

The directors of Hellaby Holdings are pleased to present the annual report and financial statements of the company for the year to 30 June 2005.

Operating Results

The company achieved a tax paid surplus of \$20.9 million for the year (last year \$20.4 million). However, last year's tax paid surplus was boosted by a one-off tax benefit of \$2 million (this year \$1 million) and on a comparable basis with prior year, Hellaby's underlying tax paid surplus increased by 8% to \$19.9 million (last year \$18.5 million).

Earnings before interest, tax, depreciation and amortisation ("EBITDA") increased by 20% to \$43.1 million (last year \$35.8 million) and the pre-tax operating surplus grew by 7% to \$26.2 million (last year \$24.4 million), reflecting the continued growth in profitability of Hellaby and an overall record operating performance.

The result represents a 21% return on average shareholders' funds employed with earnings per share of 42.4 cents (last year: 41.5 cents).

Asset backing per share has increased to \$2.04 (last year: \$1.99).

Comment on the trading performance is contained in the Managing Director's Review.

Dividend

An increased final dividend of 20 cents per share fully imputed has been declared (last year: 19 cents), payable on Friday 7 October 2005.

The dividend distributions for the year are summarised as follows:

Interim	19 cents fully imputed (last year: 16 cents), up 19%
Final	20 cents fully imputed (last year: 19 cents), up 5%
Total	39 cents fully imputed (last year: 35 cents), up 11%

Investments

The BBQ Factory, as reported last year, was acquired on 31 August 2004; and Elldex Packaging, a specialist manufacturer and importer of flexible packaging products, was acquired on 31 January 2005.

Financial performance of the Hellaby Group for the year ended 30 June 2005 is summarised as follows:

	2005 \$000	2004 \$000
Gross Trading Surplus	44,966	37,644
Administration	1,912	1,811
Trading Surplus before depreciation, amortisation & interest	43,054	35,832
Depreciation	9,451	8,315
Amortisation	2,399	1,338
Interest	5,806	2,435
Net trading Surplus	25,398	23,744
Other		
Surplus on sale of assets	778	1,216
Revaluation of assets	-	518
Rent abatement	-	(1,031)
Operating Surplus	26,176	24,447
Less tax	6,296	5,962
	19,880	18,485
Plus one-off tax benefits	978	1,955
Operating surplus after tax	20,858	20,440
Earnings per share	42.4 cents	41.5 cents

Since balance date, on 1 July 2005, Hellaby acquired an 80% equity interest in Discount Shoe Warehouse, trading as Number 1 Shoe Warehouse ("Number 1"), and increased its equity interest in shoe retailer R Hannah & Co ("Hannahs") from 85% to 94.2%.

Number 1, a specialist discount shoe retailer operating as a separate business to Hannahs, intends increasing its present 30 stores to 40 stores over the next three years. Hellaby will purchase the remaining 20% equity in Number 1 on 31 August 2007 with the total purchase price being based on a multiple of earnings for the four years to 31 August 2008, forecasted at \$22 million.

Board of Directors

Mr John Williamson joined the Board as an independent non-executive director on 6 May 2005. John has considerable commercial and entrepreneurial experience including a background in the wool industry and senior management roles in Bendon and Fletcher Building. Since 2004 John has focused on his private owned and recently formed investment company, Three Oaks Capital, as well as acting as a business and management consultant to assist clients. John is 41 and holds a Master of Laws degree from the University of Auckland.

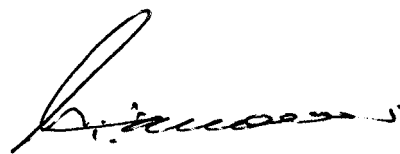
Mr William (Barry) Capp retired from the Board on 8 July 2005. The Management and Board of Hellaby acknowledge Barry's valuable contribution during his 17 year tenure as a Hellaby director and wish him well in his retirement. In accordance with the Company's Constitution, the Board resolved that Barry receive a \$90,000 retirement payment.

Looking Ahead

Whilst trading conditions for the company's businesses are likely to remain challenging, the recent acquisitions mentioned above will assist Hellaby to further improve its trading performance for the 2006 financial year. However, shareholders should note that the timing differences and other one-off tax benefits enjoyed by the company are no longer available and as a consequence the tax expense for 2006 and future years will be higher.

In addition, Hellaby has elected to adopt the new International Financial Reporting Standards ("IFRS") from 1 July 2005 and this may impact on our reported profits for the 2006 and subsequent financial years.

On balance, the Board is of the view that for the 2006 financial year, after taking these factors into account, Hellaby will again achieve a comfortable increase over the \$19.9 million underlying tax surplus achieved in the 2005 financial year.



W J Falconer, Chairman



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