

HELLABY HOLDINGS LIMITED – NZX ANNOUNCEMENT

28 August 2008

Hellaby performance turnaround on track

- Improved profitability for most subsidiary businesses, in challenging trading conditions
- NPAT of \$4.7 million compared with a deficit of (\$9.8) million in the previous corresponding period
- Introduction of a clear portfolio strategy, resulting in the divestment of several non-core investments, including BBQ Factory
- Significant reduction in bank debt during second half year, largely due to improved working capital efficiencies
- 6 cents per share fully imputed final dividend
- \$46.8 million EBITDA from continuing operations is a 31% improvement on previous year

Investment company Hellaby Holdings Limited today reported an improved profit result for the financial year ended 30 June 2008, and confirmed that its performance turnaround and strategic repositioning is on track.

The Hellaby group achieved an after tax profit (NPAT) of \$4.7 million after one-off transactions, compared with an after tax deficit of (\$9.8) million in the previous year.

Hellaby Chairman Bill Falconer said the company was satisfied with the result. "Our priority during the past financial year has been the commencement of a group-wide performance turnaround which has involved transforming Hellaby into a more focused, hands-on asset portfolio manager."

"We are very pleased to report improved profit from each of the Automotive, Equipment and newly-created Packaging divisions as well as the Hannahs footwear group. These results were achieved in relatively difficult trading environments."

The 2008 financial year results include the BBQ Factory, the assets of which were sold on 30 June 2008. As such, BBQ Factory became a 'discontinued operation', which requires its results to be reported separately under IFRS. Prior year operational results have been adjusted accordingly.

Comparison of the year's results relative to the prior year are as follows:

Hellaby group trading surplus before interest, tax, depreciation, amortisation and before one-off transactions (EBITDA) was:

- i Excluding the results of BBQ Factory (being a discontinued operation), \$46.8 million compared to last year's restated \$35.6 million (31% increase)
- ii Including the results of BBQ Factory, \$40.6 million compared to last year's \$34.0 million (19% increase)

Hellaby group trading operating earnings before interest, tax and before one-off transactions (EBIT) was:

- i Excluding the results of BBQ Factory (being a discontinued operation), \$37.1 million compared to last year's restated \$26.4 million (41% increase)

- ii Including the results of BBQ Factory, \$30.0 million compared to last year's \$24.2 million (24% increase)

BBQ Factory incurred a trading EBIT loss of (\$7.1) million for the year, and also incurred a transactional writedown (before tax) of (\$12.6) million on the sale of BBQ Factory business and assets at 30 June 2008.

The full year Hellaby group result represents an after tax return of 5.5% on average shareholder funds, compared with (10%) last year. Net asset backing is \$1.80 per share, compared with last year's \$1.61 per share. Net tangible asset backing is \$0.67 per share, compared with last year's \$0.46 per share. Hellaby earnings per share were 9.3 cents, compared with (19.7) cents last year.

In keeping with the improving company performance, Hellaby directors have declared a final dividend for the financial year of 6 cents per share, fully imputed. The dividend will be paid on 31 October 2008 (ex dividend 5:00pm, 24 October 2008 for the purposes of determining shareholder entitlements).

Directors have declared a final and fully imputed dividend for the financial year of 6 cents per share, which is in addition to the interim unimputed dividend of 5 cents per share. In accordance with last year's dividend policy announcement, Hellaby has distributed approximately 50% of net tax-paid operating profits, with imputation credits attached only when they are available.

Hellaby Managing Director John Williamson said the group's performance improvement was project driven.

"We introduced and communicated clear financial targets across all our operations, and put the appropriate measurement and reporting systems in place to ensure the subsidiaries were on track. We also introduced a group-wide working capital improvement programme and a group-wide procurement strategy. We are already seeing significant benefits from these projects.

In terms of our asset mix, we continue to develop a clearer portfolio strategy, with the creation of a new packaging division and the divestment of three non-core assets. We have consequently commenced the new financial year with four clear investment divisions – Automotive, Equipment, Packaging and Footwear."

Following the portfolio review, a number of acquisitions and divestments occurred during the year. Elldex Packaging acquired two flexible packaging businesses, PPL Packaging and Chequer Packaging, and formed a packaging group. The integration of PPL and Chequer into Elldex Packaging has progressed well and positions Elldex as a significant packaging supplier to the food and primary produce sectors.

Hellaby divested the assets and business of Levana Textiles, BBQ Factory and its 49% equity investment in Bombay Petfoods. The divestment of BBQ Factory incurred a writedown of (\$12.6) million on 30 June 2008, to cover a transactional loss on disposal of assets and to compensate for some future unexpired lease obligations that did not transfer with the business.

During the first half of the year, Hellaby spent \$25.4 million on acquisitions, and received \$6.3 million from the proceeds of divestments. Core bank debt consequently increased to \$118.5 million by December 2007.

However, as a result of the working capital improvement programme introduced during the second half year, core bank debt was reduced by 28% to \$85.5 million at 30 June 2008. The group-wide working capital initiatives contributed to the generation of \$30.8 million of free cash for the year, which was a 74% increase on the previous year's free cashflow.

Mr Williamson, said that the Hellaby group now had a clear focus on balance sheet improvement, particularly working capital productivity. "We expect to continue to reduce bank debt steadily in the coming year through improved working capital management. Our financial targets are clear and consistent, and all businesses have adopted an unprecedented focus on cashflows and return on investment."

Looking ahead, Mr Williamson said the active portfolio management approach would continue. "We've made solid progress towards achieving a turnaround in group profitability and balance sheet productivity. In this next financial year, we will continue to drive a performance improvement culture in our core businesses, and cement many of the initiatives already in place."

Mr Williamson noted that the worsening economic environment would be a critical issue for the year ahead, with economic indicators signalling that most New Zealand sectors would experience the toughest trading conditions in a decade.

"We are confident that our subsidiaries will reap the benefits of improved financial disciplines and tighter management processes introduced during the past year. For the Hellaby group, this next financial year will be one of consolidation, given the challenging economic environment".

ENDS

For further information, please contact:

John Williamson
Chief Executive Officer
Hellaby Holdings Limited

Phone: 09 – 307 6844
Mobile: 021 – 271 4960

Richard Jolly
Chief Financial Officer
Hellaby Holdings Limited

Phone: 09 – 307 6822
Mobile: 0274 –976 710

Financial performance of the Hellaby Group for the year ended 30 June 2008 is summarised as follows:

	As reported		Including BBQ Factory		2006 NZ IFRS \$'000
	2008 NZ IFRS \$'000	2007 NZ IFRS \$'000	2008 NZ IFRS \$'000	2007 NZ IFRS \$'000	
Gross trading surplus	50,225	38,629	44,004	37,017	50,118
Administration	3,437	3,028	3,437	3,028	2,548
Trading EBITDA	46,788	35,601	40,567	33,989	47,570
Depreciation	8,786	8,340	9,485	8,799	10,027
Amortisation	901	871	1,122	1,030	570
Trading EBIT	37,101	26,390	29,960	24,160	36,973
Interest	12,444	9,150	14,438	10,388	9,601
Net trading surplus	24,657	17,240	15,522	13,772	27,372
Other					
(Surplus) on sale of assets	(1,286)	(322)	(1,286)	(322)	(2,559)
(Surplus) on sale of businesses/shares	(1,514)	-	11,123	-	(7,673)
Goodwill impairment	-	-	-	18,792	5,119
Operating surplus/(deficit)	27,457	17,562	5,685	(4,698)	32,485
Less tax expense	8,089	6,313	1,006	5,131	9,349
	19,368	11,249	4,679	(9,829)	23,136
Deficit from discontinued operations (net of tax)	14,689	21,078	-	-	-
Operating surplus/(deficit) after tax	4,679	(9,829)	4,679	(9,829)	23,136
Earnings per share	9.3 cents	(19.7) cents	9.3 cents	(19.7) cents	46.9 cents

The financial results above for 2008 and 2007 are presented in two formats:

- as per the financial statements, where the results of the BBQ Factory are presented in a single line as "discontinued operations", and
- with the results of the BBQ Factory included in each line of the Income Statement

<u>Divisional performance</u>	As reported		Including BBQ Factory	
	2008 \$m	2007 \$m	2008 \$m	2007 \$m
Turnover				
Automotive	160.0	136.6	160.0	135.7
Equipment	131.5	117.1	131.5	117.1
Footwear	167.5	156.5	167.5	156.5
Packaging	57.6	28.6	57.6	28.6
Diversified	3.9	12.9	35.1	48.1
	520.5	451.7	551.7	486.0
EBIT				
Automotive	19.7	14.2	19.7	14.2
Equipment	7.1	4.8	7.1	4.8
Footwear	7.9	8.8	7.9	8.8
Packaging	4.8	1.6	4.8	1.6
Diversified	0.3	1.0	(6.8)	(1.1)
	39.8	30.4	32.7	28.3

The divisional performance results above reflect:

- TRS and TRS Australia being reported within the Automotive sector
- The BBQ Factory being reported within the Diversified sector

Income Statements
For the year ended 30 June 2008

	Group	
	2008	2007
	\$000	\$000
Continuing operations:		
Revenue		
Sale of goods	515,271	448,269
Other income	4,711	3,162
Total income	519,982	451,431
Expenses		
Cost of inventory sold	302,072	265,878
Rental & operating leases	43,894	39,356
Salaries & wages	77,942	65,879
Depreciation & amortisation	9,687	9,211
Other expenses	48,072	44,622
Profit/(deficit) before finance costs	38,315	26,485
Finance (costs)/revenue	(12,444)	(9,150)
Share of profit from associates	1,586	227
Profit/(deficit) before tax	27,457	17,562
Income tax (expense)/credit	(8,089)	(6,313)
Profit/(deficit) after tax from continuing operations	19,368	11,249
Discontinued operations:		
(Deficit) from discontinued operations	(14,689)	(21,078)
Profit/(deficit) after tax attributable to Shareholders of Parent Company	4,679	(9,829)

	Group	
	cents	cents
Basic and diluted earnings per share		
Earnings/(deficit) per share attributable to the Shareholders of Parent Company	9.3	(19.7)
Earnings/(deficit) per share from continuing operations attributable to the Shareholders of Parent Company	38.7	22.6
(Deficit) per share from discontinued operations attributable to the Shareholders of Parent Company	(29.3)	(42.3)

Balance Sheets
As at 30 June 2008

	Group	
	2008	2007
	\$000	\$000
ASSETS		
Current assets		
Inventories	132,591	126,685
Derivative financial instruments	700	1
Current tax asset	-	-
Receivables and prepayments	50,883	53,046
Receivables from related parties	-	1
Cash and cash equivalents	3,597	5,830
Loans and advances	3,342	154
Total current assets	191,113	185,717
Non-current assets		
Property, plant and equipment	34,482	36,932
Intangible assets	56,871	57,524
Investment in associates	5,808	4,422
Investment in subsidiaries	-	-
Other investments	-	861
Loans and advances	2,592	784
Future tax benefit	13,551	18,600
Total non-current assets	113,304	119,123
Total Assets	304,417	304,840
LIABILITIES		
Current liabilities		
Derivative financial instruments	2,296	13,023
Current tax liabilities	1,058	2,292
Trade and other payables	57,737	45,339
Payable to related parties	-	553
Provisions	8,087	5,062
Deferred consideration	-	14,378
Borrowings	9,605	7,048
Total current liabilities	78,783	87,695
Non-current liabilities		
Borrowings	85,500	84,500
Capital notes	48,898	48,525
Payables	346	125
Deferred consideration	-	2,941
Provisions	340	416
Total non-current liabilities	135,084	136,507
Total Liabilities	213,867	224,202
Net Assets	90,550	80,638

	Group	
	2008	2007
	\$000	\$000
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EQUITY		
Contributed equity	20,145	19,752
Cash flow hedge reserve	(1,174)	(8,514)
Retained earnings	71,579	69,400
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Total Equity	90,550	80,638

The Board of Directors of Hellaby Holdings Limited authorised these financial statements for issue on 28 August 2008.

On behalf of the Board

Director

Director

**Statements of Movements in Equity
For the year ended 30 June 2008**

	2008	Group 2007
	\$000	\$000
Total equity at the beginning of the period	80,638	113,534
Movement in cash flow hedge reserve net of tax	7,340	(12,325)
Profit/(deficit) for the period	4,679	(9,829)
Total recognised income and expense	12,019	(22,154)
Dividends provided for or paid	(2,107)	(10,742)
Total equity at the end of period	90,550	80,638

Statements of Cash Flows
For the year ended 30 June 2008

	2008	Group 2007
	\$000	\$000
Cash flows from operating activities		
Receipts from customers	545,882	484,437
Payments to suppliers and employees	(510,101)	(458,330)
Cash from/(used in) operations	35,781	26,107
Dividends received	257	157
Interest received	111	229
Other revenue	1,659	857
Interest paid	(15,272)	(11,130)
Income taxes paid	(794)	(8,336)
Net cash inflow from operating activities	21,742	7,884
Cash flows from investing activities		
Payment for purchase of businesses, net of cash acquired	(25,441)	(20,521)
Payment for purchase of equity investments	-	(1,500)
Payments for property, plant and equipment and software	(16,546)	(17,996)
Loans advanced	-	(6)
Proceeds from sale of business, net of cash disposed	6,301	-
Proceeds from sale of equity investments	-	6,144
Proceeds from sale of property, plant and equipment and software	9,678	8,397
Repayment of loans	802	1,330
Net cash (outflow) from investing activities	(25,206)	(24,152)
Cash flows from financing activities		
Proceeds from borrowings	7,612	41,708
Repayment of borrowings	(4,444)	(11,142)
Advances (to)/from subsidiaries and associates	-	(200)
Dividends paid to Company's shareholders	(2,107)	(10,742)
Net cash inflow from financing activities	1,061	19,624
Net (decrease)/increase in cash and cash equivalents	(2,403)	3,356
Cash and cash equivalents at the beginning of the period	5,817	2,461
Effects of exchange rate changes on cash and cash equivalents	(61)	-
Cash and cash equivalents at the end of the period	3,353	5,817

	2008	Group 2007
	\$000	\$000
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Consisting of:		
Cash and cash equivalents	3,597	5,830
Bank overdraft	(244)	(13)
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Closing cash balance	3,353	5,817

Segmental reporting
Primary reporting format – business segments

Year ended 30 June 2008

	Automotive \$000	Equipment \$000	Footwear \$000
INCOME STATEMENT			
Sales to external customers	157,972	130,247	166,961
Intersegment sales	1,007	314	-
Total sales revenue	158,979	130,561	166,961
Other income	957	967	528
Total segment income	159,936	131,528	167,489
Segment result	19,690	7,053	7,926
Finance costs			
Share of profit from associates			
Income tax expense			
Discontinued operations			
Net Profit for the year			

	Packaging \$000	Diversified \$000	Corporate \$000	Inter- segment eliminations /unallocated \$000	Group \$000
INCOME STATEMENT					
Sales to external customers	56,171	3,920	-	-	515,271
Intersegment sales	93	-	-	(1,414)	-
Total sales revenue	56,264	3,920	-	(1,414)	515,271
Other income	1,376	1	16,585	(15,703)	4,711
Total segment income	57,640	3,921	16,585	(17,117)	519,982
Segment result	4,782	309	(1,445)	-	38,315
Finance costs					(12,444)
Share of profit from associates					1,586
Income tax expense					(8,089)
Discontinued operations					(14,689)
Net Profit for the year					
					4,679

Principal Subsidiaries

Name	Activity	2008 Interest	2007 Interest
AB Equipment Limited	Materials handling and construction equipment	100%	100%
AB Rental Limited	Forklift rentals	100%	100%
Retail Properties 2008 Limited (previously BBQ Factory Limited)	Barbeque and spa pool retailer	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%
Discount Shoe Warehouse Limited	Specialty shoe retailer	100%	100%
Elldex Packaging Limited	Packaging manufacturer and distributor	100%	100%
Eurolift NZ Limited	Forklift sales and rentals	100%	100%
LTL 2007 Limited (previously Levana Textiles Limited)	Textiles manufacturer	100%	100%
R Hannah & Co Limited	Specialty shoe retailer	100%	100%
TRS Tyre & Wheel Limited	Tyre and wheel importer and distributor	100%	100%
TRS Tyre & Wheel Pty Limited	Tyre and wheel importer and distributor	100%	100%

On 30 June 2008 Hellaby Holdings sold the trade and assets of BBQ Factory Limited for consideration of \$5.8 million.

On 31 October 2007 Hellaby Holdings sold the assets and business of Levana Textiles Limited for \$5.9 million.

On 31 July 2007 Elldex Packaging Limited acquired the trade and assets of the Christchurch operations of Chequer Packaging Limited (In Receivership) for consideration of \$5.8 million.

On 6 July 2007 Elldex Packaging Limited acquired the trade and assets of PPL Corporation Limited for consideration of \$6.4 million.

On 1 April 2007 Brake & Transmission NZ Limited acquired the trade and assets of NZ Brake Co Limited for consideration of \$2.07 million.

On 1 November 2006 Hellaby Holdings acquired 100% of automotive and industrial battery importer and distributor, HCB Technologies Limited (and its subsidiaries) for consideration of \$7.9 million. Effective 1 May 2007 the assets and liabilities were transferred to Brake & Transmission NZ Limited.

On 1 July 2005 Hellaby Holdings acquired 80% of Discount Shoe Warehouse Limited with the remaining 20% acquired on 31 August 2007. The purchase price is based on a multiple of its forecast earnings before interest and tax over the financial years ending 31 August 2005, 2006, 2007 and 2008, less external debt at these dates. As at 30 June 2008 the purchase price has been estimated as \$29.8 million (30 June 2007: \$32.9 million) of which \$29.8 million (2007: \$15.6 million) has been paid.

All companies above have a balance date of 30 June with the exception of Discount Shoe Warehouse Limited which has a 31 August balance date and, with the exception of Diesel Distributors Australia Pty Limited and TRS Tyre & Wheel Pty Limited which are incorporated in Australia, are incorporated in New Zealand.

Associates

Name	Activity	2008 Interest	2007 Interest
BPF 2008 Limited (formerly Bombay Petfoods Limited)	Petfood supplier	49.0%	49.0%
Energy Intellect Limited	Metering/communications	34.4%	34.4%

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

The sale of the trade and assets of Bombay Petfoods Limited was completed on 30 June 2008 and all conditions of sale were either satisfied or waived as at that date. The Group's share of the gain on sale has been reflected in the share of total recognised revenue and expenses of associates.

Note to financial statements

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 management 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(d).

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

Discontinued operations

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

	2008	2007
	\$000	\$000
Revenue	31,239	35,242
Expenses	(38,380)	(37,472)
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(Deficit) before interest and tax from operating activities	(7,141)	(2,230)
Finance (costs)	(1,994)	(1,238)
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(Deficit) before tax from operating activities	(9,135)	(3,468)
Loss on disposal of shares and assets	(11,916)	-
Tangible assets impairment	(720)	-
Intangible assets impairment	(1)	-
Goodwill and brands impairment	-	(18,792)
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(Deficit) before tax	(21,772)	(22,260)
Income tax credit	7,083	1,182
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(Deficit) after tax from discontinued operations	(14,689)	(21,078)
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Notice of Annual General Meeting

Notice is hereby given that Hellaby Holdings Limited intends to hold its Annual General Meeting of Shareholders on Thursday 30 October 2008 at the Waitemata Room, Langham Hotel, 83 Symonds Street, Auckland at 10:00 am.

HELLABY HOLDINGS LIMITED**Results for announcement to the market**

Reporting Period	12 months to 30 June 2008
Previous Reporting Period	12 months to 30 June 2007

	Amount (000s)	Percentage change
Revenue from ordinary activities	\$519,982	15.2%
Profit (loss) from ordinary activities after tax attributable to shareholders	\$19,368	72.1%
Net profit (loss) attributable to shareholders.	\$4,679	

Final Dividend	Gross amount per share	Imputed amount per share
	6.0 cents	2.955224 cents

Record Date	24 October 2008
Dividend Payment Date	31 October 2008
Dividend Reinvestment Plan – last date for receipt of election notice.	24 October 2008
Audit	The abridged financial statements attached to this report have been audited and are not subject to a qualification. A copy of the audit report applicable to the full financial statements is attached to this announcement.

Comments:	Refer to the attached commentary. The accounts for the year ended 30 June 2008 have been prepared on the basis the results attributable to BBQ Factory represent discontinued operations. The above comparisons to last year reflect this change.
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Notice of event affecting securities

New Zealand Stock Exchange Listing Rule 7.12.2. For rights, Listing Rules 7.10.9 and 7.10.10. For change to allotment, Listing Rule 7.12.1, a separate advice is required.

Number of pages including this one
(Please provide any other relevant details on additional pages)

1

Full name of Issuer: **HELLABY HOLDINGS LIMITED**

Name of officer authorised to make this notice: **Richard Jolly** Authority for event, e.g. Directors' resolution: **Directors' Resolution**

Contact phone number: **09 307 6844** Contact fax number: **09 307 3559** Date: **28 / 8 / 2008**

Nature of event Tick as appropriate

Bonus Issue If ticked, state whether: Taxable / Non Taxable Conversion Interest Rights Issue Renounceable

Rights Issue non-renounceable Capital change Call Dividend If ticked, state whether: Interim Full Year Special

EXISTING securities affected by this *If more than one security is affected by the event, use a separate form.*

Description of the class of securities: **Ordinary Shares** ISIN: **NZHBYE000158**
If unknown, contact NZX

Details of securities issued pursuant to this event *If more than one class of security is to be issued, use a separate form for each class.*

Description of the class of securities: ISIN:
If unknown, contact NZX

Number of Securities to be issued following event: Minimum Entitlement: Ratio, e.g. 1 for 2 for

Conversion, Maturity, Call Payable or Exercise Date: Treatment of Fractions:

Strike price per security for any issue in lieu or date Strike Price available: Tick if *pari passu* OR provide an explanation of the ranking:

Monies Associated with Event *Dividend payable, Call payable, Exercise price, Conversion price, Redemption price, Application money.*

In dollars and cents

Amount per security: **6.0 cents Fully Imputed** Source of Payment: **Revenue Reserves**

Currency: **NZ Dollars** Supplementary dividend details - Listing Rule 7.12.7: **Amount per security in dollars and cents: 1.058824 cents**

Total monies: **\$3,014,627** **Date Payable: 31 October 2008**

Taxation *Amount per Security in Dollars and cents to six decimal places*

In the case of a taxable bonus issue state strike price: **N/A** Resident Withholding Tax: **Nil** Credits (Give details): **2.955224 cents**

Timing (Refer Appendix 8 in the Listing Rules)

Record Date 5pm *For calculation of entitlements - must be the last business day of a week*: **24 October 2008**

Payment Date *Also, Call Payable, Dividend / Interest Payable, Exercise Date, Conversion Date. In the case of applications this must be the last business day of the week.*: **31 October 2008**

Notice Date *Entitlement letters, call notices, conversion notices mailed*: **N/A**

Allotment Date *For the issue of new securities. Must be within 5 business days of record date.*: **N/A**

OFFICE USE ONLY
Ex Date:
Commence Quoting Rights:
Cease Quoting Rights 5pm:
Commence Quoting New Securities:
Cease Quoting Old Security 5pm:

Security Code:
Security Code:

