

## 1 Summary of significant accounting policies

These financial statements have been prepared in accordance with New Zealand generally accepted accounting practice ("NZ GAAP"). They comply with the New Zealand equivalents to the International Reporting Standards ("NZ IFRS") and they comply with International Financial Reporting Standards (IFRS).

### (a) Basis of preparation of 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 Group consists of Hellaby Holdings Limited (the Parent) and its subsidiary companies (the Group) as detailed in Note 12. Its registered office is at Level 5, 10 Viaduct Harbour Avenue, Auckland. Hellaby Holdings Limited is domiciled and incorporated in New Zealand.

Hellaby Holdings is an investment company with shareholdings in a diversified range of New Zealand and Australian industrial, distribution and retail businesses.

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

#### *Statutory base*

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

#### *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.

#### *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 Group's accounting policies. Specific areas of critical accounting estimates and assumptions are as follows:

#### *(i) Carrying value of indefinite life intangible assets*

Impairment reviews are performed by the Company to assess the carrying value of indefinite life intangible assets including goodwill and brands.

These reviews include making assumptions in relation to future performance and growth as well as determining the period of expected benefits and appropriate discount rates. Refer to Note 15 for key assumptions made.

The carrying value of indefinite life intangible assets is subjective and changes to these assumptions can have a significant impact on their carrying value.

#### *(ii) Unexpired lease provision*

A provision is recognised for any shortfall between lease rentals payable as compared to anticipated current and future rental income for the unexpired term of leases. Judgement is exercised in determining the timing and amount, if any, of future rental income and changes to this income can have a significant impact on the carrying value of the provision. The provision is detailed in Note 16(c).

The Directors continually review all accounting policies and areas of judgement in presenting the financial statements.

### (b) Principles of consolidation

#### *(i) Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Hellaby Holdings as at 30 June 2010 and the results of these subsidiaries for the year then ended.

Subsidiaries are all those entities over which Hellaby Holdings 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 controls another entity.

Subsidiaries which form part of the 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 Group.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets acquired, equity instruments issued and liabilities incurred or assumed at the date of exchange. 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 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.

Investments in subsidiary companies are valued at cost less any impairment in the Parent.

(ii) *Associates*

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Associates are accounted for using the equity method (equity accounted investees). Investments in associates are accounted for at the lower of cost, less amounts written off, or market value. The consolidated financial statements include the Group's share of the income and expenses of equity accounted investees after adjustments to align the accounting policies with those of the Group.

(c) **Segment reporting**

The Group is organised into operating segments by product and service type to reflect how the Group's operations are managed by the Board of Directors, who are the chief operating decision makers.

Transactions between segments are based on normal arms length terms.

(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.

The financial statements have been rounded to the nearest thousand dollars.

(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 rate prevailing on the date of the transaction)
- 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 Group. Revenue is recognised as follows:

(i) *Sales of goods - wholesale*

Sales of goods are recognised when a 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 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) *Interest income*

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the 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.

(iv) *Rental income*

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

(v) *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 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 Group is the lessor*

Assets leased to third parties under operating leases are included in property, plant and equipment in the balance sheet or leased under operating leases from third parties. Owned assets 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 non-financial 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 operating subsidiary level 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 deposits, 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 impairment. Trade receivables balances are reviewed on an ongoing basis. Debts known to be uncollectible are written off. A provision for impaired receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of trade. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the provision is the difference between an asset's carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced through the use of an impairment provision, and the amount of the loss is recognised in the income statement. When a trade receivable is uncollectible, it is written off against the impairment provision. Subsequent recoveries of amounts previously written off are credited 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) Financial assets**

Financial assets are classified in the following categories: loans and receivables, and financial assets at fair value through profit or loss. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at each reporting date.

**(i) 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 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.

The Group assesses at each balance sheet date whether there is objective evidence that a loan or receivable is impaired.

**(ii) Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets, except for maturities greater than 12 months after the balance sheet date which are classified as non-current assets.

**(iii) Recognition and measurement**

Regular purchases and sales of financial assets are recognised on the trade-date - the date on which the Group commits or forecasts to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are carried at amortised cost.

Gains or losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are presented in the income statement in the period in which they arise.

**(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 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 hedge).

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. 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 released 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, is sold or terminated, no longer meets the criteria for hedge accounting or 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 and therefore hedge accounting has not been adopted. Changes in the fair value of these derivative instruments are recognised in the income statement.

**(n) Fair value estimation**

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes and is based on quoted market prices where available.

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 Group uses a variety of methods and assumptions that are based on market conditions existing at each balance date. The fair value of forward exchange contracts is their quoted market price at the balance date. The carrying amount of cash and cash equivalents, short term investments, payables and accruals, receivables and current portion of borrowings approximate fair value due to the short-term maturity of these instruments. The fair value of financial liabilities for disclosure purposes is estimated by assessing the current market rate that is available to the Group for similar financial liabilities.

**(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 or 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 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:

|  |                             |
|--|-----------------------------|
| - Leasehold improvements                   | over the term of the leases |
| - 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 amounts. These gains and losses 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 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 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 before that 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.

Indefinite life brands are subject to an annual impairment review.

*(iii) Software costs*

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

**(q) Trade and other payables**

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured.

**(r) Borrowings and Capital Notes**

Borrowings and Capital Notes are initially recognised at fair value, net of transaction costs incurred. Borrowings and Capital Notes 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. Borrowing costs are expensed as incurred.

Borrowings and Capital Notes are classified as current liabilities unless the 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 the Parent or any 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 maintenance, service warranties, unexpired leases and other amounts are recognised when the 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, bonuses, superannuation 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 Group or Parent, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year.

**(x) Discontinued operations**

A discontinued operation is a component of the Group that either has been disposed of, or that is classified as held for sale, and: (1) represents a separate major line of business or geographical area of operations; (2) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or (3) is a subsidiary acquired exclusively with a view to resale.

**(y) GST**

The income statement has been prepared so that all components are stated exclusive of GST. All items in the statement of financial position are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

**(z) Commitments and contingent liabilities**

The Group has commitments for letters of credit, guarantees and other credit facilities. These financial instruments attract fees in line with market prices for similar arrangements. They are not sold or traded. The items generally do not involve cash payments other than in the event of default. They are disclosed as commitments and contingent liabilities at their fair value.

**(aa) Statements of cash flows**

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

- (i) Cash comprises cash and bank balances.
- (ii) Investing activities are those activities relating to the acquisition, holding and disposal of fixed assets, businesses and investments.
- (iii) Financing activities are those activities which result in changes in the size and composition of the capital structure of the Group. This includes both equity and debt not falling within the definition of cash. Dividends paid are included in financing activities.
- (iv) Operating activities include all transactions and other events that are not investing or financing activities.

Cash flows from short-term borrowings, being durations of 3 months or less, are disclosed net, due to short term maturities and the volume of transactions involved.

**(ab) International Financial Reporting Standards adopted during the year**

NZ IFRS 3: Business combinations (Revised) and NZ IAS 27: Consolidated and separate financial statements (Revised) became mandatory for annual periods beginning on or after 1 July 2009. The revised standards continue to apply the acquisition method to business combinations but with some significant changes to the treatment of transaction costs and contingent consideration. The Group simultaneously adopted the changes to NZ IAS 27: (Revised) Consolidated and separate financial statements.

NZ IFRS 7: Financial instruments - disclosures (Amendment) became mandatory for annual periods beginning on or after 1 January 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

NZ IAS 1 (Revised): Presentation of financial statements became mandatory for annual periods beginning on or after 1 January 2009. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Group presents, in the consolidated statement of changes in equity, all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. As the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

IFRIC 17: Distribution of non-cash assets to owners became mandatory for annual periods beginning on or after 1 July 2009. The interpretation is part of the IASB's annual improvements project published in April 2009. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. NZ IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable.

NZ IAS 38 (Amendment): Intangible Assets became mandatory for annual periods beginning on or after 1 July 2009. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives.

NZ IAS 23 (Revised): Borrowing costs became mandatory for annual periods beginning on or after 1 January 2009. This revision applies to qualifying assets for which the commencement date for capitalisation is on or after the effective date. It does not affect qualifying assets for which the commencement date for capitalisation is earlier than the effective date. The Group has not elected to designate any date before the effective date and apply NZ IAS 23 (Revised) to borrowing costs relating to all qualifying assets for which the commencement date for capitalisation is on or after that date.

**(ac) New International Financial Reporting Standards**

The following standards, amendments, and interpretations to existing standards have been issued and will be effective for the Group's accounting periods beginning on or after 1 July 2010, and have not yet been adopted.

NZ IFRS 5 (Amendment): Non-current assets held-for-sale and discontinued operations is effective from annual periods beginning on or after 1 July 2010. The amendment is part of the IASB's annual improvements project published in May 2009. The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. The Group will apply the NZ IFRS 5 (Amendment) prospectively to all partial disposals of subsidiaries from 1 July 2010.

NZ IAS 1 (Amendment): Presentation of financial statements is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. When the Group applies this standard from 1 July 2010 it is not expected to have a material impact.

There are a number of minor amendments to NZ IAS 8: Accounting policies, changes in accounting estimates and errors; NZ IAS 10: Events after the reporting period; NZ IAS 18: Revenue and NZ IAS 34: Interim financial reporting, which are part of the IASB's annual improvements project published in May 2008. These amendments are unlikely to have an impact on the Group's accounts and have therefore not been analysed in detail.

The Group will adopt these standards, interpretations and amendments when they become mandatory.

## 2. Financial risk management

The 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 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 Group. The Group uses derivative financial instruments such as foreign exchange contracts to hedge certain risk exposures.

Risk management is carried out by Group and subsidiary 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 Group's functional currency.

The Group purchases and sells inventory denominated in foreign currency. The Group is exposed to foreign exchange risk arising from currency exposures primarily in 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 foreign currency contracts.

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 Group's risk management policy is to generally hedge between 50% and 100% of anticipated transactions in foreign currencies for the subsequent 12 months.

The following table details the Group's sensitivity to the increase and decrease in the New Zealand dollar (NZ\$) against the relevant foreign currencies. The percentage is the sensitivity rate used when reporting foreign currency risk internally. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for the change in foreign currency rates. A positive number indicates an increase in profit and other equity where the NZ\$ moves against the relevant currencies.

#### (ii) Cash flow and fair value interest rate risk

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

The Group's interest rate risk arises from long-term and short-term borrowings. Borrowings may be at variable rates and therefore the Group would be exposed to interest rate risk. At present the Group does not hedge its interest rate exposures but may from time to time choose to do so.

The following table demonstrates the sensitivity to a change in interest rates by estimated basis points (bp), with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

The following table summarises the sensitivity of the Group's financial assets and financial liabilities to interest rate risk and foreign exchange risk.

## GROUP

|                                   | Carrying amount<br>\$000 | Interest rate risk  |   | Foreign exchange risk                               |   |                                       |              |
|-----------------------------------|--------------------------|---|---|---|---|---------------------------------------|--------------|
|                                   |                          | + 10 bp<br>Effect<br>on profit<br>before tax<br>and equity<br>\$000 | - 10 bp<br>Effect<br>on profit<br>before tax<br>and equity<br>\$000 | + 10%<br>Effect<br>on profit<br>before tax<br>\$000 | - 10%<br>Effect<br>on profit<br>before tax<br>\$000 | - 10%<br>Effect on<br>equity<br>\$000 |              |
| <b>2010</b>                       |                          |   |   |   |   |                                       |              |
| <b>Financial Assets</b>           |                          |   |   |   |   |                                       |              |
| Derivative financial instruments  | 1,476                    | -   | -   | (942)   | (5,609)   | 1,168                                 | 6,855        |
| Trade receivables                 | 30,464                   | -   | -   | (229)   | (229)   | 280                                   | 280          |
| Cash and cash equivalents         | 1,656                    | 2   | (2)   | (91)  | (91)  | 107                                   | 107          |
| Loans and advances                | 30                       | -   | -   | -   | -   | -                                     | -            |
| <b>Financial Liabilities</b>      |                          |   |   |   |   |                                       |              |
| Derivative financial instruments  | 445                      | -   | -   | (342)   | (2,037)   | 424                                   | 2,490        |
| Trade payables                    | 30,629                   | -   | -   | 1,284   | 1,284   | (1,592)                               | (1,592)      |
| Borrowings                        | 25,266                   | (25)  | 25  | -   | -   | -                                     | -            |
| <b>Total (decrease)/ increase</b> |                          | <b>(23)</b>   | <b>23</b>   | <b>(320)</b>  | <b>(6,682)</b>                                      | <b>387</b>                            | <b>8,140</b> |

## 2009

|                                   |        |             |           |            |                |              |              |
|-----------------------------------|--------|-------------|-----------|------------|----------------|--------------|--------------|
| <b>Financial Assets</b>           |        |             |           |            |                |              |              |
| Derivative financial instruments  | 2      | -           | -         | (19)       | (19)           | 23           | 23           |
| Trade receivables                 | 31,128 | -           | -         | (296)      | (296)          | 362          | 362          |
| Cash and cash equivalents         | 4,572  | 5           | (5)       | (98)       | (98)           | 120          | 120          |
| <b>Financial Liabilities</b>      |        |             |           |            |                |              |              |
| Derivative financial instruments  | 8,044  | -           | -         | (632)      | (5,984)        | 773          | 7,314        |
| Trade payables                    | 25,263 | -           | -         | 651        | 651            | (796)        | (796)        |
| Borrowings                        | 58,733 | (59)        | 59        | 703        | 703            | (859)        | (859)        |
| <b>Total (decrease)/ increase</b> |        | <b>(54)</b> | <b>54</b> | <b>309</b> | <b>(5,043)</b> | <b>(377)</b> | <b>6,164</b> |

The effect on profit of a movement is shown net of those movements where there is an effective hedge relationship between financial instruments and payables.

## PARENT

|                                  | Carrying amount<br>\$000 | Interest rate risk  |   | Foreign exchange risk                               |   |                                       |          |
|----------------------------------|--------------------------|---|---|---|---|---------------------------------------|----------|
|                                  |                          | + 10 bp<br>Effect<br>on profit<br>before tax<br>and equity<br>\$000 | - 10 bp<br>Effect<br>on profit<br>before tax<br>and equity<br>\$000 | + 10%<br>Effect<br>on profit<br>before tax<br>\$000 | - 10%<br>Effect<br>on profit<br>before tax<br>\$000 | - 10%<br>Effect on<br>equity<br>\$000 |          |
| <b>2010</b>                      |                          |   |   |   |   |                                       |          |
| <b>Financial Assets</b>          |                          |   |   |   |   |                                       |          |
| Cash and cash equivalents        | 1,044                    | 1   | (1)   | -   | -   | -                                     | -        |
| <b>Financial Liabilities</b>     |                          |   |   |   |   |                                       |          |
| Core bank debt                   | 25,000                   | (25)  | 25  | -   | -   | -                                     | -        |
| <b>Total (decrease)/increase</b> |                          | <b>(24)</b>   | <b>24</b>   | <b>-</b>  | <b>-</b>  | <b>-</b>                              | <b>-</b> |
| <b>2009</b>                      |                          |   |   |   |   |                                       |          |
| <b>Financial Assets</b>          |                          |   |   |   |   |                                       |          |
| Cash and cash equivalents        | 628                      | 1   | (1)   | -   | -   | -                                     | -        |
| <b>Financial Liabilities</b>     |                          |   |   |   |   |                                       |          |
| Core bank debt                   | 51,000                   | (51)  | 51  | -   | -   | -                                     | -        |
| <b>Total (decrease)/increase</b> |                          | <b>(50)</b>   | <b>50</b>   | <b>-</b>  | <b>-</b>  | <b>-</b>                              | <b>-</b> |

## Financial assets/liabilities by category

GROUP  
2010

| Asset/(Liability)                | Loans and<br>receivables<br>\$000 | Derivatives used<br>for hedging<br>\$000 | Liabilities at<br>amortised cost<br>\$000 |
|----------------------------------|-----------------------------------|--|---|
| Cash and cash equivalents        | 1,656                             | -  | -   |
| Loans and advances               | 30                                | -  | -   |
| Trade receivables                | 30,464                            | -  | -   |
| Derivative financial instruments | -                                 | 1,031                                    | -   |
| Trade payables                   | -                                 | -  | (30,629)                                  |
| Borrowings                       | -                                 | -  | (25,266)                                  |
| Capital notes                    | -                                 | -  | (49,644)                                  |
|                                  | 32,150                            | 1,031                                    | (105,539)                                 |

## 2009

| Asset/(Liability)                | Loans and<br>receivables<br>\$000 | Derivatives used<br>for hedging<br>\$000 | Liabilities at<br>amortised cost<br>\$000 |
|----------------------------------|-----------------------------------|--|---|
| Cash and cash equivalents        | 4,572                             | -  | -   |
| Loans and advances               | 54                                | -  | -   |
| Trade receivables                | 31,128                            | -  | -   |
| Derivative financial instruments | -                                 | (8,042)                                  | -   |
| Trade and other payables         | -                                 | -  | (25,263)                                  |
| Borrowings                       | -                                 | -  | (58,733)                                  |
| Capital notes                    | -                                 | -  | (49,271)                                  |
|                                  | 35,754                            | (8,042)                                  | (133,267)                                 |

PARENT  
2010

| Asset/(Liability)               | Loans and<br>receivables<br>\$000 | Liabilities at<br>amortised cost<br>\$000 |
|---------------------------------|-----------------------------------|---|
| Cash and cash equivalents       | 1,044                             | -   |
| Receivable from related parties | 55,154                            | -   |
| Borrowings                      | -                                 | (25,000)                                  |
| Capital notes                   | -                                 | (49,644)                                  |
|                                 | 56,198                            | (74,644)                                  |

## 2009

| Asset/(Liability)               | Loans and<br>receivables<br>\$000 | Liabilities at<br>amortised cost<br>\$000 |
|---------------------------------|-----------------------------------|---|
| Cash and cash equivalents       | 628                               | -   |
| Receivable from related parties | 58,175                            | -   |
| Borrowings                      | -                                 | (51,000)                                  |
| Capital notes                   | -                                 | (49,271)                                  |
|                                 | 58,803                            | (100,271)                                 |

**(b) Credit risk**

The concentration of credit risk in respect of trade receivables is limited due to the Group's large number of customers who are dispersed over various sectors. The 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 significant cash transactions are limited to high credit quality financial institutions.

The maximum potential exposure to credit risk is:

|                                  | 2010<br>\$000 | 2009<br>\$000 |
|----------------------------------|---------------|---------------|
| Cash and cash equivalents        | 1,656         | 4,572         |
| Trade receivables                | 30,464        | 31,128        |
| Loans and advances               | 30            | 54            |
| Derivative financial instruments | 1,476         | 2             |
| <b>Total</b>                     | <b>33,626</b> | <b>35,756</b> |

Refer to Note 8 for further disclosure on credit risk.

In some instances the Group holds collateral over its trade receivables and loans and advances. This can take the form of personal guarantees and charges under the Personal Property Securities Register.

**(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.

The table below analyses the Group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

**GROUP  
2010**

|                                  | Less than<br>1 year<br>\$000 | Between 1<br>and 2 years<br>\$000 | Between 2<br>and 5 years<br>\$000 | More than<br>5 years<br>\$000 |
|----------------------------------|------------------------------|-----------------------------------|-----------------------------------|-------------------------------|
| Derivative financial instruments | 445                          | -                                 | -                                 | -                             |
| Bank borrowings and interest     | 1,324                        | 25,088                            | -                                 | -                             |
| Trade and other payables         | 45,990                       | -                                 | 110                               | -                             |
| Capital notes and interest       | 54,075                       | -                                 | -                                 | -                             |
|                                  | <b>101,834</b>               | <b>25,088</b>                     | <b>110</b>                        | <b>-</b>                      |

**2009**

|                                  | Less than<br>1 year<br>\$000 | Between 1<br>and 2 years<br>\$000 | Between 2<br>and 5 years<br>\$000 | More than<br>5 years<br>\$000 |
|----------------------------------|------------------------------|-----------------------------------|-----------------------------------|-------------------------------|
| Derivative financial instruments | 8,044                        | -                                 | -                                 | -                             |
| Bank borrowings and interest     | 7,733                        | -                                 | 55,041                            | -                             |
| Trade and other payables         | 39,686                       | -                                 | 279                               | -                             |
| Capital notes and interest       | -                            | 58,322                            | -                                 | -                             |
|                                  | <b>55,463</b>                | <b>58,322</b>                     | <b>55,320</b>                     | <b>-</b>                      |

**PARENT  
2010**

|                              | Less than<br>1 year<br>\$000 | Between 1<br>and 2 years<br>\$000 | Between 2<br>and 5 years<br>\$000 | More than<br>5 years<br>\$000 |
|------------------------------|------------------------------|-----------------------------------|-----------------------------------|-------------------------------|
| Bank borrowings and interest | 1,058                        | 25,088                            | -                                 | -                             |
| Trade and other payables     | 579                          | -                                 | -                                 | -                             |
| Capital notes and interest   | 54,075                       | -                                 | -                                 | -                             |
|                              | 55,712                       | 25,088                            | -                                 | -                             |

**2009**

|                              | Less than<br>1 year<br>\$000 | Between 1<br>and 2 years<br>\$000 | Between 2<br>and 5 years<br>\$000 | More than<br>5 years<br>\$000 |
|------------------------------|------------------------------|-----------------------------------|-----------------------------------|-------------------------------|
| Bank borrowings and interest | -                            | -                                 | 55,041                            | -                             |
| Trade and other payables     | 458                          | -                                 | -                                 | -                             |
| Capital notes and interest   | -                            | 58,322                            | -                                 | -                             |
|                              | 458                          | 58,322                            | 55,041                            | -                             |

**(d) Capital risk management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by net debt plus equity. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet.

**(e) Fair value estimation**

Effective 1 January 2009, the Group adopted the amendment to IFRS 7 for financial instruments that are measured in the balance sheet at fair value, which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- inputs other than quoted prices included within level 1 that are observable for the asset or liability; either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value:

**GROUP  
2010**

|                            | Level 1<br>\$000 | Level 2<br>\$000 | Level 3<br>\$000 | Total<br>\$000 |
|----------------------------|------------------|------------------|------------------|----------------|
| <b>Assets</b>              |                  |                  |                  |                |
| Foreign exchange contracts | -                | 1,476            | -                | 1,476          |
| <b>Liabilities</b>         |                  |                  |                  |                |
| Foreign exchange contracts | -                | 445              | -                | 445            |

**2009**

|                            | Level 1<br>\$000 | Level 2<br>\$000 | Level 3<br>\$000 | Total<br>\$000 |
|----------------------------|------------------|------------------|------------------|----------------|
| <b>Assets</b>              |                  |                  |                  |                |
| Foreign exchange contracts | -                | 2                | -                | 2              |
| <b>Liabilities</b>         |                  |                  |                  |                |
| Foreign exchange contracts | -                | 8,044            | -                | 8,044          |

There are no financial instruments in the Parent company.

### 3. Segment information

#### (a) Description of segments

*Automotive*

The automotive division includes Brake & Transmission NZ Limited, an importer and distributor of automotive and commercial replacement parts; Diesel Distributors Limited and Diesel Distributors Australia Pty Limited, wholesale distributors of diesel fuel injection and ancillary diesel engine parts; and TRS Tyre & Wheel Limited, an importer and distributor of tyres and wheels.

*Equipment*

The equipment division includes AB Equipment Limited, an importer and distributor of materials handling, construction and agricultural equipment and renter of materials handling equipment; Eurolift NZ Limited, an importer, distributor and renter of materials handling equipment; and TradedEquipment.com, a materials handling and construction equipment re-seller.

*Footwear*

The footwear division includes R. Hannah & Co Limited and Number 1 Shoes Limited, specialty shoe retailers.

*Packaging*

The packaging division comprises Elldex Packaging Limited, a manufacturer and importer of flexible plastic packaging.

*Diversified*

This division comprises Retail Properties 2008 Limited (previously BBQ Factory Limited), a property leasing company. The amounts arising as a result of the disposal of the trade and assets of the BBQ Factory Limited are included in discontinued operations.

*Corporate*

This division includes Hellaby Holdings Limited, the Parent company for the investments in Group companies, and associate company Energy Intellect Limited, a metering and communications company.

**(b) Operating segment information**  
2010

|  | Automotive<br>\$000 | Equipment<br>\$000 | Footwear<br>\$000 |
|--|---------------------|--------------------|-------------------|
| <b>INCOME STATEMENT</b>  |                     |                    |                   |
| Sales to external customers  | 155,068             | 82,268             | 163,816           |
| Intersegment sales   | 1,968               | 241                | -                 |
| Total sales revenue  | 157,036             | 82,509             | 163,816           |
| Other income   | 281                 | 1,795              | 861               |
| Total segment income   | 157,317             | 84,304             | 164,677           |
| Segment result   | 18,228              | (1,926)            | 3,278             |
| Net finance costs  |                     |                    |                   |
| Share of profit from associate   |                     |                    |                   |
| Income tax expense   |                     |                    |                   |
| Discontinued operations  |                     |                    |                   |
| <b>Profit after tax attributable to the Shareholders<br/>of the Parent Company</b> |                     |                    |                   |
| <b>BALANCE SHEET</b>   |                     |                    |                   |
| Segment assets   | 87,236              | 31,257             | 79,826            |
| Intersegment assets  | 1,062               | 1,381              | -                 |
| <b>Total Assets</b>  | <b>88,298</b>       | <b>32,638</b>      | <b>79,826</b>     |
| Segment liabilities  | 22,676              | 14,998             | 10,822            |
| Intersegment liabilities   | 14,838              | 10,147             | 11,149            |
| <b>Total Liabilities</b>   | <b>37,514</b>       | <b>25,145</b>      | <b>21,971</b>     |
| <b>Other segmental items</b>   |                     |                    |                   |
| Depreciation and amortisation  | 1,177               | 1,590              | 3,672             |
| Movement in impairment of inventories  | 463                 | 258                | (800)             |
| Movement in impairment of trade receivables  | (58)                | (118)              | 9                 |

| Packaging<br>\$000 | Diversified<br>\$000 | Corporate<br>\$000 | Inter-segment<br>eliminations/unallocated<br>\$000 | Group<br>\$000 |
|--------------------|----------------------|--------------------|--|----------------|
| 53,031             | -                    | -                  | -  | 454,183        |
| 289                | -                    | -                  | (2,498)  | -              |
| 53,320             | -                    | -                  | (2,498)  | 454,183        |
| 8                  | -                    | 12,810             | (12,506)   | 3,249          |
| 53,328             | -                    | 12,810             | (15,004)   | 457,432        |
| 5,058              | -                    | (4,720)            | -  | 19,918         |
|                    |                      |                    |  | (7,986)        |
|                    |                      |                    |  | 398            |
|                    |                      |                    |  | (3,482)        |
|                    |                      |                    |  | 1,453          |
|                    |                      |                    |  | 10,301         |
| 25,732             | 335                  | 4,892              | -  | 229,278        |
| 26                 | -                    | 65,657             | (68,126)   | -              |
| 25,758             | 335                  | 70,549             | (68,126)   | 229,278        |
| 7,404              | 563                  | 72,716             | -  | 129,179        |
| 12,107             | 19,469               | -                  | (67,710)   | -              |
| 19,511             | 20,032               | 72,716             | (67,710)   | 129,179        |
| 516                | -                    | 396                | -  | 7,351          |
| 60                 | -                    | -                  | -  | (19)           |
| 4                  | -                    | -                  | -  | (163)          |

**(b) Operating segment information (continued)**  
2009

|  | Automotive<br>\$000 | Equipment<br>\$000 | Footwear<br>\$000 |
|--|---------------------|--------------------|-------------------|
| <b>INCOME STATEMENT</b>  |                     |                    |                   |
| Sales to external customers  | 155,080             | 98,892             | 170,243           |
| Intersegment sales   | 1,300               | 302                | -                 |
| Total sales revenue  | 156,380             | 99,194             | 170,243           |
| Other income   | 272                 | 638                | 568               |
| Total segment income   | 156,652             | 99,832             | 170,811           |
| Segment result   | 17,668              | (1,909)            | 4,201             |
| Net finance costs  |                     |                    |                   |
| Share of (deficit) from associates   |                     |                    |                   |
| Income tax expense   |                     |                    |                   |
| Discontinued operations  |                     |                    |                   |
| <b>Profit after tax attributable to the Shareholders<br/>of the Parent Company</b> |                     |                    |                   |
| <b>BALANCE SHEET</b>   |                     |                    |                   |
| Segment assets   | 94,062              | 37,279             | 76,350            |
| Intersegment assets  | 146                 | 7                  | -                 |
| <b>Total Assets</b>  | <b>94,208</b>       | <b>37,286</b>      | <b>76,350</b>     |
| Segment liabilities  | 19,216              | 20,868             | 13,799            |
| Intersegment liabilities   | 40,153              | 8,306              | 8,980             |
| <b>Total Liabilities</b>   | <b>59,369</b>       | <b>29,174</b>      | <b>22,779</b>     |
| <b>Other segmental items</b>   |                     |                    |                   |
| Depreciation and amortisation  | 1,497               | 2,640              | 3,481             |
| Movement in impairment of inventories  | 833                 | (1,301)            | 460               |
| Movement in impairment of trade receivables  | 192                 | (237)              | (6)               |

**(c) Geographical segment information**

|                             | New Zealand    |               | Australia     |               | Total          |               |
|-----------------------------|----------------|---------------|---------------|---------------|----------------|---------------|
|                             | 2010<br>\$000  | 2009<br>\$000 | 2010<br>\$000 | 2009<br>\$000 | 2010<br>\$000  | 2009<br>\$000 |
| Sales to external customers | <b>439,797</b> | 464,238       | <b>14,386</b> | 14,709        | <b>454,183</b> | 478,947       |

Revenue is allocated to geographical segments on the basis of where the sale is legally recorded.

|                    | New Zealand   |               | Australia     |               | Total         |               |
|--------------------|---------------|---------------|---------------|---------------|---------------|---------------|
|                    | 2010<br>\$000 | 2009<br>\$000 | 2010<br>\$000 | 2009<br>\$000 | 2010<br>\$000 | 2009<br>\$000 |
| Non-current assets | <b>89,289</b> | 99,121        | <b>2,374</b>  | 2,353         | <b>91,663</b> | 101,474       |

| Packaging<br>\$000 | Diversified<br>\$000 | Corporate<br>\$000 | Inter-segment<br>eliminations/unallocated<br>\$000 | Group<br>\$000 |
|--------------------|----------------------|--------------------|--|----------------|
| 54,732             | -                    | -                  | -  | 478,947        |
| 171                | -                    | -                  | (1,773)  | -              |
| 54,903             | -                    | -                  | (1,773)  | 478,947        |
| 4                  | -                    | 10,031             | (9,744)  | 1,769          |
| 54,907             | -                    | 10,031             | (11,517)   | 480,716        |
| 2,001              | -                    | (3,636)            | -  | 18,325         |
|                    |                      |                    |  | (10,849)       |
|                    |                      |                    |  | (102)          |
|                    |                      |                    |  | (2,092)        |
|                    |                      |                    |  | (4,575)        |
|                    |                      |                    |  | 707            |
| 28,532             | 1,251                | 9,661              | -  | 247,135        |
| 56                 | -                    | 82,389             | (82,598)   | -              |
| 28,588             | 1,251                | 92,050             | (82,598)   | 247,135        |
| 5,365              | 2,486                | 100,841            | -  | 162,575        |
| 17,887             | 19,884               | -                  | (95,210)   | -              |
| 23,252             | 22,370               | 100,841            | (95,210)   | 162,575        |
| 274                | -                    | 394                | -  | 8,286          |
| 75                 | -                    | -                  | -  | 67             |
| 55                 | -                    | -                  | -  | 4              |

#### 4. Income and expenses

##### GROUP

|  | Continuing<br>operations | Discontinued<br>operations | Continuing<br>operations | Discontinued<br>operations |
|--|--------------------------|----------------------------|--------------------------|----------------------------|
|  | 2010                     | 2010                       | 2009                     | 2009                       |
|  | \$000                    | \$000                      | \$000                    | \$000                      |
| <b>Profit before tax includes the following specific income and expenses</b> |                          |                            |                          |                            |
| <b>Income</b>  |                          |                            |                          |                            |
| Rental income  | 57                       | -                          | 196                      | -                          |
| Dividend income  | 12                       | -                          | 10                       | -                          |
| Net gain on sale of property, plant and equipment                            | 190                      | -                          | 387                      | 10                         |
| Gain on sale of shares   | -                        | -                          | 8                        | -                          |
| Foreign exchange gains   | 146                      | -                          | 181                      | -                          |
| Finance revenue  | 16                       | 91                         | 49                       | 302                        |
| Share of profit of associate   | 398                      | -                          | -                        | -                          |
| Recovery of impaired loan  | -                        | 1,200                      | -                        | -                          |
| <b>Expenses</b>  |                          |                            |                          |                            |
| Depreciation   |                          |                            |                          |                            |
| Leasehold improvements   | 685                      | -                          | 251                      | -                          |
| Plant and equipment  | 1,841                    | 16                         | 3,382                    | 27                         |
| Furniture, fittings and office equipment                                     | 3,314                    | -                          | 2,938                    | -                          |
| Motor vehicles   | 455                      | -                          | 704                      | -                          |
| Total depreciation   | 6,295                    | 16                         | 7,275                    | 27                         |
| Amortisation   |                          |                            |                          |                            |
| Capitalised software costs   | 683                      | -                          | 638                      | -                          |
| Capitalised Capital Notes costs  | 373                      | -                          | 373                      | -                          |
| Total amortisation   | 1,056                    | -                          | 1,011                    | -                          |
| Total depreciation and amortisation  | 7,351                    | 16                         | 8,286                    | 27                         |
| Operating lease payments   | 54,772                   | -                          | 53,162                   | -                          |
| Provision for impairment in loans and advances                               | -                        | -                          | -                        | 4,438                      |
| Share of deficit of associate  | -                        | -                          | 102                      | -                          |
| Remuneration of principal auditors   |                          |                            |                          |                            |
| Audit of Parent and Group  | 226                      | -                          | 220                      | -                          |
| Tax audit, compliance and IRD liaison  | 186                      | -                          | 123                      | -                          |
| Other assurance  | -                        | -                          | 12                       | -                          |
| Directors' fees  | 293                      | -                          | 295                      | -                          |
| Donations  | 5                        | -                          | 26                       | -                          |
| Wages, salaries and other short term benefits                                | 79,104                   | -                          | 77,361                   | -                          |
| Foreign exchange losses  | 182                      | -                          | 221                      | -                          |
| Loss on forward exchange contracts not qualifying as a hedge                 | -                        | -                          | 82                       | -                          |
| Finance costs  | 8,002                    | -                          | 10,898                   | -                          |

The 2009 comparative for operating lease payments has been restated for a reclassification of some expenses from cost of sales to operating lease payments for consistency.

The Group has 2,282 employees (2009: 2,440 employees).

## PARENT

|  | Notes | 2010<br>\$000 | 2009<br>\$000 |
|--|-------|---------------|---------------|
| <b>Profit before tax includes the following specific income and expenses</b> |       |               |               |
| <b>Income</b>  |       |               |               |
| Dividend income - Associates   |       | -             | 1,594         |
| - Subsidiaries   |       | 5,500         | 9,348         |
| - Other  |       | -             | 1             |
| Gain on sale of shares   |       | -             | 8             |
| Finance revenue  |       | 8,399         | 10,589        |
| Realisation of subsidiaries' retained earnings on liquidation                | 12    | 5,783         | -             |
| <b>Expenses</b>  |       |               |               |
| Depreciation   |       |               |               |
| Leasehold improvements   |       | 11            | 11            |
| Furniture, fittings and office equipment                                     |       | 12            | 10            |
| Total depreciation   |       | 23            | 21            |
| Amortisation of capitalised Capital Notes costs                              |       | 373           | 373           |
| Total depreciation and amortisation  |       | 396           | 394           |
| Net loss on sale of property, plant and equipment                            |       | 1             | -             |
| Operating lease payments   |       | 173           | 170           |
| Provision for impairment of investments                                      |       | -             | 355           |
| Remuneration of principal auditors   |       |               |               |
| Audit of Parent  |       | 43            | 31            |
| Tax audit, compliance and IRD liaison  |       | 186           | 117           |
| Other assurance  |       | -             | 12            |
| Directors' fees  |       | 293           | 295           |
| Donations  |       | 2             | -             |
| Wages, salaries and other short term benefits                                |       | 2,890         | 1,911         |
| Finance costs  |       | 7,865         | 10,636        |

## 5. Income tax expense/(credit)

|   | Notes | Group         |               | Parent        |               |
|---|-------|---------------|---------------|---------------|---------------|
|   |       | 2010<br>\$000 | 2009<br>\$000 | 2010<br>\$000 | 2009<br>\$000 |
| <b>(a) Income tax expense/(credit)</b>                        |       |               |               |               |               |
| Current tax liability   | 14    | 4,106         | 1,461         | (758)         | (706)         |
| Future income tax benefit                                     | 14    | (624)         | 631           | (90)          | 66            |
| <b>Income tax expense/(credit)</b>                            |       | <b>3,482</b>  | <b>2,092</b>  | <b>(848)</b>  | <b>(640)</b>  |
| Deferred income tax included in income tax expense comprises: |       |               |               |               |               |
| (Increase)/decrease in future tax benefit                     |       | (624)         | 631           | (90)          | 66            |
|   |       | (624)         | 631           | (90)          | 66            |

| Notes   | Group         |               | Parent        |               |
|---|---------------|---------------|---------------|---------------|
|   | 2010<br>\$000 | 2009<br>\$000 | 2010<br>\$000 | 2009<br>\$000 |
| <b>(b) Reconciliation of income tax expense/(credit) to tax rate applicable to profits</b>      |               |               |               |               |
| Profit before income tax expense  | 12,330        | 7,374         | 8,347         | 8,196         |
| Tax at the New Zealand tax rate of 30%  | 3,699         | 2,212         | 2,504         | 2,459         |
| Tax effect of amounts which are either not deductible or taxable in calculating taxable income: |               |               |               |               |
| - Income not subject to tax   | (260)         | (262)         | (3,385)       | (3,097)       |
| - Expenses not deductible for tax   | 124           | 156           | 4             | 203           |
| - Expenses deductible for tax   | (149)         | -             | -             | -             |
| - Dividends from associates   | -             | 461           | -             | -             |
| - Imputation credits on dividends received  | 1             | 138           | -             | 137           |
| - Tax offset for imputed dividends  | (5)           | (460)         | -             | (457)         |
| - Change in tax rate  | 83            | (66)          | 1             | (8)           |
| - Overseas losses (recognised)/not recognised   | (178)         | 336           | -             | -             |
| - Future tax benefit not previously recognised  | (181)         | -             | -             | -             |
| - Prior period adjustment   | 348           | (423)         | 28            | 123           |
| <b>Income tax expense/(credit)</b>  | <b>3,482</b>  | <b>2,092</b>  | <b>(848)</b>  | <b>(640)</b>  |

**(c) Amounts recognised directly in equity**

Aggregate deferred tax arising in the year and not recognised in the income statement but directly debited or credited to equity

|   |              |                |          |          |
|---|--------------|----------------|----------|----------|
| Net deferred tax                        |              |                |          |          |
| - credited/(debited) directly to equity | 21           | (1,862)        | -        | -        |
|   | <b>2,673</b> | <b>(1,862)</b> | <b>-</b> | <b>-</b> |

The losses of Group companies within the consolidated tax group are shared. There are no tax losses available for carry forward in the Parent and no unrecognised temporary differences.

A future reduction in the New Zealand corporate tax rate from 30% to 28% has resulted in a decrease in future tax benefits and an increase in income tax expense of \$83,000. A previous reduction in the New Zealand tax rate from 33% to 30% resulted in an increase in future income tax benefits and a decrease in income tax expense of \$66,000 for the year ended 30 June 2009.

**6. Earnings per share****Basic and diluted**

Basic and diluted earnings per share are calculated by dividing the profit by the weighted average number of ordinary shares on issue during the year.

|  | Group             |                   | Parent            |                   |
|--|-------------------|-------------------|-------------------|-------------------|
|  | 2010              | 2009              | 2010              | 2009              |
| <b>(a) Group result</b>  |                   |                   |                   |                   |
| Profit after tax attributable to the Shareholders of the Parent company (\$000)                            | 10,301            | 707               | 9,195             | 8,836             |
| Weighted average number of ordinary shares on issue (thousands)  | 50,726            | 50,512            | 50,726            | 50,512            |
| <b>Basic and diluted earnings (per share)</b>  | <b>20.3 cents</b> | <b>1.4 cents</b>  | <b>18.1 cents</b> | <b>17.5 cents</b> |
| <b>(b) Continuing operations</b>   |                   |                   |                   |                   |
| Profit after tax from continuing operations attributable to the Shareholders of the Parent company (\$000) | 8,848             | 5,282             | 9,195             | 8,836             |
| Weighted average number of ordinary shares on issue (thousands)  | 50,726            | 50,512            | 50,726            | 50,512            |
| <b>Basic and diluted earnings (per share)</b>  | <b>17.4 cents</b> | <b>10.5 cents</b> | <b>18.1 cents</b> | <b>17.5 cents</b> |

|  | Group            |                    | Parent |      |
|--|------------------|--------------------|--------|------|
|  | 2010             | 2009               | 2010   | 2009 |
| <b>(c) Discontinued operations</b>   |                  |                    |        |      |
| Profit/(deficit) after tax from discontinued operations attributable to the Shareholders of the Parent company (\$000) | 1,453            | (4,575)            | -      | -    |
| Weighted average number of ordinary shares on issue (thousands)  | 50,726           | 50,512             | -      | -    |
| <b>Basic and diluted earnings (per share)</b>  | <b>2.9 cents</b> | <b>(9.1) cents</b> | -      | -    |

## 7. Cash and cash equivalents

|                          | Group         |               | Parent        |               |
|--------------------------|---------------|---------------|---------------|---------------|
|                          | 2010<br>\$000 | 2009<br>\$000 | 2010<br>\$000 | 2009<br>\$000 |
| Cash at bank and on hand | 1,656         | 4,572         | 1,044         | 628           |
|                          | <b>1,656</b>  | <b>4,572</b>  | <b>1,044</b>  | <b>628</b>    |

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

## 8. Receivables and prepayments

|  | Group         |               | Parent        |               |
|--|---------------|---------------|---------------|---------------|
|  | 2010<br>\$000 | 2009<br>\$000 | 2010<br>\$000 | 2009<br>\$000 |
| Trade receivables                        | 31,111        | 31,937        | -             | -             |
| Provision for impairment                 | (646)         | (809)         | -             | -             |
| Net trade receivables                    | 30,465        | 31,128        | -             | -             |
| Prepayments                              | 2,664         | 1,749         | 95            | -             |
| Other receivables                        | 872           | 1,032         | 22            | 42            |
| Total receivables and prepayments        | 34,001        | 33,909        | 117           | 42            |
| Due from subsidiaries                    | -             | -             | 55,154        | 58,175        |
| Provision for impairment                 | -             | -             | -             | -             |
| Receivables from related parties         | -             | -             | 55,154        | 58,175        |
| <b>Total receivables and prepayments</b> | <b>34,001</b> | <b>33,909</b> | <b>55,271</b> | <b>58,217</b> |

The analysis of net trade receivables that were past due but not impaired is as follows:

|                               | Group         |               | Parent        |               |
|-------------------------------|---------------|---------------|---------------|---------------|
|                               | 2010<br>\$000 | 2009<br>\$000 | 2010<br>\$000 | 2009<br>\$000 |
| Neither past due nor impaired | 26,336        | 25,591        | -             | -             |
| Past due but not impaired:    |               |               |               |               |
| - One to three months         | 4,108         | 5,537         | -             | -             |
| - Over three months           | 21            | -             | -             | -             |
|                               | <b>30,465</b> | <b>31,128</b> | -             | -             |

**(a) Provision for impairment of trade receivables**

The movements in the provision for impairment of trade receivables are as follows:

|   | Group         |               | Parent        |               |
|---|---------------|---------------|---------------|---------------|
|   | 2010<br>\$000 | 2009<br>\$000 | 2010<br>\$000 | 2009<br>\$000 |
| Balance at beginning of period  | 809           | 805           | -             | -             |
| Provision for doubtful debts recognised in the income statement during the year | 420           | 424           | -             | -             |
| Receivables written off during the year as uncollectible                        | (583)         | (420)         | -             | -             |
| <b>Balance at end of period</b>   | <b>646</b>    | <b>809</b>    | <b>-</b>      | <b>-</b>      |

**(b) Effective interest rates**

The effective weighted average interest rates are as follows:

|                       | Group     |           | Parent    |           |
|-----------------------|-----------|-----------|-----------|-----------|
|                       | 2010<br>% | 2009<br>% | 2010<br>% | 2009<br>% |
| Due from subsidiaries | -         | -         | 8.50      | 9.50      |

**(c) Credit risk**

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

|             | Group        |              | Parent       |              |
|-------------|--------------|--------------|--------------|--------------|
|             | 2010<br>%    | 2009<br>%    | 2010<br>%    | 2009<br>%    |
| New Zealand | 91.5         | 90.7         | 100.0        | 100.0        |
| Australia   | 8.1          | 9.2          | -            | -            |
| Other       | 0.4          | 0.1          | -            | -            |
|             | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> |

**(d) Fair value**

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

**9. Inventories**

|                  | Group          |                | Parent        |               |
|------------------|----------------|----------------|---------------|---------------|
|                  | 2010<br>\$000  | 2009<br>\$000  | 2010<br>\$000 | 2009<br>\$000 |
| Raw materials    | 455            | 993            | -             | -             |
| Work in progress | 1,107          | 1,093          | -             | -             |
| Finished goods   | 98,890         | 105,038        | -             | -             |
|                  | <b>100,452</b> | <b>107,124</b> | <b>-</b>      | <b>-</b>      |

The Group has recognised a recovery of \$0.02 million (2009: loss of \$0.1 million) in respect of both the sale of inventories previously written down and an adjustment of inventories to net realisable value. The recovery/loss has been included in 'cost of inventory sold' in the income statement. Inventory is pledged as security as detailed in Note 17.

## 10. Derivative financial instruments

|  | Group         |               | Parent        |               |
|--|---------------|---------------|---------------|---------------|
|  | 2010<br>\$000 | 2009<br>\$000 | 2010<br>\$000 | 2009<br>\$000 |
| <b>Current assets</b>  |               |               |               |               |
| Forward foreign exchange contracts                               | 1,476         | 2             | -             | -             |
| <b>Total current derivative financial instrument assets</b>      | <b>1,476</b>  | <b>2</b>      | <b>-</b>      | <b>-</b>      |
| <b>Current liabilities</b>                                       |               |               |               |               |
| Forward foreign exchange contracts                               | 445           | 8,044         | -             | -             |
| <b>Total current derivative financial instrument liabilities</b> | <b>445</b>    | <b>8,044</b>  | <b>-</b>      | <b>-</b>      |

### Instruments used by the Group

The 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 Group purchases and sells inventory denominated in foreign currency.

At 30 June 2010 the Group had entered into forward exchange contracts to sell the equivalent of NZ\$83.8 million (2009: NZ\$74.7 million). The currencies in which the 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 within 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 recognised in the income statement as 'cost of inventory sold' over the next financial year as the related inventory is sold. The ineffective portion of these hedges is taken directly to the income statement.

At balance date the fair value of these contracts were net assets of NZ\$1.03 million (2009: net liabilities of NZ\$8.04 million).

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 there were no such contracts (2009: \$Nil)

## 11. Loans and advances

|                                     | Group         |               | Parent        |               |
|-------------------------------------|---------------|---------------|---------------|---------------|
|                                     | 2010<br>\$000 | 2009<br>\$000 | 2010<br>\$000 | 2009<br>\$000 |
| <b>(a) Current</b>                  |               |               |               |               |
| Loans and advances                  | 30            | 1,254         | 30            | -             |
| Provision for impairment            | -             | (1,200)       | -             | -             |
| <b>Net loans and advances</b>       | <b>30</b>     | <b>54</b>     | <b>30</b>     | <b>-</b>      |
| <b>Movement:</b>                    |               |               |               |               |
| Balance at beginning of period      | 54            | 3,342         | -             | -             |
| Advances during year                | 30            | -             | 30            | -             |
| Repayments during year              | (1,254)       | (1,388)       | -             | -             |
| Reclassified to non-current         | -             | (700)         | -             | -             |
| Recovery/(provision for impairment) | 1,200         | (1,200)       | -             | -             |
| <b>Balance at end of period</b>     | <b>30</b>     | <b>54</b>     | <b>30</b>     | <b>-</b>      |

|                                 | Group         |               | Parent        |               |
|---------------------------------|---------------|---------------|---------------|---------------|
|                                 | 2010<br>\$000 | 2009<br>\$000 | 2010<br>\$000 | 2009<br>\$000 |
| <b>(b) Non-current</b>          |               |               |               |               |
| Loans and advances              | -             | 3,238         | -             | -             |
| Provision for impairment        | -             | (3,238)       | -             | -             |
| <b>Net loans and advances</b>   | -             | -             | -             | -             |
| <b>Movement:</b>                |               |               |               |               |
| Balance at beginning of period  | -             | 2,592         | -             | 334           |
| Repayments during year          | -             | (54)          | -             | (260)         |
| Reclassified from non-current   | -             | 700           | -             | -             |
| Provision for impairment        | -             | (3,238)       | -             | (74)          |
| <b>Balance at end of period</b> | -             | -             | -             | -             |

**(c) Interest rate risk**

The effective weighted average interest rate is 8.5% (2009: 8.25%).

**(d) Credit risk**

Risk is concentrated with one party.

**(e) Fair value**

The fair value of loans and advances approximates their carrying value.

**12. Investments**

|  | Group         |               | Parent        |               |
|--|---------------|---------------|---------------|---------------|
|  | 2010<br>\$000 | 2009<br>\$000 | 2010<br>\$000 | 2009<br>\$000 |
| <b>(a) Total investments</b>             |               |               |               |               |
| Shares in associate                      | 3,360         | 2,962         | 2,962         | 2,962         |
| Shares in subsidiaries                   | -             | -             | 69,605        | 77,536        |
|  | <b>3,360</b>  | <b>2,962</b>  | <b>72,567</b> | <b>80,498</b> |
| <b>Movement:</b>                         |               |               |               |               |
| Balance at beginning of period           | 2,962         | 5,808         | 80,498        | 82,003        |
| Acquisitions/loans during year           | -             | 20            | -             | 20            |
| Liquidation of subsidiary companies      | -             | -             | (7,931)       | -             |
| Provision for impairment                 | -             | -             | -             | (355)         |
| Share of profit/(deficit) from associate | 398           | (102)         | -             | -             |
| Dividends from associate                 | -             | (2,764)       | -             | (1,170)       |
| <b>Balance at end of period</b>          | <b>3,360</b>  | <b>2,962</b>  | <b>72,567</b> | <b>80,498</b> |

During the year the Parent liquidated four non-trading subsidiary companies resulting in a decrease in shares in subsidiaries of \$7.9 million and a realisation of subsidiaries' retained earnings of \$5.8 million (Note 4).

**(b) Associate**

| Name                     | Activity                | 2010     | 2009     |
|--------------------------|-------------------------|----------|----------|
|                          |                         | Interest | Interest |
| Energy Intellect Limited | Metering/communications | 34.4%    | 34.4%    |

The associate company has a balance date of 30 June and is incorporated in New Zealand.

The Group's share of the results of its associate company and its aggregated assets and liabilities are as follows:

|                  | 2010<br>\$000 | 2009<br>\$000 |
|------------------|---------------|---------------|
| Assets           | 2,822         | 2,475         |
| Liabilities      | 281           | 334           |
| Revenues         | 2,596         | 2,009         |
| Profit/(deficit) | 398           | (102)         |

### (c) Principal Subsidiaries

| Name                                      | Activity   | 2010<br>Interest | 2009<br>Interest |
|---|--|------------------|------------------|
| AB Equipment Limited                      | Materials handling, construction and agricultural equipment distributor and renter of materials handling equipment | 100%             | 100%             |
| Brake & Transmission NZ Limited           | Automotive parts distributor   | 100%             | 100%             |
| Diesel Distributors Limited               | Diesel engine components distributor   | 100%             | 100%             |
| Diesel Distributors Australia Pty Limited | Diesel engine components distributor   | 100%             | 100%             |
| Elldex Packaging Limited                  | Packaging manufacturer and distributor   | 100%             | 100%             |
| Eurolift NZ Limited                       | Materials handling equipment distributor and renter  | 100%             | 100%             |
| Number 1 Shoes Limited                    | Specialty shoe retailer  | 100%             | 100%             |
| R Hannah & Co Limited                     | Specialty shoe retailer  | 100%             | 100%             |
| Retail Properties 2008 Limited            | Property leasing company   | 100%             | 100%             |
| TradedEquipment.com Limited               | Materials handling and construction equipment re-seller  | 100%             | 100%             |
| TRS Tyre & Wheel Limited                  | Tyre and wheel importer and distributor  | 100%             | 100%             |

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

### 13. Property, plant and equipment

#### GROUP

#### 2010

|   | Leasehold<br>improvements<br>\$000 | Plant and<br>equipment<br>\$000 | Furniture and<br>office equipment<br>\$000 | Motor<br>vehicles<br>\$000 | Total<br>\$000 |
|---|------------------------------------|---------------------------------|--|----------------------------|----------------|
| <b>Year ended 30 June 2010</b>          |                                    |                                 |  |                            |                |
| Opening net book amount                 | 1,764                              | 14,171                          | 11,292                                     | 1,093                      | 28,320         |
| Additions                               | 975                                | 20,137                          | 3,136                                      | 38                         | 24,286         |
| Disposals                               | (2)                                | (19,188)                        | (661)                                      | (67)                       | (19,918)       |
| Reclassifications                       | 1,834                              | (2,991)                         | 925  | 8                          | (224)          |
| Depreciation charge                     | (685)                              | (1,857)                         | (3,314)                                    | (455)                      | (6,311)        |
| <b>Closing net book amount</b>          | <b>3,886</b>                       | <b>10,272</b>                   | <b>11,378</b>                              | <b>617</b>                 | <b>26,153</b>  |
| <b>As at 30 June 2010</b>               |                                    |                                 |  |                            |                |
| Cost                                    | 8,116                              | 18,354                          | 34,628                                     | 4,110                      | 65,208         |
| Accumulated depreciation and impairment | (4,230)                            | (8,082)                         | (23,250)                                   | (3,493)                    | (39,055)       |
| <b>Net book amount</b>                  | <b>3,886</b>                       | <b>10,272</b>                   | <b>11,378</b>                              | <b>617</b>                 | <b>26,153</b>  |

#### 2009

|   | Leasehold<br>improvements<br>\$000 | Plant and<br>equipment<br>\$000 | Furniture and<br>office equipment<br>\$000 | Motor<br>vehicles<br>\$000 | Total<br>\$000 |
|---|------------------------------------|---------------------------------|--|----------------------------|----------------|
| <b>Year ended 30 June 2009</b>          |                                    |                                 |  |                            |                |
| Opening net book amount                 | 1,129                              | 18,315                          | 12,307                                     | 2,731                      | 34,482         |
| Additions                               | 893                                | 9,772                           | 2,201                                      | 472                        | 13,338         |
| Disposals                               | (7)                                | (10,507)                        | (278)                                      | (1,406)                    | (12,198)       |
| Depreciation charge                     | (251)                              | (3,409)                         | (2,938)                                    | (704)                      | (7,302)        |
| <b>Closing net book amount</b>          | <b>1,764</b>                       | <b>14,171</b>                   | <b>11,292</b>                              | <b>1,093</b>               | <b>28,320</b>  |
| <b>As at 30 June 2009</b>               |                                    |                                 |  |                            |                |
| Cost                                    | 3,265                              | 25,731                          | 35,920                                     | 5,262                      | 70,178         |
| Accumulated depreciation and impairment | (1,501)                            | (11,560)                        | (24,628)                                   | (4,169)                    | (41,858)       |
| <b>Net book amount</b>                  | <b>1,764</b>                       | <b>14,171</b>                   | <b>11,292</b>                              | <b>1,093</b>               | <b>28,320</b>  |

Included in plant and equipment are assets available to be leased to external parties. The cost and accumulated depreciation of these assets are as follows:

|   | Group         |               | Parent        |               |
|---|---------------|---------------|---------------|---------------|
|   | 2010<br>\$000 | 2009<br>\$000 | 2010<br>\$000 | 2009<br>\$000 |
| Cost                                    | 3,088         | 3,889         | -             | -             |
| Accumulated depreciation and impairment | (542)         | (1,073)       | -             | -             |
| <b>Net book amount</b>                  | <b>2,546</b>  | <b>2,816</b>  | <b>-</b>      | <b>-</b>      |

#### PARENT 2010

|   | Leasehold<br>improvements | Furniture and<br>office equipment | Total     |
|---|---------------------------|-----------------------------------|-----------|
|   | \$000                     | \$000                             | \$000     |
| <b>Year ended 30 June 2010</b>          |                           |                                   |           |
| Opening net book amount                 | 74                        | 42                                | 116       |
| Additions                               | -                         | -                                 | -         |
| Disposals                               | -                         | (1)                               | (1)       |
| Depreciation charge                     | (11)                      | (12)                              | (23)      |
| <b>Closing net book amount</b>          | <b>63</b>                 | <b>29</b>                         | <b>92</b> |
| <b>As at 30 June 2010</b>               |                           |                                   |           |
| Cost                                    | 88                        | 92                                | 180       |
| Accumulated depreciation and impairment | (25)                      | (63)                              | (88)      |
| <b>Net book amount</b>                  | <b>63</b>                 | <b>29</b>                         | <b>92</b> |

#### 2009

|   | Leasehold<br>improvements | Furniture and<br>office equipment | Total      |
|---|---------------------------|-----------------------------------|------------|
|   | \$000                     | \$000                             | \$000      |
| <b>Year ended 30 June 2009</b>          |                           |                                   |            |
| Opening net book amount                 | 83                        | 34                                | 117        |
| Additions                               | 2                         | 18                                | 20         |
| Disposals                               | -                         | -                                 | -          |
| Depreciation charge                     | (11)                      | (10)                              | (21)       |
| <b>Closing net book amount</b>          | <b>74</b>                 | <b>42</b>                         | <b>116</b> |
| <b>As at 30 June 2009</b>               |                           |                                   |            |
| Cost                                    | 88                        | 101                               | 189        |
| Accumulated depreciation and impairment | (14)                      | (59)                              | (73)       |
| <b>Net book amount</b>                  | <b>74</b>                 | <b>42</b>                         | <b>116</b> |

## 14. Taxation

### (a) Future tax benefit

#### GROUP

|  | Prepaid tax<br>\$000 | Depreciation<br>\$000 | Provisions<br>\$000 | Other<br>\$000 | Total<br>\$000 |
|--|----------------------|-----------------------|---------------------|----------------|----------------|
| <b>At 30 June 2008</b>                       | 7,442                | (6)                   | 3,909               | 2,206          | 13,551         |
| Credited to the income statement             | -                    | (3)                   | (404)               | (224)          | (631)          |
| Future tax benefit not previously recognised | -                    | -                     | -                   | 7              | 7              |
| Movement in imputation credit account        | 771                  | -                     | -                   | -              | 771            |
| Reclassified to tax payable                  | (2,488)              | -                     | -                   | -              | (2,488)        |
| Discontinued operations                      | 142                  | (53)                  | (6)                 | -              | 83             |
| Charged directly to equity                   | -                    | -                     | -                   | 1,862          | 1,862          |
| <b>At 30 June 2009</b>                       | <b>5,867</b>         | <b>(62)</b>           | <b>3,499</b>        | <b>3,851</b>   | <b>13,155</b>  |
| Debited to the income statement              | -                    | 232                   | 132                 | 343            | 707            |
| Movement in imputation credit account        | (2,145)              | -                     | -                   | -              | (2,145)        |
| Change in tax rate                           | -                    | 14                    | (31)                | (66)           | (83)           |
| Reclassified to tax payable                  | (4,043)              | -                     | -                   | -              | (4,043)        |
| Discontinued operations                      | 458                  | (201)                 | (416)               | -              | (159)          |
| Charged directly to equity                   | -                    | -                     | -                   | (2,672)        | (2,672)        |
| <b>At 30 June 2010</b>                       | <b>137</b>           | <b>(17)</b>           | <b>3,184</b>        | <b>1,456</b>   | <b>4,760</b>   |

#### PARENT

|  | Prepaid tax<br>\$000 | Depreciation<br>\$000 | Provisions<br>\$000 | Other<br>\$000 | Total<br>\$000 |
|--|----------------------|-----------------------|---------------------|----------------|----------------|
| <b>At 30 June 2008</b>                     | 7,442                | (1)                   | 159                 | (183)          | 7,417          |
| (Credited)/debited to the income statement | -                    | (2)                   | (127)               | 63             | (66)           |
| Movement in imputation credit account      | 771                  | -                     | -                   | -              | 771            |
| Reclassified to tax payable                | (416)                | -                     | -                   | -              | (416)          |
| Transferred from subsidiaries              | (2,778)              | -                     | -                   | -              | (2,778)        |
| Current tax expense                        | 706                  | -                     | -                   | -              | 706            |
| Discontinued operations                    | 142                  | -                     | -                   | -              | 142            |
| <b>At 30 June 2009</b>                     | <b>5,867</b>         | <b>(3)</b>            | <b>32</b>           | <b>(120)</b>   | <b>5,776</b>   |
| Debited to the income statement            | -                    | -                     | 28                  | 62             | 90             |
| Movement in imputation credit account      | (2,145)              | -                     | -                   | -              | (2,145)        |
| Transferred from subsidiaries              | (4,801)              | -                     | -                   | -              | (4,801)        |
| Current tax expense                        | 758                  | -                     | -                   | -              | 758            |
| Discontinued operations                    | 458                  | -                     | -                   | -              | 458            |
| <b>At 30 June 2010</b>                     | <b>137</b>           | <b>(3)</b>            | <b>60</b>           | <b>(58)</b>    | <b>136</b>     |

A future reduction in the New Zealand corporate tax rate from 30% to 28% has resulted in a decrease in future tax benefits and an increase in income tax expense of \$83,000. A previous reduction in the New Zealand tax rate from 33% to 30% resulted in an increase in future income tax benefits and a decrease in income tax expense of \$66,000 for the year ended 30 June 2009.

### (b) Current tax liability

|                                       | Group         |               | Parent        |               |
|---------------------------------------|---------------|---------------|---------------|---------------|
|                                       | 2010<br>\$000 | 2009<br>\$000 | 2010<br>\$000 | 2009<br>\$000 |
| <b>Movements</b>                      |               |               |               |               |
| Balance at beginning of period        | -             | 1,058         | -             | (205)         |
| Movement in imputation credit account | (2,145)       | 771           | (2,145)       | 771           |
| Reclassified from prepaid tax         | (4,043)       | (2,488)       | -             | (416)         |
| Reclassified from receivables         | (48)          | -             | -             | -             |
| Current tax                           | 4,106         | 1,461         | -             | -             |
| Tax refunded/(paid)                   | 2,145         | (802)         | 2,145         | (150)         |
| <b>Balance at end of period</b>       | <b>15</b>     | <b>-</b>      | <b>-</b>      | <b>-</b>      |

**15. Intangible assets****GROUP**

|   | Computer<br>software<br>\$000 | Brands<br>\$000 | Goodwill<br>\$000 | Total<br>\$000 |
|---|-------------------------------|-----------------|-------------------|----------------|
| <b>Year ended 30 June 2010</b>                  |                               |                 |                   |                |
| Opening net book amount                         | 1,733                         | 783             | 54,521            | 57,037         |
| Acquisitions/change in consideration paid       | 813                           | -               | -                 | 813            |
| Reclassified from property, plant and equipment | 224                           | -               | -                 | 224            |
| Disposals                                       | (1)                           | -               | -                 | (1)            |
| Amortisation charge                             | (683)                         | -               | -                 | (683)          |
| <b>Closing net book amount</b>                  | <b>2,086</b>                  | <b>783</b>      | <b>54,521</b>     | <b>57,390</b>  |
| <b>At 30 June 2010</b>                          |                               |                 |                   |                |
| Cost  | 5,830                         | 783             | 54,521            | 61,134         |
| Accumulated amortisation and impairment         | (3,744)                       | -               | -                 | (3,744)        |
| <b>Net book amount</b>                          | <b>2,086</b>                  | <b>783</b>      | <b>54,521</b>     | <b>57,390</b>  |
| <b>Year ended 30 June 2009</b>                  |                               |                 |                   |                |
| Opening net book amount                         | 1,648                         | 783             | 54,440            | 56,871         |
| Acquisitions/change in consideration paid       | 725                           | -               | 81                | 806            |
| Disposals                                       | (2)                           | -               | -                 | (2)            |
| Amortisation charge                             | (638)                         | -               | -                 | (638)          |
| <b>Closing net book amount</b>                  | <b>1,733</b>                  | <b>783</b>      | <b>54,521</b>     | <b>57,037</b>  |
| <b>At 30 June 2009</b>                          |                               |                 |                   |                |
| Cost  | 4,712                         | 783             | 54,521            | 60,016         |
| Accumulated amortisation and impairment         | (2,979)                       | -               | -                 | (2,979)        |
| <b>Net book amount</b>                          | <b>1,733</b>                  | <b>783</b>      | <b>54,521</b>     | <b>57,037</b>  |

There are no intangible assets in the Parent company.

### Impairment tests for goodwill and indefinite life brands

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

|   |                       | 2010          | 2009          |
|---|-----------------------|---------------|---------------|
|   |                       | \$000         | \$000         |
| <b>Automotive</b>                         |                       |               |               |
| Diesel Distributors Limited               | - Goodwill            | 1,406         | 1,406         |
| Diesel Distributors Australia Pty Limited | - Goodwill            | 1,012         | 1,012         |
| Brake & Transmission NZ Limited           | - HCB Goodwill        | 3,888         | 3,888         |
| Brake & Transmission NZ Limited           | - NZ BrakeCo Goodwill | 1,312         | 1,312         |
| TRS Tyre & Wheel Limited                  | - Goodwill            | 9,366         | 9,366         |
| Goodwill on acquisitions by subsidiaries  |                       | 2,840         | 2,840         |
|   |                       | <b>19,824</b> | <b>19,824</b> |
| <b>Footwear</b>                           |                       |               |               |
| R Hannah & Co Limited                     | - Goodwill            | 7,002         | 7,002         |
|   | - Brands              | 783           | 783           |
| Number 1 Shoes Limited                    | - Goodwill            | 19,539        | 19,539        |
| Goodwill on acquisition by subsidiaries   |                       | 397           | 397           |
|   |                       | <b>27,721</b> | <b>27,721</b> |
| <b>Packaging</b>                          |                       |               |               |
| Elldex Packaging Limited                  | - Goodwill            | 7,759         | 7,759         |
|   |                       | <b>7,759</b>  | <b>7,759</b>  |
|   |                       | <b>55,304</b> | <b>55,304</b> |

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

On an annual basis, the recoverable amount of the goodwill and brands above 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 are based on financial budgets and forecasts approved by the Directors. Cash flows beyond this period are extrapolated using the estimated growth rates stated below. The growth rates do not exceed the long-term average growth rate for the business in which the CGU operates.

The key assumptions used for the value in use calculations for all cash generating units are as follows:

|                           | 2010    | 2009     |
|---------------------------|---------|----------|
| Pre-tax discount rate     | 13.5%   | 13.5%    |
| Cash flow forecast period | 5 years | 25 years |
| Terminal growth rate      | 3.0%    | 3.0%     |

The calculation supports the carrying amount of the recorded goodwill.

The recoverable amount of Number 1 Shoes Limited has been calculated as \$50.2m which exceeded the carrying amount of the CGU by \$5.2m. The second year EBIT would need to reduce by 12% from the company's forecast for the recoverable amount to equal its carrying value.

The Company does not consider any reasonably possible change in other key assumptions applied to other goodwill balances would reduce the recoverable amounts below their carrying amounts.

## 16. Payables and provisions

### (a) Current

|                          | Group         |               | Parent        |               |
|--------------------------|---------------|---------------|---------------|---------------|
|                          | 2010<br>\$000 | 2009<br>\$000 | 2010<br>\$000 | 2009<br>\$000 |
| Trade and other payables | 45,990        | 39,686        | 579           | 458           |
| Provisions               | 7,333         | 6,372         | 1,376         | 163           |
|                          | <b>53,323</b> | <b>46,058</b> | <b>1,955</b>  | <b>621</b>    |

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

### (b) Non-current

|                | Group         |               | Parent        |               |
|----------------|---------------|---------------|---------------|---------------|
|                | 2010<br>\$000 | 2009<br>\$000 | 2010<br>\$000 | 2009<br>\$000 |
| Other payables | 110           | 279           | -             | -             |
| Provisions     | 376           | 190           | -             | -             |
|                | <b>486</b>    | <b>469</b>    | <b>-</b>      | <b>-</b>      |

### (c) Provisions

#### GROUP

|  | Maintenance<br>provisions<br>\$000 | Warranty<br>provisions<br>\$000 | Unexpired<br>leases<br>\$000 | Other<br>\$000 | Total<br>\$000 |
|--|------------------------------------|---------------------------------|------------------------------|----------------|----------------|
| At 1 July 2009                         | 2,482                              | 151                             | 1,350                        | 2,579          | 6,562          |
| Charged/(credited) in income statement | 1,462                              | 485                             | (603)                        | 2,075          | 3,419          |
| Used during the year                   | (1,592)                            | (244)                           | -                            | (371)          | (2,207)        |
| Transferred to payables                | -                                  | -                               | -                            | (65)           | (65)           |
| At 30 June 2010                        | <b>2,352</b>                       | <b>392</b>                      | <b>747</b>                   | <b>4,218</b>   | <b>7,709</b>   |

#### PARENT

|  | Unexpired<br>leases<br>\$000 | Other<br>\$000 | Total<br>\$000 |
|--|------------------------------|----------------|----------------|
| At 1 July 2009                         | -                            | 163            | 163            |
| (Credited)/charged in income statement | (296)                        | 1,335          | 1,039          |
| Used during the year                   | -                            | (197)          | (197)          |
| Transferred to payables                | -                            | (65)           | (65)           |
| Transferred from subsidiary            | 436                          | -              | 436            |
| At 30 June 2010                        | <b>140</b>                   | <b>1,236</b>   | <b>1,376</b>   |

#### Analysis of provisions

|             | Group         |               | Parent        |               |
|-------------|---------------|---------------|---------------|---------------|
|             | 2010<br>\$000 | 2009<br>\$000 | 2010<br>\$000 | 2009<br>\$000 |
| Non-current | 376           | 190           | -             | -             |
| Current     | 7,333         | 6,372         | 1,376         | 163           |
|             | <b>7,709</b>  | <b>6,562</b>  | <b>1,376</b>  | <b>163</b>    |

The maintenance provision relates to maintenance obligations in relation to equipment which is leased by the Group and on-leased to customers for periods up to 5 years. The provision is estimated based on historical 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 historical costs and is expected to be utilised over the warranty period, typically being 1 year.

The unexpired lease provision relates to leases of Retail Properties 2008 Limited (formerly BBQ Factory Limited). This provision has been estimated based on expected lease payments less recoveries and the Group will exit these lease arrangement as soon as it is able.

Other provisions primarily relate to provisions associated with the sale of BBQ Factory Limited and employee bonuses which are expected to be utilised within 1 year.

## 17. Borrowings and capital notes

### (a) Current borrowings

#### GROUP

|  | Effective interest rate |           | 2010<br>\$000 | 2009<br>\$000 |
|--|-------------------------|-----------|---------------|---------------|
|  | 2010<br>%               | 2009<br>% |               |               |
| <b>Secured</b>   |                         |           |               |               |
| Bank overdrafts  | 8.75                    | -         | 266           | -             |
| Trade loans  | -                       | 2.73      | -             | 7,733         |
| <b>Total secured current interest bearing borrowings</b> |                         |           | <b>266</b>    | <b>7,733</b>  |

Current interest bearing borrowings are denominated in the following currencies:

|                       | 2010<br>\$000 | 2009<br>\$000 |
|-----------------------|---------------|---------------|
| New Zealand dollars   | 266           | -             |
| Japanese yen          | -             | 7,205         |
| United States dollars | -             | 418           |
| European Union euros  | -             | 110           |
|                       | <b>266</b>    | <b>7,733</b>  |

There are no current borrowings in the Parent company.

### (b) Non-current borrowings

#### GROUP AND PARENT

|  | Effective interest rate |           | 2010<br>\$000 | 2009<br>\$000 |
|--|-------------------------|-----------|---------------|---------------|
|  | 2010<br>%               | 2009<br>% |               |               |
| <b>Secured</b>   |                         |           |               |               |
| Bank loans   | 4.23                    | 3.80      | 25,000        | 51,000        |
| <b>Total secured non-current interest bearing borrowings</b> |                         |           | <b>25,000</b> | <b>51,000</b> |

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

|                  | Group and Parent |               |
|------------------|------------------|---------------|
|                  | 2010<br>\$000    | 2009<br>\$000 |
| 6 months or less | 25,000           | 51,000        |
|                  | <b>25,000</b>    | <b>51,000</b> |

The maturity of non-current borrowings is as follows:

|                       | Group and Parent |               |
|-----------------------|------------------|---------------|
|                       | 2010<br>\$000    | 2009<br>\$000 |
| Between 1 and 2 years | 25,000           | -             |
| Between 2 and 3 years | -                | 51,000        |
|                       | <b>25,000</b>    | <b>51,000</b> |

Subsequent to balance date the term of these borrowings has been extended from 31 July 2011 to 31 July 2012.

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 a General Security Agreement over all the assets of the Guaranteeing Group. The Guaranteeing Group includes all the trading companies of the Group with the exception of the Australian companies.

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

The Group has the following undrawn borrowing facilities:

|                                | Group         |               | Parent        |               |
|--------------------------------|---------------|---------------|---------------|---------------|
|                                | 2010<br>\$000 | 2009<br>\$000 | 2010<br>\$000 | 2009<br>\$000 |
| .....                          |               |               |               | -             |
| Expiring between 1 and 3 years | <b>57,419</b> | 34,454        | <b>57,000</b> | 31,000        |

### (c) Capital notes

|                             | Group and Parent<br>\$000 |
|-----------------------------|---------------------------|
| .....                       |                           |
| <b>At 1 July 2008</b>       | 48,898                    |
| Amortisation of issue costs | 373                       |
| <b>At 30 June 2009</b>      | <b>49,271</b>             |
| Amortisation of issue costs | 373                       |
| <b>At 30 June 2010</b>      | <b>49,644</b>             |

On 26 June 2006 Hellaby Holdings issued 50.0 million capital notes with an aggregate face value of \$50.0 million.

The notes mature on 15 June 2011, and under the Trust Deed, Hellaby Holdings may allow the holder to redeem the notes for cash, give the holder the option to renew the notes on new terms and conditions, or subject to shareholder approval, convert into ordinary shares. The notes can also be redeemed early at the option of Hellaby Holdings (from 16 June 2008). Interest on the notes is payable at 8.50% per annum, quarterly in arrears.

### 18. Imputation credits

|  | Group          |               | Parent         |               |
|--|----------------|---------------|----------------|---------------|
|  | 2010<br>\$000  | 2009<br>\$000 | 2010<br>\$000  | 2009<br>\$000 |
| .....  |                |               |                |               |
| <b>Balance</b>                                   |                |               |                |               |
| Imputation credit account (debit)/credit balance | <b>(38)</b>    | 2,805         | <b>(82)</b>    | 2,769         |
| <b>Movements</b>                                 |                |               |                |               |
| Dividends paid                                   | <b>(639)</b>   | (1,485)       | <b>(639)</b>   | (1,485)       |
| Dividends received                               | 7              | 460           | -              | 2,106         |
| Transferred from subsidiaries                    | -              | -             | -              | 1,867         |
| Prior period adjustment                          | <b>(22)</b>    | -             | <b>(22)</b>    | -             |
| Taxation (refunded)/paid                         | <b>(2,189)</b> | 773           | <b>(2,190)</b> | 76            |
|  | <b>(2,843)</b> | (252)         | <b>(2,851)</b> | 2,564         |

## 19. Discontinued operations

Retail Properties 2008 Limited is the lessee of certain properties which are sub-leased to BBQ Factory Limited. The amounts included in discontinued operations arise as a result of the disposal of the trade and assets of the BBQ Factory Limited (now Retail Properties 2008 Limited) effective 30 June 2008. The Group will exit the lease arrangements as soon as it is able. These leases are included in Note 25 Operating Leases.

An analysis of the result of discontinued operations is as follows:

|  | 2010         | 2009           |
|--|--------------|----------------|
|  | \$000        | \$000          |
| Other income   | 1,537        | -              |
| Expenses   | (16)         | (532)          |
| Profit/(deficit) before interest and tax from operating activities | 1,521        | (532)          |
| Finance revenue  | 91           | 302            |
| Profit/(deficit) before tax from operating activities              | 1,612        | (230)          |
| Profit on disposal of shares and assets                            | -            | 10             |
| Provision for impairment   | -            | (4,438)        |
| Profit/(deficit) before tax from discontinued operations           | 1,612        | (4,658)        |
| Income tax (expense)/credit  | (159)        | 83             |
| <b>Profit/(deficit) after tax from discontinued operations</b>     | <b>1,453</b> | <b>(4,575)</b> |

In 2009 advances receivable on the sale of the trade and assets of BBQ Factory Limited were fully provided for. During the year ended 30 June 2010, \$1.2 million was recovered and is included in other income.

Cash flows from discontinued operations are as follows:

|  | 2010         | 2009       |
|--|--------------|------------|
|  | \$000        | \$000      |
| Cash used in operating activities                        | (633)        | (616)      |
| Cash from investing activities                           | 1,251        | 1,360      |
| Cash used in financing activities                        | (882)        | (477)      |
| <b>Total cash (used in)/from discontinued operations</b> | <b>(264)</b> | <b>267</b> |

## 20. Contributed equity

|  | No. of shares     |                   | Group and Parent |               |
|--|-------------------|-------------------|------------------|---------------|
|  | 2010              | 2009              | 2010             | 2009          |
|  | Shares            | Shares            | \$000            | \$000         |
| Opening ordinary shares                        | 50,647,698        | 50,243,782        | 20,808           | 20,145        |
| Shares issued under dividend reinvestment plan | 343,766           | 403,916           | 523              | 663           |
| <b>Total ordinary shares</b>                   | <b>50,991,464</b> | <b>50,647,698</b> | <b>21,331</b>    | <b>20,808</b> |

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.

On 3 March 2006 Hellaby Holdings announced it was introducing a dividend reinvestment plan, providing shareholders with the opportunity to utilise all or part of their dividends to purchase shares in Hellaby Holdings. During the year ended 30 June 2009, 67,250 shares previously held as treasury stock, were issued to shareholders who participated in the dividend reinvestment plan with a value of \$0.1 million.

## 21. Capital and reserves

### GROUP

|                                  | Share<br>capital<br>\$000 | Cash flow<br>hedge<br>\$000 | Retained<br>earnings<br>\$000 | Total<br>\$000 |
|----------------------------------|---------------------------|-----------------------------|-------------------------------|----------------|
| <b>Balance at 1 July 2008</b>    | 20,145                    | (1,174)                     | 71,579                        | 90,550         |
| Profit after tax                 | -                         | -                           | 707                           | 707            |
| Dividend payment                 | 663                       | -                           | (3,015)                       | (2,352)        |
| Other comprehensive income:      |                           |                             |                               |                |
| - Fair value losses in year      | -                         | (3,576)                     | -                             | (3,576)        |
| - Tax on fair value losses       | -                         | 1,074                       | -                             | 1,074          |
| - Transfers to net profit        | -                         | (30)                        | -                             | (30)           |
| - Tax on transfers to net profit | -                         | 9                           | -                             | 9              |
| - Transfers to inventory         | -                         | (2,601)                     | -                             | (2,601)        |
| - Tax on transfers to inventory  | -                         | 779                         | -                             | 779            |
| Total other comprehensive (loss) | -                         | (4,345)                     | -                             | (4,345)        |
| <b>Balance at 30 June 2009</b>   | 20,808                    | (5,519)                     | 69,271                        | 84,560         |
| <b>Balance at 1 July 2009</b>    | 20,808                    | (5,519)                     | 69,271                        | 84,560         |
| Profit after tax                 | -                         | -                           | 10,301                        | 10,301         |
| Dividend payment                 | 523                       | -                           | (1,520)                       | (997)          |
| Other comprehensive income:      |                           |                             |                               |                |
| - Fair value gains in year       | -                         | 7,320                       | -                             | 7,320          |
| - Tax on fair value gains        | -                         | (2,196)                     | -                             | (2,196)        |
| - Transfers to inventory         | -                         | 1,588                       | -                             | 1,588          |
| - Tax on transfers to inventory  | -                         | (477)                       | -                             | (477)          |
| Total other comprehensive income | -                         | 6,235                       | -                             | 6,235          |
| <b>Balance at 30 June 2010</b>   | 21,331                    | 716                         | 78,052                        | 100,099        |

### PARENT

|                                | Share<br>capital<br>\$000 | Retained<br>earnings<br>\$000 | Total<br>\$000 |
|--------------------------------|---------------------------|-------------------------------|----------------|
| <b>Balance at 1 July 2008</b>  | 20,145                    | 17,714                        | 37,859         |
| Total comprehensive income     | -                         | 8,836                         | 8,836          |
| Dividend payment               | 663                       | (3,015)                       | (2,352)        |
| <b>Balance at 30 June 2009</b> | 20,808                    | 23,535                        | 44,343         |
| <b>Balance at 1 July 2009</b>  | 20,808                    | 23,535                        | 44,343         |
| Total comprehensive income     | -                         | 9,195                         | 9,195          |
| Dividend payment               | 523                       | (1,520)                       | (997)          |
| <b>Balance at 30 June 2010</b> | 21,331                    | 31,210                        | 52,541         |

## 22. Dividends – ordinary shares

|  | Cents per share |               | Group and Parent |               |
|--|-----------------|---------------|------------------|---------------|
|  | 2010<br>cents   | 2009<br>cents | 2010<br>\$000    | 2009<br>\$000 |
| Interim dividend for the year ended 30 June 2010 | 3               | -             | 1,520            | -             |
| Final dividend for the year ended 30 June 2008   | -               | 6             | -                | 3,015         |
|  | 3               | 6             | 1,520            | 3,015         |

Dividends are paid in cash or through the issue of shares in accordance with the dividend reinvestment plan (see Note 20).

The 2010 interim dividend was fully imputed (2008 final: fully imputed). Supplementary dividends of \$12,000 (2009: \$28,000) were paid to shareholders not tax-resident in New Zealand for which Hellaby Holdings received a foreign investor tax credit entitlement.

## 23. Related party transactions

### (a) Loans to subsidiaries

|                                     | Group         |               | Parent        |               |
|-------------------------------------|---------------|---------------|---------------|---------------|
|                                     | 2010<br>\$000 | 2009<br>\$000 | 2010<br>\$000 | 2009<br>\$000 |
| Beginning of the period             | -             | -             | 58,175        | 83,753        |
| Loans repaid                        | -             | -             | (17,098)      | (24,139)      |
| Interest charged                    | -             | -             | 8,398         | 10,589        |
| Transfer of provision               | -             | -             | 436           | -             |
| Liquidation of subsidiary companies | -             | -             | 13,714        | -             |
| Interest received                   | -             | -             | (8,471)       | (12,028)      |
| <b>End of the period</b>            | -             | -             | <b>55,154</b> | <b>58,175</b> |

### (b) Transactions with key management

Automotive franchise holder, Midas New Zealand, is partly owned by parties associated with Hellaby Holdings' alternate director H Green and Brake & Transmission NZ Limited ('BNT') Chief Executive, G Horne. The payment guarantee fee payable by BNT to Midas New Zealand for the year is estimated at \$Nil (2009: \$37,500).

BNT leases premises at Omega Street, North Harbour, Auckland owned by a company associated with G Horne. Lease payments of \$593,000 were made for the year (2009: \$556,000) on normal arms length terms. There is no balance owing to the Group at 30 June 2010 (30 June 2009: \$Nil).

BNT leases premises at Vogel Street, Dunedin, owned by a company associated with G Horne. Lease payments of \$54,000 were made for the year (2009: \$54,000) on normal arms length terms.

BNT leases premises at Downer Street, Lower Hutt, owned by a company associated with G Horne. Lease payments of \$80,000 were made for the year (3 months 2009: \$20,000) on normal arms length terms.

BNT leases premises at Herekino Street, Whangarei owned by a company associated with G Horne. Lease payments of \$37,000 were made for the year (2009: \$Nil) on normal arms length terms.

BNT leases premises at Midas Place, Christchurch owned by a company associated with P Eden, General Manager of HCB Technologies, a division of BNT. Lease payments of \$31,000 were made for the year (2009: \$31,000) on normal arms length terms.

### (c) Key management compensation was as follows:

|  | Group         |               | Parent        |               |
|--|---------------|---------------|---------------|---------------|
|  | 2010<br>\$000 | 2009<br>\$000 | 2010<br>\$000 | 2009<br>\$000 |
| Salaries and bonuses   | 4,224         | 3,009         | 933           | 646           |
| Short term employee benefits   | 158           | 178           | 40            | 52            |
| <b>Total salaries and bonuses, short term employee benefits and termination benefits</b> | <b>4,382</b>  | <b>3,187</b>  | <b>973</b>    | <b>698</b>    |

## 24. Capital expenditure commitments

|  | Group         |               | Parent        |               |
|--|---------------|---------------|---------------|---------------|
|  | 2010<br>\$000 | 2009<br>\$000 | 2010<br>\$000 | 2009<br>\$000 |
| <b>Commitments at the end of the year not provided for in the financial statements</b> | <b>795</b>    | <b>851</b>    | <b>43</b>     | <b>-</b>      |

Capital commitments include expenditure for leasehold improvements and ERP system implementations.

## 25. Operating leases

### Leases as lessee

|  | Group          |                | Parent     |            |
|--|----------------|----------------|------------|------------|
|  | 2010           | 2009           | 2010       | 2009       |
|  | \$000          | \$000          | \$000      | \$000      |
| .....                                    |                |                |            |            |
| Lease commitments expire as follows:     |                |                |            |            |
| Within one year                          | 42,407         | 45,558         | 241        | 142        |
| One to two years                         | 31,823         | 34,090         | 148        | 142        |
| Two to five years                        | 47,774         | 47,684         | 403        | 358        |
| More than five years                     | 5,995          | 11,587         | 83         | 203        |
| <b>Total operating lease commitments</b> | <b>127,999</b> | <b>138,919</b> | <b>875</b> | <b>845</b> |

The Group leases equipment, various retail and wholesale outlets, offices and warehouses under 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 4.

### Leases as lessor

The Group leases out equipment under operating leases. The future minimum lease payments under non-cancellable leases are as follows:

|  | Group         |               | Parent   |          |
|--|---------------|---------------|----------|----------|
|  | 2010          | 2009          | 2010     | 2009     |
|  | \$000         | \$000         | \$000    | \$000    |
| .....                                    |               |               |          |          |
| Within one year                          | 19,185        | 19,613        | -        | -        |
| One to two years                         | 12,389        | 14,355        | -        | -        |
| Two to five years                        | 15,343        | 14,002        | -        | -        |
| More than five years                     | 14            | 390           | -        | -        |
| <b>Total operating lease commitments</b> | <b>46,931</b> | <b>48,360</b> | <b>-</b> | <b>-</b> |

## 26. Commitments and contingent liabilities

|   | Group         |               | Parent   |          |
|---|---------------|---------------|----------|----------|
|   | 2010          | 2009          | 2010     | 2009     |
|   | \$000         | \$000         | \$000    | \$000    |
| .....   |               |               |          |          |
| Commitments 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   | 74,304        | 76,503        | -        | -        |
| Letters of credit   | 6,108         | 2,535         | -        | -        |
| <b>Total commitments</b>  | <b>80,412</b> | <b>79,038</b> | <b>-</b> | <b>-</b> |

There are no contingent liabilities as at 30 June 2010 (2009: \$Nil).

## 27. Reconciliation of net cash flow from operating activities to reported profit from continuing operations

|   | Group         |               | Parent        |               |
|---|---------------|---------------|---------------|---------------|
|   | 2010<br>\$000 | 2009<br>\$000 | 2010<br>\$000 | 2009<br>\$000 |
| <b>Profit before tax from continuing operations</b>       | <b>12,330</b> | 7,374         | <b>8,347</b>  | 8,196         |
| <b>Adjusted for:</b>                                      |               |               |               |               |
| Depreciation  | 6,295         | 7,275         | 23            | 21            |
| Amortisation  | 1,056         | 1,011         | 373           | 373           |
| Unrealised exchange losses                                | 12            | 139           | -             | -             |
| Share of (profit)/deficit from associate                  | (398)         | 102           | -             | -             |
| Dividends from associated companies                       | -             | -             | -             | (1,559)       |
| Net (profit)/loss on sale of assets/shares                | (190)         | (395)         | 1             | (8)           |
| Taxation refunded/(paid)                                  | 2,145         | (802)         | 2,146         | (150)         |
| Provision for investments to net tangible value           | -             | -             | -             | 355           |
| Liquidation of subsidiary companies                       | -             | -             | (5,783)       | -             |
| Cash from operating activities of discontinued operations | (633)         | (616)         | -             | -             |
| <b>Impact of changes in working capital items:</b>        |               |               |               |               |
| (Increase)/decrease in debtors and prepayments            | (92)          | 16,974        | (451)         | 628           |
| Increase/(decrease) in creditors and provisions           | 7,542         | (18,668)      | 1,334         | (566)         |
| Decrease in inventories                                   | 6,672         | 25,467        | -             | -             |
| <b>Net cash inflow from operating activities</b>          | <b>34,739</b> | 37,861        | <b>5,990</b>  | 7,290         |

## 28. Events after balance date

### Dividend

Hellaby Holdings has declared a final dividend of 5 cents per share, fully imputed, payable on 12 November 2010 (2009: \$Nil).