax offset for imputed dividends	(129)	(2,408)
Movement in imputation credit account	-	(985)
Club Life losses utilised	-	(978)
Future income tax benefit recognised	-	(1,662)
Other	(98)	(838)
Income tax expense	2,143	2,152

(c) Amounts recognised directly in equity

	December 2005 Note \$000	June 2005 \$000
Aggregate deferred tax arising in the period and not recognised in the income statement but directly debited or credited to equity		
Net deferred tax		
- credited directly to equity	22	(45)
	(45)	-

The Borrowing Group has no tax losses (30 June 2005: Nil) and no unrecognised temporary differences (30 June 2005 : Nil).

7. Earnings per share

Basic and diluted

Basic and diluted earnings per share are calculated by dividing the profit attributable to the Borrowing Group by the weighted average number of ordinary shares in issue during the period.

	December 2005	June 2005
Profit attributable to the Borrowing Group (\$'000)	4,910	22,742
Weighted average number of ordinary shares in issue (thousands)	49,197	49,197
Basic and diluted earnings (per share)	10 cents	46 cents

8. Cash and cash equivalents

	December 2005	June 2005
Cash at bank and in hand	2,538	4,560
	2,538	4,560

The above amounts are reconciled to cash at the end of the period as shown in the Statement of Cash Flows as follows:

	December 2005	June 2005
Balances as above	2,538	4,560
Bank overdrafts	18 (523)	(2)
Balances per Statement of Cash Flows	2,015	4,558

The carrying amount for cash and cash equivalents equals the fair value.

9. Receivables

	December 2005	June 2005
Current		
Trade receivables	39,176	36,988
Provision for impairment	(895)	(928)
Net trade receivables	38,281	36,060
Due from associates not part of Borrowing Group	1	1
Due from subsidiaries not part of Borrowing Group	2,336	2,804
Provision for impairment	(380)	(392)
Net related party receivables	1,957	2,412
Prepayments	1,280	2,690
Other receivables	2,759	2,433
Total current receivables	44,277	43,595

(a) Bad and doubtful trade receivables

The Borrowing Group has recognised a recovery of \$33,000 (30 June 2005: loss of \$171,000) in respect of bad and doubtful trade receivables. The recovery/(loss) has been included in 'other expenses' in the Income Statement.

(b) Effective interest rates

The effective weighted average interest rates are as follows:

	Interest Rate	
	December 2005	June 2005
Due from associates not part of Borrowing Group	-	-
Due from subsidiaries not part of Borrowing Group	8.75%	8.75%

(c) Credit risk

The Borrowing Group has a large number of customers and therefore no concentration of credit risk with one customer. Credit risk is spread across a number of countries as follows:

	December 2005	June 2005
	%	%
New Zealand	88	91
Australia	8	8
Other	4	1
	100	100

(d) Fair value

The fair value of trade and other receivables approximate to their carrying value.

10. Inventories

	December 2005 \$000	June 2005 \$000
Raw materials	2,592	3,031
Work in progress	2,912	1,809
Finished goods	85,598	71,430
	91,102	76,270

The Borrowing Group has recognised a recovery of \$196,000 (30 June 2005: writedown of \$467,000) in respect of both the sale of inventories previously written down and an adjustment of inventories to net realisable value. The recovery/(writedown) has been included in "cost of inventory sold" in the Income Statement. Inventory is pledged as security as detailed in Note 18.

11. Derivative financial instruments

	December 2005 \$000	June 2005 \$000
Current assets		
Forward foreign exchange contracts	100	-
Total current derivative financial instrument assets	100	-
Current liabilities		
Forward foreign exchange contracts	387	-
Total current derivative financial instrument liabilities	387	-

(a) Transition to NZ IAS 32 and NZ IAS 39

The Borrowing Group has taken the exemption available under NZ IFRS 1 to apply NZ IAS 32 Financial Instruments: Disclosure and Presentation and NZ IAS 39 Financial Instruments: Recognition and Measurement from 1 July 2005. At the date of transition to these standards of 1 July 2005 a net of tax adjustment of \$63,000 increase in net assets and retained earnings was recognised representing a gain on the measurement of forward foreign exchange contracts held at fair value.

(b) Instruments used by the Borrowing Group

The Borrowing Group is party to forward foreign exchange contracts in the normal course of business in order to hedge exposure to fluctuations in foreign currency exchange rates as the Borrowing Group purchases and sells inventory denominated in foreign currency.

At 31 December 2005 the Borrowing Group had entered into forward exchange contracts to sell the equivalent of NZ\$33.7 million (30 June 2005: NZ\$35.8 million) and buy the equivalent of NZ\$1.48 million (30 June 2005: NZ\$0.9 million). The currencies in which the Borrowing Group primarily deals are Australian Dollars, Japanese Yen, United States Dollars and the Euro.

Forward exchange contracts - cash flow hedges

These contracts are hedging committed or highly probable forecast purchases of inventory for the ensuing financial year. The contracts are timed to mature when major shipments of inventory are scheduled to be despatched and the liability settled.

The cash flows are expected to occur at various dates with one year from the balance date.

Where forward exchange contracts have been designated and tested as an effective hedge the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. These gains or losses will be released to the Income Statement at various dates over the next financial year.

At balance date these contracts were assets of \$100,000 (30 June 2005 - Nil) and liabilities of \$237,000 (30 June 2005 - Nil).

Where forward exchange contracts are not designated and tested as an effective hedge, the gain or loss on the forward contract is recognised in the Income Statement as other expenses. At balance date the contracts were liabilities of \$150,000 (30 June 2005 - Nil).

12. Other current assets

(a) Other Current Assets

	December 2005 \$000	June 2005 \$000
Loans & advances	320	346
	320	346

(b) Interest rate risk – Loans and Advances

The effective weighted average interest rate is 8.5% (30 June 2005: 8.5%)

(c) Credit risk – Loans and Advances

Credit risk is spread as follows:

	December 2005 %	June 2005 %
New Zealand	77	80
Australia	23	20
	100	100

Loans and advances are due from a number of parties and therefore no concentration of credit risk exists with any one party.

13. Investments

(a) Total Investments

	December 2005 \$000	June 2005 \$000
Shares in associates not part of Borrowing Group	5,799	5,790
Shares in subsidiaries not part of Borrowing Group	43,834	11,502
	49,633	17,292

Movement in Investments

	December 2005 \$000	June 2005 \$000
Balance at beginning of period	17,292	17,088
Acquisitions during year	33,109	310
Disposals during year	(804)	(800)
Provision for investments to lower of cost or net realisable value	36	694
	49,633	17,292

(b) Guaranteeing subsidiaries included in Borrowing Group

Name	Activity	December 2005 Interest	June 2005 Interest
AB Equipment Limited	Materials handling and construction equipment	100%	100%
AB Rental Limited	Forklift rentals	100%	100%
BBQ Factory Limited	Barbeque and spa pool distributor	100%	100%
Brake & Transmission NZ Limited	Automotive parts distributor	100%	100%
Diesel Distributors Limited	Diesel engine components distributor	100%	100%
Elldex Packaging Limited	Packaging manufacturer and distributor	100%	100%
Eurolift NZ Limited	Forklift sales and rentals	100%	100%
Levana Textiles Limited	Textiles manufacturer	100%	100%
TRS Tyre & Wheel Limited	Tyre and wheel importer and distributor	100%	100%

On 31 August 2004 Hellaby Holdings purchased the shares of the BBQ Factory Limited for consideration of \$25.6 million.

On 1 February 2005 Hellaby Holdings purchased the shares of Elldex Packaging Limited for consideration of \$9.2 million with further consideration payable contingent on renewing a key customer contract.

On 1 February 2005 Brake & Transmission NZ Limited acquired the trade and assets of John Bates Auto Supplies for consideration of \$1.3 million.

On 31 October 2005 Brake & Transmission NZ Limited acquired the trade and assets of Automotive Supplies Thames for consideration of \$0.7 million. Details of the assets and liabilities acquired are shown in Note 20.

(c) Principal subsidiaries not part of Borrowing Group

Name	Activity	December 2005	June 2005
		Interest	Interest
Diesel Distributors Australia Pty Limited	Diesel engine components distributor	100%	100%
Discount Shoe Warehouse Limited	Discount shoe retailer	80%	-
Oakleys Plumbing Supplies Limited	Plumbing supplies	-	75%
R Hannah & Co Limited	Specialty shoe retailer	94.2%	85%
Rodd & Gunn Limited	Apparel retailer	82.5%	82.5%
Teamwork Inteletrac Limited	Mobile data dispatch systems	95%	55%

On 1 July 2005 Hellaby Holdings acquired 80% of Discount Shoe Warehouse Limited with an agreement to acquire the remaining 20% on 31 August 2007. The purchase price is based on a multiple of its forecast earnings before interest and tax over the financial years ending 31 August 2005, 2006, 2007 and 2008, less external debt at these dates. As at 31 December 2005 the purchase price has been estimated as \$26.3 million of which \$5.8 million has been paid with the balance due progressively over the period to 31 August 2008.

On 1 July 2005 Hellaby Holdings acquired a further 9.2% of R Hannah & Co Limited for consideration of \$6.2 million.

On 1 November 2004 Hellaby Holdings acquired a 40% shareholding in Teamwork Inteletrac Limited, increasing to 55% on 31 May 2005, and to 95% on 30 November 2005 and to 100% on 28 March 2006 for consideration of \$0.3 million.

All companies above have a balance date of 30 June and, with the exception of Diesel Distributors Australia Pty Limited, which is incorporated in Australia, are incorporated in New Zealand.

(d) Associated companies not part of Borrowing Group

Name	Activity	December 2005	June 2005
		Interest	Interest
Bombay Petfoods Limited	Petfood supplier	49%	49%
Energy Intellect Limited	Metering/communications	25%	25%
New Zealand Wool Services International Limited	Wool scouring and exporting	20%	20%

Bert Teubel was divested on 1 July 2004 for consideration of \$1.2 million.

The associated companies have a balance date of 30 June and are incorporated in New Zealand.

14. Property, plant and equipment

(a) 30 June 2005	Freehold land \$000	Freehold buildings \$000	Leasehold buildings \$000	Plant and equipment \$000
At 1 July 2004				
Cost	521	2,547	741	24,797
Accumulated depreciation	-	(1,025)	(583)	(13,248)
Net book amount	521	1,522	158	11,549
Year ended 30 June 2005				
Opening net book amount	521	1,522	158	11,549
Acquisition of subsidiary	-	-	-	1,419
Additions	-	-	605	10,763
Disposals	-	-	-	(5,179)
Depreciation charge	-	(65)	(98)	(3,707)
Closing net book amount	521	1,457	665	14,845
At 30 June 2005				
Cost	521	2,547	1,346	28,695
Accumulated depreciation	-	(1,090)	(681)	(13,850)
Net book amount	521	1,457	665	14,845
		Furniture and office equipment \$000	Motor vehicles \$000	Total \$000
At 1 July 2004				
Cost		8,406	6,707	43,719
Accumulated depreciation		(4,628)	(3,633)	(23,117)
Net book amount		3,778	3,074	20,602
Year ended 30 June 2005				
Opening net book amount		3,778	3,074	20,602
Acquisition of subsidiary		487	-	1,906
Additions		693	1,268	13,329
Disposal		(225)	(53)	(5,457)
Depreciation charge		(1,329)	(1,075)	(6,274)
Closing net book amount		3,404	3,214	24,106
At 30 June 2005				
Cost		9,100	7,255	49,464
Accumulated depreciation		(5,696)	(4,041)	(25,358)
Net book amount		3,404	3,214	24,106

(b) 31 December 2005	Freehold land \$000	Freehold buildings \$000	Leasehold buildings \$000	Plant and equipment \$000
Period ended 31 December 2005				
Opening net book amount	521	1,457	665	14,845
Acquisition of subsidiary	-	-	-	30
Additions	-	2	450	2,710
Disposals	-	-	(30)	(3,943)
Depreciation charge	-	(34)	(120)	(1,733)
Closing net book amount	521	1,425	965	11,909
At 31 December 2005				
Cost	521	2,549	1,678	26,095
Accumulated depreciation	-	(1,124)	(713)	(14,186)
Net book amount	521	1,425	965	11,909

	Furniture and office equipment \$000	Motor vehicles \$000	Total \$000
Period ended 31 December 2005			
Opening net book amount	3,404	3,214	24,106
Acquisition of subsidiary	-	-	30
Additions	894	696	4,752
Disposals	(67)	(355)	(4,395)
Depreciation charge	(586)	(563)	(3,036)
Closing net book amount	3,645	2,992	21,457
At 31 December 2005			
Cost	9,802	7,502	48,147
Accumulated depreciation	(6,157)	(4,510)	(26,690)
Net book amount	3,645	2,992	21,457

The latest government valuation of freehold land and buildings at 31 December 2005 amounts to \$2.8 million (30 June 2005: \$2.8 million).

15. Future Tax Benefit

	Prepaid Tax \$000	Depreciation \$000	Provisions \$000	Other \$000	Total \$000
At 1 July 2004	5,308	133	1,340	790	7,571
Credited to the Income Statement	1,963	(199)	549	1,241	3,554
Movement in imputation credit account	6,862	-	-	-	6,862
Current tax (Note 6)	(5,706)	-	-	-	(5,706)
At 30 June 2005	8,427	(66)	1,889	2,031	12,281
Credited to the Income Statement	-	-	153	(153)	-
Credited to Equity	-	-	-	15	15
Movement in imputation credit account	4,685	-	-	-	4,685
Current tax (Note 6)	(2,143)	-	-	-	(2,143)
At 31 December 2005	10,969	(66)	2,042	1,893	14,838

Tax Payable

	December 2005	June 2005
Movements:	\$000	\$000
Balance at beginning of period	3,674	3,118
Movement in imputation credit account	4,685	6,862
Tax paid	(62)	(6,306)
	8,297	3,674

16. Intangible assets

	Computer Software \$000	Brands \$000	Goodwill \$000	Total \$000
At 1 July 2004				
Cost	2,751	-	13,876	16,627
Accumulated depreciation and impairment	(1,013)	-	-	(1,013)
Net book amount	1,738	-	13,876	15,614
Year ended 30 June 2005				
Opening net book amount	1,738	-	13,876	15,614
Additions	556	-	55	611
Acquisition of subsidiary	-	7,200	19,780	26,980
Amortisation charge	(368)	-	-	(368)
Closing net book amount	1,926	7,200	33,711	42,837
At 30 June 2005				
Cost	3,307	7,200	33,711	44,218
Accumulated amortisation and impairment	(1,381)	-	-	(1,381)
Net book amount	1,926	7,200	33,711	42,837

	Computer Software \$000	Brands \$000	Goodwill \$000	Total \$000
Period ended 31 December 2005				
Opening net book amount	1,926	7,200	33,711	42,837
Acquisition of subsidiaries	-	-	1,000	1,000
Additions	81	-	1,140	1,221
Amortisation charge	(205)	-	-	(205)
Closing net book amount	1,802	7,200	35,851	44,853
At 31 December 2005				
Cost	3,388	7,200	35,851	48,160
Accumulated amortisation	(1,586)	-	-	(3,307)
Net book amount	1,802	7,200	35,851	44,853

The BBQ Factory Limited brands of \$7.2 million are regarded by the Directors as having an indefinite useful life as there is no foreseeable limit to the period over which the brands are expected to generate net cash inflows for the subsidiary.

Impairment tests for goodwill and indefinite life brands

Goodwill and brands are allocated to the Borrowing Group's cash generating units (CGUs) identified according to subsidiary. A summary of the goodwill and brands is presented below.

	December	June
	2005	2005
	\$000	\$000
TRs Tyre & Wheel Ltd - Goodwill	9,366	9,366
BBQ Factory Ltd - Goodwill	14,976	14,976
- Brands	7,200	7,200
Elldex Packaging Ltd - Goodwill	4,734	3,734
Diesel Distributors Ltd - Goodwill	1,405	1,405
Goodwill on acquisitions by subsidiaries	5,370	4,230
	43,051	40,911

Goodwill on acquisitions by subsidiaries principally relates to acquisitions of franchises and branches by Brake & Transmission NZ Limited and BBQ Factory Limited.

On an annual basis, the recoverable amount of the above goodwill and brands is determined based on value in use calculations for each cash generating unit, being the subsidiary the goodwill or brands relates to.

These value in use calculations utilise assumptions about the future cash flows of the discounted at a pre tax discount rate and therefore include estimation uncertainty. Subsequent to 31 December 2005, conditions were identified that resulted in an initial impairment review being undertaken. This indicates that the BBQ Factory Limited goodwill may be written down at 30 June 2006 by up to \$5 million. Further details are disclosed in Note 28.

17. Payables

(a) Current

	December	June
	2005	2005
	\$000	\$000
Trade payables	30,609	32,600
Amounts due to associates not part of Borrowing Group	401	602
Amounts due to subsidiaries not part of Borrowing Group	9,188	4,000
Provisions	2,889	3,514
Deferred consideration	5,227	-
	48,314	40,716

The fair value of trade and other payables approximates their carrying value.

(b) Non-Current

	December	June
	2005	2005
	\$000	\$000
Provisions	1,409	2,245
Deferred consideration	15,306	-
	16,715	2,245

(c) Effective interest rates

	December	June
	2005	2005
	%	%
Amounts due to associates not part of Borrowing Group	7.25	7.25
Amounts due to subsidiaries not part of Borrowing Group	7.50	7.25
Deferred consideration	-	-

(d) Provisions

	Rent Abatement \$000	Maintenance Provisions \$000	Warranty Provisions \$000	Other \$000	Total \$000
At 1 July 2005	2,245	1,492	397	1,625	5,759
Charged Income Statement additional provisions	-	1,902	508	854	3,264
Used during the period	(836)	(1,824)	(433)	(1,632)	(4,725)
At 31 December 2005	1,409	1,570	472	847	4,298

Analysis of total provisions	December	June
	2005	2005
	\$000	\$000
Non current	1,409	2,245
Current	2,889	3,514
	4,298	5,759

The rental payable by Kirkcaldie & Stains Limited has been underwritten to the extent of the difference between rental payable under the terms of the lease and the higher of market rental or 5% of turnover on the basis that the underwritten payment by Hellaby Holdings will not be higher than the previous year. The rent abatement provision is expected to be utilised by December 2008.

The maintenance provision relates to maintenance obligations in relation to equipment leased to customers for a period of 3 to 5 years. The provision is estimated based on historic maintenance costs and is expected to be utilised over the period of the leases.

The warranty provision relates to warranties offered on goods sold to customers. The provision has been estimated based on historic costs and is expected to be utilised over the warranty period being typically one year.

(e) Deferred Consideration

On 1 July 2005 Hellaby Holdings acquired 80% of Discount Shoe Warehouse Limited with an agreement to acquire the remaining 20% on 31 August 2007. Of the purchase price of \$26.3 million, \$5.8 million has been paid as at 31 December 2005 with \$5.2 million payable within 12 months. The remaining \$15.3 million payable is based on forecast multiple of earnings before interest and tax for the years ending 31 August 2005 to 31 August 2008, less external debt at these dates.

18. Borrowings

(a) Current

	Effective Interest Rate		December 2005 \$000	June 2005 \$000
	December 2005 %	June 2005 %		
Secured				
Bank overdrafts	8.80	8.40	523	2
Trade finance	-	-	5,088	2,128
Total secured current interest bearing borrowings			5,611	2,130
Unsecured				
Loans	7.50	7.25	1,171	440
Total unsecured current interest bearing borrowings			1,171	440
Total current interest bearing borrowings			6,782	2,570

(b) Non-Current

	Effective Interest Rate		December 2005 \$000	June 2005 \$000
	December 2005 %	June 2005 %		
Secured				
Bank loans	7.75	7.25	104,500	83,000
Total non-current interest bearing borrowings	7.75	7.25	104,500	83,000

The exposure of the Borrowing Group's borrowings to interest rate changes and the contractual repricing date at the balance sheet date are as follows:

	December 2005 \$000	June 2005 \$000
6 months or less	104,500	83,000
	104,500	83,000

The maturity of non-current borrowings is as follows:

	December 2005 \$000	June 2005 \$000
Between 1 and 2 years	104,500	83,000
	104,500	83,000

The carrying amount of the current and non-current borrowings approximates their fair value.

Security for secured current and non-current borrowings is provided in the form of charges over specific assets totalling \$5.1 million and a floating debenture over assets totalling \$269 million.

The carrying amounts of the Borrowing Group's borrowings are denominated in New Zealand Dollars.

The Borrowing Group has the following undrawn borrowing facilities:

	December 2005 \$000	June 2005 \$000
Floating rate:		
Expiring within one year	14,025	23,441
	14,025	23,441

19. Imputation credits

	December 2005 \$000	June 2005 \$000
Floating rate:		
Balances		
Imputation credit account	8,257	3,636
Movements		
Imputation credit account		
Dividends paid	4,748	9,127
Dividends received	(125)	(8,610)
	4,623	517

20. Acquisitions

(a) On 31 October 2005 Brake & Transmission NZ Limited purchased the trade and assets of Automotive Supplies Thames.

Details of the fair value of the assets and liabilities acquired and the resulting goodwill are as follows:

	December 2005 \$000
Purchase consideration - cash paid	700
Less fair value of net identifiable assets acquired	(253)
Goodwill	447

The goodwill relates to the profitability of the business.

	December 2005 \$000
Total consideration	700
Outflow of cash	700

Assets and liabilities acquired

The assets and liabilities arising from the acquisition are as follows:

	Acquired value \$000	Fair value \$000
Property, plant and equipment	30	30
Inventory	223	223
Net assets acquired	253	253

Automotive Supplies Thames contributed a surplus after tax to the Borrowing Group Income Statement since acquisition to 31 December 2005 of \$0.04 million.

The revenue and surplus after tax had the trade and assets been acquired at the beginning of the period are estimated at \$1.0 million and \$0.1 million respectively.

(b) On 31 August 2004 Hellaby Holdings purchased the shares of BBQ Factory Limited.

Details of the fair value of the assets and liabilities acquired and the resulting intangible assets are as follows:

	June 2005 \$000
Purchase consideration - cash paid	25,607
Less fair value of net identifiable assets acquired	(3,431)
Intangible assets	22,176
Intangible assets being:	
Brands	7,200
Goodwill	14,976
	22,176

The goodwill is attributable to the profitability and cash flows of the business. The brands relate to the brand "The BBQ Factory" together with a number of house brands.

	June 2005 \$000
.....	
Total consideration	25,607
Overdraft on acquisition	749
Outflow of cash	26,356

Assets and liabilities acquired

The assets and liabilities arising from the acquisition are as follows:

	Acquired value \$000	Fair value \$000
.....		
Property, plant and equipment	487	487
Receivables	2,769	2,769
Inventory	7,753	7,306
Derivative financial instruments	-	(630)
Payables & accruals	(5,752)	(5,752)
Borrowings	(749)	(749)
Net assets acquired	4,508	3,431

BBQ Factory Limited contributed a surplus after tax to the Borrowing Group Income Statement for the period since acquisition to 30 June 2005 of \$0.6 million. The revenue and deficit after tax had the trade and assets been acquired at the beginning of the period are estimated at \$36.3 million and \$0.5 million respectively.

(c) On 1 February 2005 Hellaby Holdings Limited purchased the assets and business undertaking of Elldex Packaging Limited for total consideration of \$10.2 million.

Details of the fair value of the assets and liabilities acquired and goodwill are as follows:

	December 2005 \$000	June 2005 \$000
.....		
Purchase consideration - cash paid	1,000	9,204
Fair value of net identifiable assets acquired	-	(5,470)
Goodwill	1,000	3,734

The goodwill is attributable to the profitability and cash flows of the business.

	December 2005 \$000	June 2005 \$000
.....		
Total consideration	1,000	9,204
Cash on hand on acquisition	-	(7)
Outflow of cash	1,000	9,197

Assets and liabilities acquired

The assets and liabilities arising from the acquisition are as follows:

	Acquired value \$000	Fair value \$000
.....		
Property, plant and equipment	1,399	1,399
Receivables	3,722	3,722
Inventory	3,915	3,915
Cash	7	7
Payables & accruals	(3,573)	(3,573)
Net assets acquired	5,470	5,470

Elldex Packaging Limited contributed a surplus after tax to the Borrowing Group Income Statement since acquisition to 30 June 2005 of \$0.6 million. The revenue and surplus after tax had the trade and assets been acquired at the beginning of the period are estimated at \$22.1 million and \$1.7 million respectively.

(d) On 1 February 2005 Brake & Transmission NZ Limited acquired the trade and assets for John Bates Auto Supplies.

Details of the fair value of the assets and liabilities acquired and goodwill are as follows:

	June 2005 \$000
.....	
Cash paid	1,311
Fair value of net identifiable assets acquired	(241)
Goodwill	1,070

The goodwill is attributable to the profitability and cash flows of the business.

	June 2005 \$000
.....	
Total consideration	1,311
Outflow of cash	1,311

Assets and liabilities acquired

The assets and liabilities arising from the acquisition are as follows:

	Acquired value \$000	Fair value \$000
.....		
Property, plant and equipment	20	20
Inventory	221	221
Net assets acquired	241	241

John Bates Auto Supplies contributed a surplus after tax to the Borrowing Group Income Statement for the period since acquisition to 30 June 2005 of \$0.06 million.

The revenue and surplus after tax had the trade and assets been acquired at the beginning of the period are estimated at \$1.3 million and \$0.3 million respectively.

21. Contributed equity

	December 2005	June 2005	December 2005	June 2005
	Shares	Shares	\$000	\$000
Ordinary shares authorised and issued	49,196,896	49,196,896	16,286	16,286

All shares on issue are fully paid and have no par value. All ordinary shares rank equally with one vote attached to each fully paid ordinary share with the exception of treasury stock as all their rights and obligations are suspended. Treasury stock as at 31 December 2005 totalled 1,114,406 shares (30 June 2005 – 1,114,406 shares).

22. Capital and reserves

	Share capital	Cash flow hedge	Retained earnings	Total
	\$000	\$000	\$000	\$000
Balance at 1 July 2004	16,287	-	68,749	85,036
Total recognised income and expense	-	-	22,742	22,742
Dividend payment	-	-	(18,695)	(18,695)
Shares repurchased	(1)	-	-	(1)
Balance at 30 June 2005	16,286	-	72,796	89,082
Balance at 1 July 2005	16,286	-	72,796	89,082
Total recognised income and expense	-	-	4,910	4,910
Fair value of financial instruments on adoption of NZ IFRS net of tax	-	-	63	63
Dividend payment	-	-	(9,840)	(9,840)
Cash Flow hedges:				
Fair value losses in period	-	(137)	-	(137)
Tax on fair value losses	-	45	-	45
Balance at 31 December 2005	16,286	(92)	67,929	84,123

23. Dividends – Ordinary shares

	Cents per share		Total	
	December 2005	June 2005	December 2005	June 2005
	Cents	Cents	\$000	\$000
Final dividend for the year ending 30 June 2005	20	-	9,840	-
Interim dividend for the year ended 30 June 2005	-	19	-	9,347
Final dividend for the year ended 30 June 2004	-	19	-	9,348
	20	38	9,840	18,695

The dividends are fully imputed. Supplementary dividends of \$50,000 (2005: \$80,000) were paid to shareholders not tax-resident in New Zealand for which Hellaby Holdings received a foreign investor tax credit entitlement.

24. Related party transactions

(a) Loans (to)/from related parties.

During the period Hellaby Holdings advanced and repaid loans to subsidiaries and associates not part of the Borrowing Group. Amounts outstanding are detailed in Notes 9 and 17.

	December 2005 \$000	June 2005 \$000
Loan (to)/from associates not part of Borrowing Group		
Beginning of the period	601	301
Loans (repaid)/received	(201)	300
	<u>400</u>	<u>601</u>
Loans from/(to) subsidiaries not part of Borrowing Group		
Beginning of the period	1,589	(1,105)
Loans received	4,565	2,387
Interest credited/(expensed)	153	(145)
Interest paid/(received)	-	59
Loans capitalised	544	-
Loan impairment	380	393
	<u>7,231</u>	<u>1,589</u>

(b) Transactions with Key Management

Automotive franchise holder, Midas New Zealand, was acquired on 1 June 2003 by parties associated with Hellaby Holdings directors, H Green, RW Carter and D Houldsworth, and Brake & Transmission NZ Limited Chief Executive G Horne. Products of \$634,000 were sold by Brake & Transmission NZ Limited to Midas franchisees during the half year (2005 full year - \$970,000) on normal trade terms. \$231,000 is owing to the Borrowing Group at 31 December 2005 (30 June 2005: \$75,000).

Brake & Transmission NZ Limited leases premises at Omega Street, North Harbour, Auckland owned by G Horne's family trust. Lease payments of \$242,000 were made for the half year (2005 full year - \$466,804). There is no balance owing to the Borrowing Group at 31 December 2005 (30 June 2005: Nil).

Key management compensation was as follows:

	December 2005 6 months \$000	June 2005 12 months \$000
Salaries and other short term employee benefits		
	1,376	2,761

25. Capital expenditure commitments

	December 2005 \$000	June 2005 \$000
Commitments at the end of the period not provided for in the financial statements	30	352

26. Operating Lease Commitments

	December 2005 \$000	June 2005 \$000
Lease commitments expire as follows:		
Within one year	16,433	16,182
Two to five years	32,244	30,367
More than five years	6,960	6,652
Total operating lease commitments	55,637	53,201

The Borrowing Group leases various retail outlets, offices and warehouses under non-cancellable operating lease agreements. The leases reflect normal commercial arrangements with varying terms, escalation clauses and renewal rights.

The lease expenditure charged to the Income Statement during the period is disclosed in Note 5.

27. Contingent Liabilities

	December 2005 \$000	June 2005 \$000
Contingent liabilities under contracts, guarantees and other agreements arising in the ordinary course of business on which no loss is anticipated are as follows:		
Guarantees in respect of performance of contracts		
	40,647	35,517
Letters of credit	5,421	9,316
Total contingent liabilities	46,068	44,833

28. Events after Balance Sheet

On 3 March 2006 Hellaby Holdings announced details of a dividend reinvestment plan allowing shareholders to utilise all or part of their dividend to acquire shares in Hellaby Holdings.

On 29 March 2006 Hellaby Holdings Limited increased its shareholding in R Hannah & Co Limited from 94.2% to 100% for consideration of \$2.3 million.

On 1 April 2006 Diesel Distributors Limited acquired 100% of the trade and assets of B&E Diesel Spares in Australia for consideration of \$1.0 million.

On 26 April 2006 Hellaby Holdings notified the NZX that it had entered into a conditional agreement to sell its 82.5% interest in Rodd & Gunn Limited for total consideration of \$13.6 million. The agreement is conditional on obtaining shareholder approval.

Hellaby Holdings declared an interim dividend for the year ended 30 June 2006 of 15 cents, fully imputed, paid 28 April 2006.

Following a review of the year to date trading performance of the BBQ Factory Limited an initial impairment review has been undertaken which indicates that the BBQ Factory Limited goodwill may be written down at 30 June 2006 by up to \$5.0 million. In accordance with Hellaby Holding's accounting policy, a comprehensive review will be undertaken at 30 June 2006 which will incorporate the results for the year, the end of season financial position and the 30 June 2007 budget.

29. Reconciliation of net cash flow from operating activities to reported profit

	December 2005 \$000	June 2005 \$000
Operating profit before taxation	7,053	24,894
Adjusted for:		
Depreciation expense	3,036	6,274
Fair value movement in derivatives	150	-
Amortisation of intangibles	205	368
Net profit on sale of assets	(473)	(2,362)
Taxation	(63)	(6,302)
Provision for investments to lower of cost or net realisable value	(36)	(694)
Impact of changes in working capital items		
Increase in debtors and prepayments	1,137	(724)
Decrease in creditors and provisions	(3,436)	(7,671)
Increase in inventories	(14,609)	(4,871)
Cash generated from operations	(7,036)	8,912

30. Explanation of transition to New Zealand equivalents to IFRS

(a) Reconciliation of profit for the 12 months ended 30 June 2005

Note	NZ FRS \$000	Effect of transition to NZ IFRS \$000	NZ IFRS \$000
Revenue			
Sale of goods	269,637	-	269,637
Other income	9,522	-	9,522
Expenses	1		
Cost of inventory sold	165,441	-	165,441
Rental & operating leases	15,094	-	15,094
Salaries & wages	38,984	-	38,984
Depreciation & amortisation	2	(2,094)	6,643
Other expenses	22,977	(15)	22,962
Profit before finance costs	27,926	2,109	30,035
Less finance costs	5,141	-	5,141
Profit before income tax	22,785	2,109	24,894
Income tax	2,152	-	2,152
Profit after tax attributable to Borrowing Group	20,633	2,109	22,742

(b) Reconciliation of equity at 30 June 2004 – Opening position

	Note	NZ FRS \$000	Effect of transition to NZ IFRS \$000	NZ IFRS \$000
ASSETS				
Current assets				
Inventories		60,587	-	60,587
Receivables	3	38,254	(64)	38,190
Cash and cash equivalents		2,161	-	2,161
Other current assets		245	-	245
Total current assets		101,247	(64)	101,183
Non-current assets				
Property, plant and equipment	2	22,340	(1,738)	20,602
Intangible assets	2	13,876	1,738	15,614
Future tax benefit		4,453	-	4,453
Other non-current assets		17,088	-	17,088
Total non-current assets		57,757	-	57,757
Total Assets		159,004	(64)	158,940
LIABILITIES				
Current liabilities				
Current tax liabilities		3,118	-	3,118
Payables and provisions		27,962	-	27,962
Borrowings		5,939	-	5,939
Total current liabilities		37,019	-	37,019
Non-current liabilities				
Borrowings		34,000	-	34,000
Other non-current liabilities		2,885	-	2,885
Total non-current liabilities		36,885	-	36,885
Total Liabilities		73,904	-	73,904
Net Assets		85,100	(64)	85,036
EQUITY				
Contributed equity		16,287	-	16,287
Retained earnings		68,813	(64)	68,749
Total Equity		85,100	(64)	85,036

(c) Reconciliation of equity as at 30 June 2005

	Note	NZ FRS \$000	Effect of transition to NZ IFRS \$000	NZ IFRS \$000
ASSETS				
Current assets				
Inventories		76,270	-	76,270
Receivables	3	43,642	(47)	43,595
Cash and cash equivalents		4,560	-	4,560
Other current assets	4	3,981	(3,635)	346
Total current assets		128,453	(3,682)	124,771
Non-current assets				
Property, plant and equipment	2	26,032	(1,926)	24,106
Intangible assets	2	38,819	4,018	42,837
Future income tax benefit	4	8,646	3,635	12,281
Other non-current assets		17,292	-	17,292
Total non-current assets		90,789	5,727	96,516
Total Assets		219,242	2,045	221,287
LIABILITIES				
Current liabilities				
Payables and provisions		44,390	-	44,390
Borrowings		2,570	-	2,570
Total current liabilities		46,960	-	46,960
Non-current liabilities				
Borrowings		83,000	-	83,000
Other non-current liabilities		2,245	-	2,245
Total non-current liabilities		85,245	-	85,245
Total Liabilities		132,205	-	132,205
Net Assets		87,037	2,045	89,082
EQUITY				
Contributed equity		16,286	-	16,286
Retained earnings		70,751	2,045	72,796
Total Equity		87,037	2,045	89,082

(d) NZ IFRS adjustments

1. Reclassification of Expenses

In accordance with NZ IAS 1 expenses have been analysed by function.

2. Intangible Assets

Goodwill under NZ IFRS 3 is not amortised and accordingly the goodwill amortisation from 1 July 2004 has been reversed. Software assets are reclassified as intangibles to comply with NZ IAS 38.

3. Discounting of Receivables

Receivables that are expected to be collected over a period greater than one year have been discounted to net present value using the weighted average cost of capital for the Borrowing Group.

4. Reclassification of Deferred Tax

In accordance with NZ IAS 12 deferred tax has been reclassified to non-current assets.