

HELLABY HOLDINGS LIMITED

INTERIM REPORT

FOR THE 6 MONTHS ENDED 31 DECEMBER 2007

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In March 2006 Hellaby announced that it had initiated a dividend reinvestment plan, whereby shareholders could elect to receive shares in lieu of cash dividends, with the strike price for such shares being at a discount to the prevailing market value. Hellaby directors continue to recommend the plan, and advise that any shareholder wishing to participate in the plan should contact the company's Share Registry, Computershare Investor Services Limited.

DIRECTORS' REPORT

Hellaby Holdings Limited directors are pleased to present the financial results for the six months to 31 December 2007.

As signalled previously, the priority for this financial year is to restore Hellaby's performance to the levels achieved in previous years. At the half-way mark, the company is on track to achieve this.

Financial Performance

The company has posted a trading surplus before interest, tax, depreciation, amortisation ["EBITDA"] and before one-off transactions, of \$19.1 million for the six months to 31 December 2007. This represents a 50% increase on last year's reported EBITDA of \$12.7 million for the same period.

Group earnings before interest and tax ["EBIT"] increased by 70% to \$13.9 million, compared to \$8.2 million for the same period last year.

Despite a higher net taxation expense for the period (\$1.9 million compared with last year's \$1.0 million), and increased interest payments, Hellaby has still achieved a tax-paid profit ["NPAT"] of \$5.0 million. This represents an 81% increase against last year's surplus of \$2.8 million (calculated after adjusting for IAS39 IFRS requirements).

Trading Performance

The Automotive Parts division performed very well for the six months to 31 December 2007. The expansion of Diesel Distributors into Australia is now on track, and the automotive and industrial battery supplier, HCB Technologies (acquired in November 2006), has made a solid contribution to the performance of the Brake & Transmission group. Management expects the automotive parts businesses to continue their strong performance during the second half of this financial year.

The Industrial Equipment division also performed very well for the six months to 31 December 2007. AB Equipment continues to experience robust market demand in both forklifts and construction equipment, and enters the second half of the financial year with a strong level of confirmed customer orders. TRS, the specialist tyre and wheel supplier, experienced improved demand for its agricultural products during the period in review, particularly from the New Zealand dairy sector.

The Packaging division has achieved an acceptable profit contribution from the recently-acquired PPL and Chequer Packaging businesses - particularly considering a concurrent operational integration project has been underway since the acquisitions were made in July 2007. Further profit improvement is planned for the packaging businesses in the second half of this financial year.

The solid profit performance of the Automotive Parts, Industrial Equipment and Packaging divisions over recent months has, to some extent, been offset by the challenging market conditions being experienced by the businesses in the Retail division. The BBQ Factory has continued to underperform, primarily due to weak consumer demand and an inconsistent mix of retail store locations

Like the retail apparel sector overall, Hannahs and No 1 Shoes again experienced relatively flat consumer demand during the pre Christmas period, which resulted in a modest same store sales improvement against the same period last year. The profit performance of Hannahs is nonetheless well ahead of the same period last year, and both businesses are expected to improve their profit performance during the second half of this financial year.

Investments

As previously announced, Hellaby subsidiary Elldex Packaging acquired two flexible packaging businesses during July 2007 - Wellington-based PPL Corporation and Christchurch-based Chequer Packaging [In Receivership]. Hellaby is pleased to confirm that the integration of these three packaging businesses into one single Elldex Packaging group is currently on track - with Elldex Packaging group sales revenues and profits projected to more than double for the full financial year. A high-calibre senior management team has been appointed for Elldex Packaging, and is currently focused on implementing plant operational efficiencies, and business development growth.

Divestments

In October 2007 Hellaby divested the business and assets of Levana Textiles. Levana has been a solid performer for Hellaby over the years; this business was nonetheless sold because Levana was unlikely to achieve further expansionary growth in the New Zealand textile sector under Hellaby ownership.

The Hellaby asset portfolio is reviewed on a regular basis, and further acquisitions and/or divestments are likely to occur over time, in keeping with the company's investment strategy.

Dividend

An interim dividend of 5 cents per share, unimputed, has been declared for the year ending 30 June 2008 (last year 10 cents per share, fully imputed). The dividend will be paid on Friday 18 April 2008 (for the purposes of determining shareholder entitlements the company will be ex dividend at 5:00 pm, 11 April 2008).

In accordance with last year's announcement, Hellaby has adopted a new dividend policy of distributing approximately 50% of net tax-paid operating profits, with imputation credits attached only when they are available from taxation payments. While this is not necessarily the most tax efficient method of distributing profits for all shareholders, the company believes that there is still a significant shareholder expectation that a dividend be paid, albeit unimputed.

Directors will continue to monitor the application of this current policy.

Outlook

Historic trends indicate that Hellaby's group sales and profit will further improve in the second half of the financial year. Based on current profit performance trends and the company's portfolio diversification, directors believe that Hellaby remains on track to achieve around \$45 million trading surplus before interest, tax, depreciation, amortisation ["EBITDA"] and before one-off transactions for this financial year.

Two important areas of focus will be (1) to improve the balance sheet through debt reduction related to working capital initiatives and ongoing review of the asset portfolio, and (2) to improve the performance of the retail businesses during the second half of the financial year.

The performance of our footwear retail businesses is generally solid during the second half, and directors believe that targets can be achieved despite a relatively flat and uncertain retail environment in the footwear and apparel sector. The performance of the BBQ Factory on the other hand remains a concern, with a likely continuation of relatively weak sales demand in a crowded barbeque/spa retail sector, and some margin pressure as inventory levels are reduced.

In summary, Hellaby has become a more active, hands-on owner of its asset portfolio. Most businesses are performing well, and continue to work towards further improving both profitability and return on funds employed. The company has made solid progress towards achieving a turnaround in group profitability during recent months and looks forward to reporting the achievement of this goal at year end.

Bill Falconer
Chairman

John Williamson
Chief Executive Officer

26 February 2008

CONSOLIDATED INCOME STATEMENT

For the 6 months ended 31 December 2007

	Notes	Unaudited 6 months 31 December 2007 \$000	Unaudited 6 months 31 December 2006 \$000	Audited Year 30 June 2007 \$000
Revenue				
Sale of goods	2	269,832	228,338	482,876
Other income		926	1,579	3,603
Total income		270,758	229,917	486,479
Expenses				
Cost of inventory sold		162,426	135,272	289,666
Rental and operating leases		22,579	20,606	41,526
Salaries and wages		39,586	34,071	69,633
Depreciation and amortisation		5,157	4,614	9,829
Impairment of intangibles		-	-	18,792
Other expenses		27,086	27,144	51,570
Profit before finance costs		13,924	8,210	5,463
Finance (costs)		(6,987)	(4,676)	(10,388)
Share of profit from associates		10	190	227
Profit/(deficit) before tax		6,947	3,724	(4,698)
Income tax (expense)		(1,942)	(956)	(5,131)
Profit/(deficit) after tax attributable to shareholders of Hellaby Holdings Limited		5,005	2,768	(9,829)
		cents	cents	cents
Earnings per share attributable to the shareholders of Hellaby Holdings Limited:				
Basic and diluted earnings per share (6 months)		10.0	5.6	-
Basic and diluted earnings per share (annualised)		20.0	11.2	(19.7)

The above consolidated income statement is to be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET

As at 31 December 2007

	Unaudited As at 31 December 2007 \$000	As at 31 December 2006 \$000	Audited As at 30 June 2007 \$000
ASSETS			
Current assets			
Inventories	142,457	131,134	126,685
Derivative financial instruments	197	6	1
Receivables and prepayments	53,260	49,113	53,046
Receivable from related parties	-	1,000	1
Cash and cash equivalents	6,469	3,484	5,830
Other current assets	152	387	154
Total current assets	202,535	185,124	185,717
Non-current assets			
Property, plant and equipment	43,218	37,273	36,932
Intangible assets	58,270	71,219	57,524
Investments	4,432	4,532	5,283
Loans and advances	367	855	784
Future tax benefit	14,039	17,826	18,600
Total non-current assets	120,326	131,705	119,123
Total Assets	322,861	316,829	304,840
LIABILITIES			
Current liabilities			
Derivative financial instruments	8,366	8,887	13,023
Current tax liabilities	1,281	5,874	2,292
Trade and other payables	45,733	43,110	45,339
Payable to related parties	-	465	553
Provisions	5,107	3,815	5,062
Deferred consideration	978	10,714	14,378
Borrowings	4,859	10,816	7,048
Total current liabilities	66,324	83,681	87,695
Non-current liabilities			
Borrowings	118,500	80,702	84,500
Capital notes	48,713	48,340	48,525
Payables	325	607	125
Deferred consideration	-	2,864	2,941
Provisions	356	220	416
Total non-current liabilities	167,894	132,733	136,507
Total Liabilities	234,218	216,414	224,202
Net Assets	88,643	100,415	80,638

CONSOLIDATED BALANCE SHEET

As at 31 December 2007

	Notes	Unaudited As at 31 December 2007 \$000	As at 31 December 2006 \$000	Audited As at 30 June 2007 \$000
EQUITY				
Contributed equity	5	19,752	19,027	19,752
Cash flow hedge reserve	5	(5,514)	(5,590)	(8,514)
Retained profits	5	74,405	86,978	69,400
Total Equity		88,643	100,415	80,638

The above consolidated balance sheet is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF MOVEMENTS IN EQUITY

For the 6 months ended 31 December 2007

	Unaudited 6 months 31 December 2007 \$000	6 months 31 December 2006 \$000	Audited Year 30 June 2007 \$000
Total equity at the beginning of the period	80,638	113,534	113,534
Movement in cash flow hedge reserve, net of tax	3,000	(9,401)	(12,325)
Profit/(deficit) for the period	5,005	2,768	(9,829)
Total recognised income and expense for the period	8,005	(6,633)	(22,154)
Dividends provided for or paid	-	(6,486)	(10,742)
Total equity at the end of the period	88,643	100,415	80,638

The above consolidated statement of movements in equity is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the 6 months ended 31 December 2007

	Unaudited 6 months 31 December 2007 \$000	6 months 31 December 2006 \$000	Audited Year 30 June 2007 \$000
Cash flows from operating activities			
Receipts from customers	281,801	222,270	484,437
Payments to suppliers and employees	(280,006)	(221,793)	(458,330)
Cash from operations	1,795	477	26,107
Dividends received	13	10	157
Interest received	77	97	229
Other revenue	660	763	857
Interest paid	(7,176)	(4,491)	(11,130)
Income taxes received/(paid)	190	(1,205)	(8,336)
Net cash (outflow)/inflow from operating activities (Note 10)	(4,441)	(4,349)	7,884
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired	(25,437)	(17,619)	(20,521)
Payment for purchase of equity investments	-	(1,500)	(1,500)
Payments for property, plant and equipment and software	(8,950)	(8,386)	(17,996)
Loans advanced	-	(6)	(6)
Proceeds from sale of business, net of cash disposed	6,508	-	-
Proceeds from sale of equity investments	-	6,144	6,144
Proceeds from sale of property, plant and equipment and software	1,717	3,096	8,397
Repayment of loans	68	145	1,330
Net cash (outflow) from investing activities	(26,094)	(18,126)	(24,152)
Cash flows from financing activities			
Proceeds from borrowings	35,784	39,350	41,708
Repayment of borrowings	(4,056)	(9,098)	(11,142)
Advances (to) associates	(550)	(300)	(200)
Dividends paid to company's shareholders	-	(6,486)	(10,742)
Net cash inflow from financing activities	31,178	23,466	19,624
Net increase in cash and cash equivalents	643	991	3,356
Cash and cash equivalents at the beginning of the period	5,817	2,461	2,461
Effects of exchange rate changes on cash and cash equivalents	9	29	-
Cash and cash equivalents at the end of the period	6,469	3,481	5,817
Consisting of:			
Cash and cash equivalents	6,469	3,484	5,830
Bank overdraft	-	(3)	(13)
Closing cash balance	6,469	3,481	5,817

The above consolidated statement of cash flows is to be read in conjunction with the accompanying notes. The statement is inclusive of applicable goods and services tax.

NOTES TO THE FINANCIAL STATEMENTS

1. Preparation of interim financial statements

These interim financial statements have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP) and NZ IAS 34: Interim Financial Reporting, and should be read in conjunction with the 2007 Annual Report. They comply with the New Zealand equivalents to the International Reporting Standards (NZ IFRS) and in complying with NZ IFRS they also comply with IFRS.

The Group consists of Hellaby Holdings Limited (the Parent) and its subsidiary companies (the Group). The Parent is a company registered in New Zealand under the Companies Act 1993 and is an issuer in terms of the Securities Act 1978. The interim financial statements are prepared in accordance with the Financial Reporting Act 1993.

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

The accounting policies used are consistent with those used in the previous Annual Report.

The financial statements for the six months ended 31 December 2007 and 31 December 2006 are unaudited. The comparative information for the year ended 30 June 2007 is audited.

2. Segment information

(a) Description of segments

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

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, turbocharger and ancillary diesel engine parts.

Industrial

The industrial division includes AB Equipment Limited, an importer and distributor of materials handling, construction and transport equipment; AB Rental Limited, a forklift rentals company; Eurolift NZ Limited, an importer and distributor of materials handling and construction equipment; and TRS Tyre & Wheel Limited and TRS Tyre & Wheel Pty Limited, importers and distributors of tyres and wheels.

Retail

The retail division includes the BBQ Factory Limited, an indoor/outdoor living, spa pool and home heating retailer; R. Hannah & Co Limited, and Discount Shoe Warehouse Limited, specialty shoe retailers.

Diversified

The diversified division includes Levana Textiles Limited, a manufacturer of knitted textiles; and Elldex Packaging Limited, a manufacturer and importer of flexible plastic packaging.

Corporate

This division includes Hellaby Holdings Limited, the holding company for the investments in Group companies; and associate companies Bombay Petfoods Limited, a petfood supplier, and Energy Intellect Limited, a metering and communications company.

NOTES TO THE FINANCIAL STATEMENTS

(b) Primary reporting format - business segments

	Unaudited 6 months 31 December 2007 \$000		Unaudited 6 months 31 December 2006 \$000		Audited Year 30 June 2007 \$000	
	Total sales revenue	Segment result	Total sales revenue	Segment result	Total sales revenue	Segment result
Automotive	66,711	9,238	56,338	4,655	118,257	12,830
Industrial	76,457	5,103	58,382	1,099	133,206	6,214
Retail	97,113	(147)	93,437	1,995	190,373	6,669
Diversified	29,820	2,161	20,389	1,208	41,508	2,639
Corporate	-	(2,431)	-	(747)	-	(22,889)
Intersegment eliminations	(269)	-	(208)	-	(468)	-
Finance costs	-	(6,987)	-	(4,676)	-	(10,388)
Share of profit from associates	-	10	-	190	-	227
Income tax expense	-	(1,942)	-	(956)	-	(5,131)
Total Group	269,832	5,005	228,338	2,768	482,876	(9,829)

3. Acquisitions

(a) Acquisition of trade and assets of PPL Corporation Limited

On 6 July 2007 Elldex Packaging Limited acquired the trade and assets of PPL Corporation Limited.

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

	\$000
Purchase consideration	6,486
Less fair value of net identifiable assets acquired	(3,546)
Goodwill	2,940
The goodwill relates to the capabilities of management, the established infrastructure and the overall acquired profitability of the business.	
Total consideration	6,486
Less prepaid costs and deposit	(861)
Less payable	(102)
Outflow of cash	5,523

NOTES TO THE FINANCIAL STATEMENTS

Assets and liabilities acquired

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

	Acquired value \$000	Fair value \$000
Plant and equipment	463	463
Receivables	1,603	1,603
Inventory	1,480	1,480
Net assets acquired	3,546	3,546

PPL contributed a surplus after tax to the Group income statement from the period of acquisition to 31 December 2007 of \$0.53 million and revenue of \$4.2 million.

(b) Acquisition of trade and assets of Chequer Packaging Limited

On 31 July 2007 EILDex Packaging Limited acquired the trade and assets of the Christchurch operations of Chequer Packaging Limited (In Receivership).

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

	\$000
Purchase consideration	5,771
Less fair value of net identifiable assets acquired	(5,887)
Discount	(116)
Total consideration	5,771
Outflow of cash	5,771

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

	Acquired value \$000	Fair value \$000
Land and buildings	2,200	2,400
Plant and equipment	1,100	1,100
Inventory	2,387	2,387
Net assets acquired	5,687	5,887

Chequer contributed a surplus after tax to the Group income statement from the period of acquisition to 31 December 2007 of \$0.29 million and revenue of \$9.4 million.

NOTES TO THE FINANCIAL STATEMENTS

4. Disposal

On 31 October 2007 Hellaby Holdings Limited sold the assets and business of Levana Textiles Limited. Completion accounts have not yet been finalised.

Levana Textiles Limited contributed a surplus after tax to the Group income statement for the period to disposal of \$0.17 million and revenue of \$3.9 million.

5. Capital and reserves

Dividends

During the six months ended 31 December 2007, the Group paid dividends of \$Nil (six months ended 31 December 2006: \$7.92 million).

Equity Attributable to Shareholders of the Parent

	Share capital \$000	Cash flow hedge \$000	Retained earnings \$000	Total equity \$000
Balance at 1 July 2006	17,591	3,811	92,132	113,534
Profit for the period	-	-	2,768	2,768
Dividend payment	1,436	-	(7,922)	(6,486)
Movement in cash flow hedge, net of tax	-	(9,401)	-	(9,401)
Balance at 31 December 2006	19,027	(5,590)	86,978	100,415
Balance at 1 July 2006	17,591	3,811	92,132	113,534
Deficit for the period	-	-	(9,829)	(9,829)
Dividend payment	2,161	-	(12,903)	(10,742)
Movement in cash flow hedge, net of tax	-	(12,325)	-	(12,325)
Balance at 30 June 2007	19,752	(8,514)	69,400	80,638
Balance at 1 July 2007	19,752	(8,514)	69,400	80,638
Profit for the period	-	-	5,005	5,005
Movement in cash flow hedge, net of tax	-	3,000	-	3,000
Balance at 31 December 2007	19,752	(5,514)	74,405	88,643

6. Related party transactions

During the period the Parent company advanced and repaid loans to other entities in the Group.

Automotive franchise holder, Midas New Zealand, is owned by parties associated with Hellaby Holdings Limited directors, H. Green, R.W. Carter and D.M.J. Houldsworth, and Brake & Transmission NZ Limited ("BNT") Chief Executive G. Horne. The purchase rebate payable by BNT to Midas New Zealand for the half year ended 31 December 2007 is \$20,000 (2006: \$19,000).

NOTES TO THE FINANCIAL STATEMENTS

6. Related party transactions, continued

BNT leases premises at Omega Street, North Harbour, Auckland, owned by a company associated with G. Horne, BNT's Chief Executive. Lease payments of \$256,000 were made for the half year ended 31 December 2007 (2006: \$242,000) on normal arms length terms.

BNT leases premises at Vogel Street, Dunedin, owned by a company associated with G. Horne. Lease payments of \$4,000 were made for the half year ended 31 December 2007 (2006: 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 \$14,000 were made for the half year ended 31 December 2007 (2006: \$3,000) on normal arms length terms.

BNT leases premises at Clyde Street, Invercargill, owned by a family trust associated with D.M.J. Houldsworth, a Director of Hellaby Holdings Limited. Lease payments of \$17,000 were made for the six months to 31 December 2007 (2006: Nil) on normal arms length terms.

Levana Textiles Limited leases premises at Stanley St, Levin, owned by a family trust associated with D.M.J. Houldsworth. Lease payments of \$26,000 were made for the period to 31 October 2007 (2006: \$39,000) on normal arms length terms.

7. Capital expenditure commitments

	Unaudited		Audited
	As at December 2007 \$000	As at December 2006 \$000	As at June 2007 \$000
Commitments at the end of the period not provided for in the financial statements	393	203	1,616

8. Operating lease commitments

	Unaudited		Audited
	As at December 2007 \$000	As at December 2006 \$000	As at June 2007 \$000
Gross commitments under non-cancellable operating leases for the Group	141,033	138,225	141,186

NOTES TO THE FINANCIAL STATEMENTS

9. Contingent liabilities

	Unaudited As at December 2007 \$000	As at December 2006 \$000	Audited As at June 2007 \$000
Contingent liabilities under contracts, guarantees and other agreements arising in the ordinary course of business on which no loss is anticipated are as follows:			
Guarantees in respect of performance of contracts	58,035	41,757	38,797
Letters of credit	12,594	8,683	6,516
Total contingent liabilities	70,629	50,440	45,313

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

	Unaudited 6 months December 2007 \$000	6 months December 2006 \$000	Audited 12 months June 2007 \$000
Operating profit/(deficit) before taxation	6,947	3,724	(4,698)
Adjusted for:			
Depreciation expense	4,553	4,299	8,799
Unrealised exchange (gains)/losses	(309)	2,569	2,371
Intangible assets impairment	-	-	18,792
Amortisation of intangibles	604	315	1,030
Share of retained surpluses of associated companies	(10)	(190)	(227)
Net (profit) on sale of assets/shares	(117)	(567)	(730)
Taxation	190	(1,205)	(8,336)
Impact of changes in working capital items:			
(Increase) in debtors and prepayments	(810)	(3,624)	(8,012)
Increase/(decrease) in creditors and provisions	394	(1,445)	2,104
(Increase) in inventories	(15,883)	(8,225)	(3,209)
Net cash (outflow)/inflow from operating activities	(4,441)	(4,349)	7,884

DIRECTORY

Directors

W.J. Falconer (Chairman)
J.M. Williamson (Chief Executive Officer and
Managing Director)
P.A. Byrnes
R.W. Carter
H. Green
D.M.J. Houldsworth

Company Secretary

R.P. Jolly

Audit Committee

R.W. Carter (Chairman)
P.A. Byrnes
W.J. Falconer

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Share Registry

Computershare Investor Services Limited
Private Bag 92 119
Auckland, 1142
Telephone: 09 488 8700
Facsimile: 09 488 8787

Principal Subsidiaries

Wholly owned unless otherwise stated:

- AB Equipment Limited
- AB Rental Limited
- BBQ Factory Limited
- Brake & Transmission NZ Limited
- Diesel Distributors Limited
- Diesel Distributors Australia Pty Limited
- Discount Shoe Warehouse Limited
- Elldex Packaging Limited
- Eurolift NZ Limited
- R. Hannah & Co Limited
- TRS Tyre & Wheel Limited
- TRS Tyre & Wheel Pty Limited

Associated Companies

- Bombay Petfoods Limited (49%)
- Energy Intellect Limited (34%)