

HELLABY  
HOLDINGS  
LIMITED

INTERIM REPORT

2010

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## Dividend Reinvestment Plan

In March 2006 Hellaby Holdings 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

We are pleased to present the financial results for Hellaby Holdings Limited for the six months to 31 December 2009. During this period overall trading conditions remained difficult, although some sectors are now starting to emerge from the recession.

We have continued with our programme to streamline subsidiaries, reduce working capital balances and strengthen management talent in preparation for when market conditions improve during 2010. Through ongoing balance sheet reform, we have substantially reduced total net debt and core bank debt across the group compared to a year ago.

### Group financial performance<sup>1</sup>

Total revenues for the Hellaby group were \$224.5 million, down 7.3% against last year's \$242.3 million. The Equipment and Footwear divisions experienced reduced sales revenues compared to the previous period, while Automotive and Packaging achieved revenues largely comparable to the previous year.

For the period, the group EBITDA (trading surplus before interest, tax, depreciation, amortisation, discontinued operations and one-off transactions) was \$9.7 million, compared to \$10.6 million for the six months to 31 December 2008.

Hellaby group EBIT (trading surplus before interest, tax, discontinued operations and one-off transactions) reduced to \$6.0 million, compared to \$6.5 million for the same period last year.

In addition to the impact of lower revenues, operating profitability was also affected by reduced margins in the Equipment and Footwear divisions, with subsidiaries driven to discounting to maintain sales levels or exit inventory.

Hellaby achieved a net profit after tax (NPAT) of \$2.3 million, compared to an NPAT of \$0.4 million for the same period last year.

On 30 June 2008 Hellaby sold its interest in BBQ Factory under a deferred settlement loan arrangement. Effective 30 June 2009 the Hellaby Board concluded that it was appropriate to fully provide for the \$4.4 million that remained receivable at that date. In the current period Hellaby has made a \$1.2 million recovery against this provided for amount, which is reported in "profit from discontinued operations".

Core bank debt<sup>2</sup> reduced further to \$48 million at 31 December 2009, from \$51 million at 30 June 2009 and \$80 million at 31 December 2008. This working capital-driven balance sheet improvement generated a further \$9.8 million of free cashflow, most notably by BNT group.

Similarly, total net debt (interest bearing debt including core bank debt, trade loans and capital notes) reduced to \$96.9 million, compared to \$103.4 million at 30 June 2009 (6.3% reduction) and \$143.0 million at 31 December 2008 (32.2% reduction).

<sup>1</sup> The results for the six months ending 31 December 2009 isolate out those of Retail Properties 2008 (formerly BBQ Factory), the assets and business of which were sold on 30 June 2008. As such, Retail Properties 2008 constitutes a 'discontinued operation', which requires its results to be reported separately under IFRS requirements.

<sup>2</sup> Core bank debt facilities held with Westpac have been rolled to July 2011 and as such this debt has been classified within term liabilities at 31 December 2009. At 31 December 2008 this debt had been recorded within current liabilities, as it was then due for rollover within a 12 month period.

Hellaby's subsidiaries have remained strongly focused on working capital management and return on funds employed, despite the difficult trading environment.

Group inventories at 31 December 2009 were \$108.4 million, 17.4% (\$22.8 million) lower than for the same period last year. Trade and other receivables at 31 December 2009 were \$37.3 million, 11.6% lower than at 31 December 2008.

Net asset backing at 31 December 2009 was \$1.77 per share, compared with \$1.67 per share at 30 June 2009 and \$1.84 per share at 31 December 2008.

Net tangible asset backing at 31 December 2009 was \$0.64 per share, compared with \$0.54 per share at 30 June 2009 and \$0.72 per share at 31 December 2008.

## **Divisional performance**

### *Automotive*

While the Automotive division maintained relatively steady sales and market share for the half year period, it significantly improved profitability through improved margins and productivity gains. The Automotive division's \$9.0 million EBIT for the six months to 31 December 2009 is 17% ahead of the same period last year.

BNT delivered solid levels of free cashflow during the six month period, and has continued to increase its market share in selected areas of the heavy commercial market. Diesel Distributors improved its sales, margins and working capital ratios in both New Zealand and Australia, reflecting the benefits of some focused restructuring over the past year. HCB, Autolign and NZ BrakeCo each achieved improved profitability for the half year.

TRS Tyre & Wheel continued to be impacted by tightening agricultural market conditions, with a 20% decline in tractor tyre demand, as a result of reduced on-farm spending and lower new tractor import levels.

### *Equipment*

The Equipment division made a (\$1.7 million) EBIT loss for the six months to 31 December 2009, compared to a smaller loss of (\$0.6 million) for the previous corresponding period.

AB Equipment has been greatly impacted by the economic downturn. Sales for the half year period were 29% behind last year, which in turn was 25% down on the year before that. This has been due to severely reduced demand for new materials handling and construction equipment – a recessionary issue which continues to affect the global heavy equipment industry.

Over the past year AB Equipment has undergone a major restructuring, with new leadership, reform of internal processes and customer service and a reduction in forklift rental fleet size. The new management has worked hard to reduce inventories and overheads and improve debtor management. This has resulted in improved working capital ratios with inventories 42% lower at 31 December 2009 than one year earlier. The company delivered a small positive free cashflow during the six month period.

AB Equipment continues to be reconfigured into a leaner, decentralised distribution model – resulting in major culture change throughout the business. As a result of this market downturn and business restructuring, AB Equipment has made a loss for the half year period.

By contrast, the already transformed Eurolift materials handling business performed relatively strongly, with solid sales, significantly improved working capital ratios and a small profit for the six months to 31 December 2009.

A smaller loss is forecast for the Equipment division for the full year. AB Equipment's profitability should improve during the second half year, with an increased focus on aftermarket sales and some early indications that forklift enquiry levels will gradually improve during 2010.

### *Packaging*

The Packaging division achieved a \$2.3 million EBIT for the six months to 31 December 2009, compared to a \$0.3 million EBIT for the previous corresponding period.

Elldex Packaging has successfully transformed into one single packaging company, and has substantially repositioned into primary sector food and timber packaging, beyond its original singular dependency on supermarket and retail bags.

The business has achieved improved margins from better internal processes and has extracted the efficiencies from the integration of three business units into one. As a result, Elldex Packaging has achieved its targeted profit improvement for the period, and is well ahead of last year's financial performance on flat sales.

Industrial safety performance has dramatically improved at Elldex Packaging's two manufacturing plants, with no lost time injuries recorded in the 12 months to 31 December 2009.

Elldex Packaging is targeting further profit improvement by way of key account development, better internal efficiencies and leveraging its import supply chain capability.

### *Footwear*

Revenues for Hellaby's Footwear division for the six months to 31 December 2009 were 4% lower than the same period last year, resulting in reduced margins and a (\$1.5 million) EBIT loss for the half year. This loss reflected sensitivity to lower sales, discounting of surplus stocks, restructuring costs within Number 1 Shoes and increased staff and store lease costs.

Since taking management control of Number 1 Shoes in late 2008, a number of performance improvement initiatives have been implemented by Hellaby. The senior management team has been strengthened, and merchandise planning, inventory management and key internal processes have been improved over the past year. Margins have been negatively impacted by discounting of slow-moving stocks.

Hannahs also experienced tough trading conditions over recent months. A second trial Pulp store was opened in Auckland in late 2009.

Looking forward, Hellaby expects the performance of the Footwear division to improve during the second half year based on seasonal weighting. Consumer demand is expected to gradually increase for both Hannahs and Number 1 Shoes throughout 2010. In addition, improved labour utilisation, training, internal processes and customer orientation should deliver better financial performance for Number 1 Shoes going forward.

## Acquisitions and disposals

There were no acquisitions or disposals during the half year period to December 2009.

Following two years of operational restructuring and debt reduction, Hellaby's focus now shifts to growth. The company has developed a robust strategic framework with a clearly defined investment strategy, which includes both organic expansion and acquisitions.

## Capital management

Hellaby's continued reduction of total net debt during recent months to \$96.9 million at 31 December 2009 is an excellent performance. The company's gearing has further improved to 52%, compared to 61% one year earlier. We are seeking further improvement in gearing during 2010 (excluding acquisitions) with our initial target being 50% or below.

The company has already indicated that it may consider raising equity in 2010 to pursue acquisition opportunities. Whilst we understand that Hellaby must 'earn the right to grow', we believe that the timing will be right in 2010 - both in terms of our balance sheet reform and the availability of sensible acquisition targets.

The \$50 million capital notes issued in 2006 will mature in June 2011. Your Board is already considering the best approach from alternatives available, and that will be communicated to shareholders and capital noteholders well ahead of the maturity date.

## Dividend

An interim dividend of 3 cents per share, fully imputed, has been declared for the year ended 30 June 2010 (last year no interim dividend declared). The dividend will be paid on Friday 16 April 2010. For the purposes of determining shareholder entitlements the company will be ex-dividend at 5:00pm, 9 April 2010.

In accordance with the company's dividend policy, the Board intends to distribute approximately 50% of net tax-paid operating profits (NPAT) for the full financial year.

Hellaby directors continue to recommend the company's Dividend Reinvestment Plan to shareholders – for further details please refer to the inside front cover of this report.

## Board succession

As previously signalled, the Board completed its two-year succession process during 2009, culminating with the retirement of Bill Falconer from the Board in November 2009. Hellaby management and fellow directors would like to thank Bill for his enormous contribution to the company as chairman for almost fifteen years since 1995, and for his leadership of this Board refreshment process.

Four non-executive directors have been appointed since mid 2008 to ensure a smooth transition for planned retirements. The most recent appointment was Gary Mollard in September 2009. Gary is the chairman and former managing director of NDA Group, an international engineering and manufacturing group of companies.

The Hellaby Board now consists of five non-executive directors and the managing director. John Maasland, who joined the Hellaby Board in 2008, became chairman in November 2009.

## Outlook

Whilst the economic outlook remains patchy and uncertain across many of our sectors, the tough decisions, risk mitigation and restructuring are now largely behind us.

Businesses which have already been restructured, such as Eurolift, Elldex Packaging and Diesel Distributors, are now successfully performing to our expectation.

Hellaby is now in the final stages of two major restructuring initiatives at AB Equipment and Number 1 Shoes. Effectively we are redesigning these two businesses and have enhanced their management capability. Although short-term financial performance is hindered as these projects are implemented, Hellaby is very confident that profitability, productivity and customer focus will be vastly enhanced as a result. In other words, 'short term pain for long term gain'.

There has been significant culture change across the Hellaby group during 2009, with a strong emphasis on ownership and accountability. Subsidiary management teams have been strengthened with additional talent, and the Board succession process has been completed.

We are continuing to work very hard to be in the best possible shape to capitalise on future opportunities as the economy recovers. When the timing is right, we will pursue acquisition opportunities which meet our investment criteria.

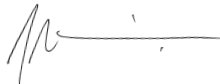
Your Board is signalling by way of the interim dividend payment our confidence that Hellaby's financial performance will greatly improve during the second half year. The group's performance has traditionally been weighted to the second half in terms of margins, profitability and balance sheet seasonality.

We are now well positioned for what we expect to be a relatively slow economic recovery commencing 2010. We believe that any improvement in our sales revenues will have a disproportionately positive impact on profits going forward.

Our key challenge is to improve our earnings reliability and to further reduce our debt gearing. We are seeking gradual and consistent future performance improvement, to improve shareholder returns and restore investor confidence in Hellaby.



John Maasland  
Chairman



John Williamson  
Chief Executive Officer

25 February 2010

CONSOLIDATED  
INCOME STATEMENT for the 6 months ended 31 December 2009

		Unaudited	Audited
		6 months	Year
		31 December	30 June
		2009	2009
Notes	\$000	\$000	\$000
<b>Continuing operations:</b>			
<b>Revenue</b>			
Sale of goods	2	223,639	478,947
Other income		887	1,769
<b>Total income</b>		<b>224,526</b>	<b>480,716</b>
<b>Expenses</b>			
Cost of inventory sold		129,817	279,711
Rental and operating leases		24,629	48,114
Salaries and wages		38,123	77,361
Depreciation and amortisation		3,706	8,286
Other expenses		22,260	48,919
<b>Profit before finance costs</b>		<b>5,991</b>	<b>18,325</b>
Net finance (costs)		(4,137)	(10,849)
Share of profit/(deficit) from associates		3	(102)
<b>Profit before tax</b>		<b>1,857</b>	<b>7,374</b>
Income tax (expense)/credit		(808)	(2,092)
<b>Profit after tax from continuing operations</b>		<b>1,049</b>	<b>5,282</b>
<b>Discontinued operations:</b>			
Profit/(deficit) from discontinued operations	3	1,253	(4,575)
<b>Profit after tax attributable to the Shareholders of the Parent Company</b>	2	<b>2,302</b>	<b>707</b>
		<b>cents</b>	<b>cents</b>
<b>Basic and diluted earnings per share</b>			
Earnings per share attributable to the Shareholders of the Parent Company		4.5	1.4
Earnings per share from continuing operations attributable to the Shareholders of the Parent Company		2.1	10.5
Earnings/(deficit) per share from discontinued operations attributable to the Shareholders of the Parent Company		2.4	(9.1)

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

CONSOLIDATED STATEMENT OF  
**COMPREHENSIVE INCOME** for the 6 months ended 31 December 2009

	Unaudited		Audited
	6 months	6 months	Year
	31 December	31 December	30 June
	2009	2008	2009
	\$000	\$000	\$000
<b>Profit after tax attributable to the Shareholders of the Parent Company</b>	<b>2,302</b>	<b>372</b>	<b>707</b>
<b>Other comprehensive income</b>			
Cash flow hedge reserve			
Fair value gain/(loss) taken to the cashflow hedge reserve	2,196	9,749	(3,576)
Tax on fair value (gain)/loss taken to the cashflow hedge reserve	(659)	(2,971)	1,074
Transfers to net profit	36	38	(30)
Tax on transfers to net profit	(11)	(11)	9
Transfers to inventory	1,366	(496)	(2,601)
Tax on transfers to inventory	(410)	149	779
Transfers from trade loans	277	(2,717)	-
Tax on transfers from trade loans	(83)	815	-
Total other comprehensive income/(loss)	2,712	4,556	(4,345)
<b>Total comprehensive income attributable to the Shareholders of the Parent Company</b>	<b>5,014</b>	<b>4,928</b>	<b>(3,638)</b>

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

CONSOLIDATED  
BALANCE SHEET as at 31 December 2009

	Notes	Unaudited		Audited
		As at 31 December 2009 \$000	As at 31 December 2008 \$000	As at 30 June 2009 \$000
<b>ASSETS</b>				
<b>Current assets</b>				
Inventories		108,404	131,238	107,124
Derivative financial instruments		-	7,758	2
Trade and other receivables		37,275	42,143	33,909
Cash and cash equivalents		1,631	3,113	4,572
Loans and advances		427	4,629	54
<b>Total current assets</b>		<b>147,737</b>	<b>188,881</b>	<b>145,661</b>
<b>Non-current assets</b>				
Property, plant and equipment		27,424	34,001	28,320
Intangible assets		56,936	56,882	57,037
Investment in associates		2,965	3,037	2,962
Loans and advances		-	8	-
Future tax benefit		11,179	11,783	13,155
<b>Total non-current assets</b>		<b>98,504</b>	<b>105,711</b>	<b>101,474</b>
<b>Total Assets</b>		<b>246,241</b>	<b>294,592</b>	<b>247,135</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Derivative financial instruments		4,407	120	8,044
Trade and other payables		45,975	48,493	39,686
Provisions		7,297	6,176	6,372
Borrowings		1,075	17,026	7,733
Core bank debt		-	80,000	-
<b>Total current liabilities</b>		<b>58,754</b>	<b>151,815</b>	<b>61,835</b>
<b>Non-current liabilities</b>				
Core bank debt		48,000	-	51,000
Capital notes		49,459	49,086	49,271
Other payables		196	327	279
Provisions		258	238	190
<b>Total non-current liabilities</b>		<b>97,913</b>	<b>49,651</b>	<b>100,740</b>
<b>Total Liabilities</b>		<b>156,667</b>	<b>201,466</b>	<b>162,575</b>
<b>Net Assets</b>		<b>89,574</b>	<b>93,126</b>	<b>84,560</b>
<b>EQUITY</b>				
Contributed equity	4	20,808	20,808	20,808
Cash flow hedge reserve	4	(2,807)	3,382	(5,519)
Retained earnings	4	71,573	68,936	69,271
<b>Total Equity</b>		<b>89,574</b>	<b>93,126</b>	<b>84,560</b>

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 2009

	Unaudited		Audited
	6 months	6 months	Year
	31 December	31 December	30 June
	2009	2008	2009
	\$000	\$000	\$000
<b>Total equity at the beginning of the period</b>	<b>84,560</b>	<b>90,550</b>	<b>90,550</b>
Movement in cash flow hedge reserve, net of tax	2,712	4,556	(4,345)
Profit for the period	2,302	372	707
Total recognised income and expense	5,014	4,928	(3,638)
Dividends provided for or paid	-	(2,352)	(2,352)
<b>Total equity at the end of the period</b>	<b>89,574</b>	<b>93,126</b>	<b>84,560</b>

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 2009

	Unaudited	Audited	
	6 months	Year	
	31 December	30 June	
	2009	2009	
Notes	\$000	\$000	
<b>Cash flows from operating activities</b>			
Receipts from customers	247,704	282,573	495,471
Payments to suppliers and employees	(235,793)	(276,388)	(447,278)
Cash from operations	11,911	6,185	48,193
Dividends received	4	3	10
Interest received	105	175	329
Other revenue	306	422	891
Interest paid	(4,283)	(5,805)	(10,760)
Income taxes paid	(17)	(1,028)	(802)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>8,026</b>	<b>(48)</b>	<b>37,861</b>
10			
<b>Cash flows from investing activities</b>			
Payment for purchase of businesses, net of cash acquired	-	-	(519)
Payments for property, plant and equipment and software	(4,383)	(5,866)	(13,556)
Loans advanced	(19)	-	-
Proceeds from sale of business, net of cash disposed	-	1,764	2,718
Proceeds from sale of property, plant and equipment and software	1,723	2,939	12,272
Repayment of loans	846	1,296	1,442
Landlord contribution	180	-	-
<b>Net cash (outflow)/inflow from investing activities</b>	<b>(1,653)</b>	<b>133</b>	<b>2,357</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings	-	4,690	82
Repayment of borrowings	(9,816)	(5,588)	(36,702)
Dividends paid to Company's shareholders	-	(2,352)	(2,352)
<b>Net cash (outflow)/inflow from financing activities</b>	<b>(9,816)</b>	<b>(3,250)</b>	<b>(38,972)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(3,443)</b>	<b>(3,165)</b>	<b>1,246</b>
Cash and cash equivalents at the beginning of the period	4,572	3,353	3,353
Effects of exchange rate changes on cash and cash equivalents	(7)	65	(27)
<b>Cash and cash equivalents at the end of the period</b>	<b>1,122</b>	<b>253</b>	<b>4,572</b>
Consisting of:			
Cash and cash equivalents	1,631	3,113	4,572
Bank overdraft	(509)	(2,860)	-
<b>Closing cash balance</b>	<b>1,122</b>	<b>253</b>	<b>4,572</b>

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 2009 Annual Report. They comply with the New Zealand equivalents to the International Reporting Standards (NZ IFRS) and they comply with International Financial Reporting Standards (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 2009 and 31 December 2008 are unaudited. The comparative information for the year ended 30 June 2009 is audited.

### 2. Segment information

#### 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; and TRS Tyre & Wheel Limited and TRS Tyre & Wheel Pty Limited, importers and distributors 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 Limited, 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.

#### *Corporate*

This division includes Hellaby Holdings Limited, the holding company for the investments in Group companies; and associate companies BPF 2008 Limited (formerly Bombay Petfoods Limited), a petfood supplier (sold 30 June 2008), and Energy Intellect Limited, a metering and communications company.

## NOTES TO THE FINANCIAL STATEMENTS

## Operating segment information

	Unaudited 6 months 31 December 2009 \$000		Unaudited 6 months 31 December 2008 \$000		Audited Year 30 June 2009 \$000	
	Total Sales Revenue	Segment Result	Total Sales Revenue	Segment Result	Total Sales Revenue	Segment Result
Automotive	79,432	9,026	79,225	7,730	156,380	17,668
Equipment	41,270	(1,665)	54,590	(602)	99,194	(1,909)
Footwear	78,267	(1,453)	81,865	973	170,243	4,201
Packaging	26,164	2,275	26,672	321	54,903	2,001
Diversified	-	-	-	(2)	-	-
Corporate	-	(2,192)	-	(1,939)	-	(3,636)
Intersegment eliminations	(1,494)	-	(801)	-	(1,773)	-
Finance costs	-	(4,137)	-	(6,205)	-	(10,849)
Share of profit/(loss) from associates	-	3	-	(110)	-	(102)
Income tax (expense)/credit	-	(808)	-	99	-	(2,092)
Discontinued operations	-	1,253	-	107	-	(4,575)
<b>Total Group</b>	<b>223,639</b>	<b>2,302</b>	<b>241,551</b>	<b>372</b>	<b>478,947</b>	<b>707</b>

## 3. Discontinued operations

The results of Retail Properties 2008 Limited (formerly BBQ Factory Limited), the trade and assets of which were sold effective 30 June 2008, are recorded as discontinued operations. An analysis of the result of discontinued operations is as follows:

	6 months 31 December 2009 \$000	6 months 31 December 2008 \$000	Year 30 June 2009 \$000
Other income	1,200	-	-
Expenses	(13)	(14)	(532)
Profit/(deficit) before finance income and tax	1,187	(14)	(532)
Finance income	89	167	302
Profit/(deficit) before tax from operating activities	1,276	153	(230)
Profit on disposal of shares and assets	-	-	10
Provision for impairment	-	-	(4,438)
Profit/(deficit) before tax	1,276	153	(4,658)
Income tax (expense)/credit	(23)	(46)	83
<b>Profit/(deficit) after tax from discontinued operations</b>	<b>1,253</b>	<b>107</b>	<b>(4,575)</b>

#### 4. Capital and reserves

##### Dividends

During the six months ended 31 December 2009, the Group paid dividends of \$Nil (six months ended 31 December 2008: \$3.0 million).

##### Equity Attributable to Shareholders of the Parent

	Share capital \$000	Cash flow hedge \$000	Retained earnings \$000	Total equity \$000
<b>Balance at 1 July 2008</b>	20,145	(1,174)	71,579	90,550
Profit for the period	-	-	372	372
Dividend payment	663	-	(3,015)	(2,352)
Movement in cash flow hedge, net of tax	-	4,556	-	4,556
<b>Balance at 31 December 2008</b>	20,808	3,382	68,936	93,126
<b>Balance at 1 July 2008</b>	20,145	(1,174)	71,579	90,550
Profit for the period	-	-	707	707
Dividend payment	663	-	(3,015)	(2,352)
Movement in cash flow hedge, net of tax	-	(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 for the period	-	-	2,302	2,302
Movement in cash flow hedge, net of tax	-	2,712	-	2,712
<b>Balance at 31 December 2009</b>	20,808	(2,807)	71,573	89,574

#### 5. 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 past directors; H Green, RW Carter and DMJ 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 2009 is estimated at \$Nil (2008: \$17,000).

BNT leases premises at Omega Street, North Harbour, Auckland, owned by a company associated with G Horne, BNT's Chief Executive. Lease payments of \$297,000 were made for the half year ended 31 December 2009 (2008: \$271,000) on normal arms length terms.

BNT leases premises at Vogel Street, Dunedin, owned by a company associated with G Horne. Lease payments of \$27,000 were made for the half year ended 31 December 2009 (2008: \$27,000) on normal arms length terms.

BNT leases premises at Downer Street, Lower Hutt, owned by a company associated with G Horne. Lease payments of \$40,000 were made for half year ended 31 December 2009 (2008: \$Nil) on normal arms length terms.

BNT leases premises at Herekino Street, Whangarei, owned by a company associated with G Horne. Lease payments of \$5,000 were made for half year ended 31 December 2009 (2008: \$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 \$16,000 were made for the half year ended 31 December 2009 (2008: \$16,000) on normal arms length terms.

## NOTES TO THE FINANCIAL STATEMENTS

**6. Capital expenditure commitments**

	Unaudited		Audited
	As at	As at	As at
	31 December	31 December	30 June
	2009	2008	2009
	\$000	\$000	\$000
.....			
Commitments at the end of the period not provided for in the financial statements	384	505	851

**7. Operating lease commitments**

	Unaudited		Audited
	As at	As at	As at
	31 December	31 December	30 June
	2009	2008	2009
	\$000	\$000	\$000
.....			
Gross commitments under non-cancellable operating leases for the Group as lessee	135,472	143,952	138,919

	Unaudited		Audited
	As at	As at	As at
	31 December	31 December	30 June
	2009	2008	2009
	\$000	\$000	\$000
.....			
Gross commitments under non-cancellable operating leases for the Group as lessor	45,949	62,575	48,360

**8. Contingent liabilities**

	Unaudited		Audited
	As at	As at	As at
	31 December	31 December	30 June
	2009	2008	2009
	\$000	\$000	\$000
.....			
Contingent liabilities under contracts, guarantees and other agreements arising in the ordinary course of business on which no loss is anticipated are as follows:			
Guarantees in respect of performance of contracts	70,917	74,456	76,503
Letters of credit	1,376	4,089	2,535
Total contingent liabilities	72,293	78,545	79,038

**9. Events after balance date**

Hellaby Holdings has declared an interim dividend of 3 cents per share, fully imputed, payable 16 April 2010 (2008: Nil).

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

	Unaudited 6 months 31 December 2009 \$000	6 months 31 December 2008 \$000	Audited Year 30 June 2009 \$000
<b>Profit before tax from continuing operations</b>	<b>1,857</b>	166	7,374
<b>Adjusted for:</b>			
Depreciation	3,162	3,695	7,275
Unrealised exchange (gains)/losses	(18)	(2,746)	139
Amortisation	544	492	1,011
Share of retained (profit)/deficit of associated companies	(3)	110	102
Net (profit) on sale of assets/shares	(439)	(210)	(395)
Taxation	(17)	(1,028)	(802)
Cash from operating activities of discontinued operations	(101)	(89)	(616)
<b>Impact of changes in working capital items:</b>			
(Increase)/decrease in debtors and prepayments	(3,366)	8,604	16,974
Increase/(decrease) in creditors and provisions	7,687	(10,395)	(18,668)
(Increase)/decrease in inventories	(1,280)	1,353	25,467
<b>Net cash inflow/(outflow) from operating activities</b>	<b>8,026</b>	(48)	37,861

## DIRECTORY

### Directors

JH Maasland (Chairman)  
 JM Williamson (Chief Executive Officer/Managing Director)  
 PA Byrnes  
 GK Mollard  
 JM Sclater  
 SJ Smith

### Senior Management

RP Jolly (Chief Financial Officer/Company Secretary)  
 NS MacCulloch (Chief Operating Officer)

### Audit & Risk Committee

JM Sclater (Chairman)  
 PA Byrnes  
 JH Maasland

### Remuneration & Nominations Committee

JH Maasland (Chairman)  
 PA Byrnes  
 GK Mollard  
 JM Sclater  
 SJ Smith

### Registered Office

Level 5  
 10 Viaduct Harbour Avenue  
 Auckland  
 New Zealand  
 Telephone: 09 307 6844  
 Facsimile: 09 307 3559

### Mailing Address

PO Box 1670  
 Shortland Street  
 Auckland, 1140

### Website

[www.hellabyholdings.co.nz](http://www.hellabyholdings.co.nz)

### Principal Subsidiaries

Wholly owned unless otherwise stated:

- AB Equipment Limited
- Brake & Transmission NZ Limited
- Diesel Distributors Limited
- Diesel Distributors Australia Pty Limited
- Elldex Packaging Limited
- Eurolift NZ Limited
- Number 1 Shoes Limited
- R. Hannah & Co Limited
- TradedEquipment.com Limited
- TRS Tyre & Wheel Limited
- Retail Properties 2008 Limited

### Associated Companies

- Energy Intellect Limited (34%)

*“Following two years of operational restructuring and debt reduction, Hellaby’s focus now shifts to growth”*

## Share Registry

Any shareholder wishing to participate in the Dividend Reinvestment Plan should contact:

Computershare Investor Services Limited

Private Bag 92 119, Auckland, 1142

Telephone: 09 488 8700

Facsimile: 09 488 8787

HELLABY  
HOLDINGS  
LIMITED

