

HELLABY HOLDINGS LIMITED - NZX ANNOUNCEMENT

27 August 2009

Strong cashflows and balance sheet reform are highlights of tough Hellaby year

- \$47.8 million free cashflow generated
- Total net debt reduced by 26.3%, and core bank debt reduced by 40.4%
- After tax operating profit of \$5.3 million
- Net profit after tax (NPAT) of \$0.7 million, due to \$4.6 million impairment from the discontinued operations of BBQ Factory, sold last year
- Operational improvements successfully implemented across subsidiaries, positioning Hellaby for stronger future performance
- Banking facilities renegotiated for two year period to 31 July 2011
- No final dividend declared

Investment company Hellaby Holdings Limited today reported a reduced profit result for the financial year ended 30 June 2009, primarily due to an impairment provision relating to the deferred settlement of the divestment of BBQ Factory last year.

Hellaby reported an after tax operating profit of \$5.3 million for the year ended 30 June 2009, in line with earlier market guidance. However a \$4.6 million impairment provision relating to BBQ Factory reduced the net profit after tax (NPAT) to \$0.7 million. This compares to an NPAT of \$4.7 million after one-off transactions in the previous year.

Hellaby Chairman Bill Falconer said that Hellaby had last year announced the sale of BBQ Factory for \$5.8 million on deferred payment terms. During the past year repayments of \$1.4 million were received, which were less than scheduled under the original sale terms. The Hellaby Board concluded that, prudently, it should fully provide for the remaining debt.

With regard to Hellaby group performance, Managing Director John Williamson noted that there had been an unprecedented deterioration in market conditions for all operating divisions throughout the year. Group trading surplus before interest, tax, depreciation, amortisation and before one-off transactions (EBITDA) was \$26.5 million in line with earlier market guidance, down 43.5% from \$46.8 million last year; and group trading surplus before interest, tax and one-off transactions (EBIT) was \$18.2 million, compared to \$37.1 million last year.

"These have been incredibly tough trading conditions, and it's a mark of the commitment of our subsidiaries that they have been able to deliver the operating profit of around \$5.0 million that we had foreshadowed to the market," he said.

Mr Williamson said it was pleasing that the group's balance sheet reform and operational turnaround was now largely complete.

"As a result of ongoing working capital improvements Hellaby's total net debt (interest-bearing debt including core bank debt, trade loans and capital notes)

reduced by 26.3% to \$103.4 million, compared to \$140.4 million at 30 June 2008. We completed the year with core bank debt 40% lower at \$51.0 million, compared to \$85.5 million a year earlier."

Mr Williamson said this dramatic improvement had been achieved by disciplined inventory and debtor management. Group inventories at 30 June 2009 were \$107.1 million (19.2% lower than last year) and trade and other receivables were \$33.9 million (33.3% lower).

"These improvements enabled the group to generate \$47.8 million of free cashflow (cashflow from operations, less net operational capex) compared to \$30.8 million the year before. This is an outstanding achievement in tough economic conditions, and in my view reflects the much stronger underlying health of the business."

As previously advised to the market on 1 July, Hellaby has renegotiated its banking facilities with its principal bank Westpac for a two year period to 31 July 2011.

There were no acquisitions or divestments during the year to 30 June 2009.

The full year Hellaby group result represents an after tax return of 0.8% on average shareholder funds due to the BBQ Factory impairment, compared with 5.5% last year. Net asset backing is \$1.67 per share, compared with last year's \$1.80 per share. Net tangible asset backing is \$0.54 per share, compared with \$0.67 per share last year. Hellaby earnings per share were 1.4 cents, compared with 9.3 cents last year.

Mr Falconer said the Hellaby Board had decided not to pay a final dividend for the financial year. "While some dividend may have been justified on the basis of the reported NPAT, we consider it is sensible in light of the result for the year, and the Board's preference to retain cash while economic conditions remain uncertain," he said.

Mr Falconer confirmed that going forward, Hellaby would resume its stated dividend policy of distributing approximately 50% of NPAT, with imputation credits attached to the extent they are available.

Looking ahead, Mr Williamson said that the company was unable to predict when economic conditions would sustainably improve.

"For the first two months of the current year, market conditions have remained difficult in the agricultural, equipment and retail sectors. We are yet to encounter the so-called 'green shoots' in our industry sectors.

In this current financial year, our focus remains on realising the benefits of the operational improvements actioned over the last year, and improving our return on investment.

However, the business is now substantially de-risked and we believe it will emerge in significantly better shape when economic conditions do eventually improve. Consequently, we are confident that the Hellaby group will achieve significantly improved earnings for the coming financial year ahead."

Note: Analyst presentation is available on Hellaby Holdings website

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Financial performance of the Hellaby Group for the year ended 30 June 2009 is summarised as follows:

	2009 NZ IFRS \$'000	2008 NZ IFRS \$'000	2007 NZ IFRS \$'000
Gross trading surplus	29,383	50,225	38,629
Administration	2,933	3,437	3,028
Trading EBITDA	26,450	46,788	35,601
Depreciation	7,275	8,786	8,340
Amortisation	1,011	901	871
Trading EBIT	18,164	37,101	26,390
Interest	10,849	12,444	9,150
Net trading surplus	7,315	24,657	17,240
Other			
(Surplus) on sale of assets	0	(1,286)	(322)
(Surplus) / deficit on sale of businesses / shares	(59)	(1,514)	0
Operating surplus / (deficit)	7,374	27,457	17,562
Less tax expense	2,092	8,089	6,313
	5,282	19,368	11,249
Deficit from discontinued operations (net of tax)	4,575	14,689	21,078
Operating surplus / (deficit) after tax	707	4,679	(9,829)
Earnings per share	1.4 cents	9.3 cents	(19.7) cents

Divisional performance

	2009 \$m	2008 \$m	2007 \$m
Turnover			
Automotive	156.7	160.0	136.6
Equipment	99.8	131.5	117.1
Footwear	170.8	167.5	156.5
Packaging	54.9	57.6	28.6
Diversified	0.0	3.9	12.9
	482.2	520.5	451.7
	As reported		
	2009 \$m	2008 \$m	2007 \$m
EBIT			
Automotive	17.7	19.7	14.2
Equipment	(1.9)	7.1	4.8
Footwear	4.2	7.9	8.8
Packaging	2.0	4.8	1.6
Diversified	0.0	0.3	1.0
	22.0	39.8	30.4

Income Statements
For the year ended 30 June 2009

	Group	
	2009	2008
	\$000	\$000
Continuing operations:		
Revenue		
Sale of goods	478,947	515,271
Other income	1,769	4,711
Total income	480,716	519,982
Expenses		
Cost of inventory sold	279,711	302,072
Rental and operating leases	48,114	43,894
Salaries and wages	77,361	77,942
Depreciation and amortisation	8,286	9,687
Other expenses	48,919	48,072
Profit before finance costs	18,325	38,315
Net finance (costs)	(10,849)	(12,444)
Share of (deficit)/profit from associates	(102)	1,586
Profit before tax	7,374	27,457
Income tax (expense)	(2,092)	(8,089)
Profit after tax from continuing operations	5,282	19,368
Discontinued operations:		
(Deficit) after tax from discontinued operations	(4,575)	(14,689)
Profit after tax attributable to Shareholders of Parent Company	707	4,679

	Group	
	2009	2008
	cents	cents
Basic and diluted earnings per share		
Earnings per share attributable to the Shareholders of Parent Company	1.4	9.3
Earnings per share from continuing operations attributable to the Shareholders of Parent Company	10.5	38.7
(Deficit) per share from discontinued operations attributable to the Shareholders of Parent Company	(9.1)	(29.3)

Balance Sheets
As at 30 June 2009

	Group	
	2009	2008
	\$000	\$000
ASSETS		
Current assets		
Inventories	107,124	132,591
Derivative financial instruments	2	700
Trade and other receivables	33,909	50,883
Cash and cash equivalents	4,572	3,597
Loans and advances	54	3,342
Total current assets	145,661	191,113
Non-current assets		
Property, plant and equipment	28,320	34,482
Intangible assets	57,037	56,871
Investment in associates	2,962	5,808
Loans and advances	-	2,592
Future tax benefit	13,155	13,551
Total non-current assets	101,474	113,304
Total Assets	247,135	304,417
LIABILITIES		
Current liabilities		
Derivative financial instruments	8,044	2,296
Current tax liability	-	1,058
Trade and other payables	39,686	57,737
Provisions	6,372	8,087
Borrowings	7,733	9,605
Total current liabilities	61,835	78,783
Non-current liabilities		
Core bank debt	51,000	85,500
Capital notes	49,271	48,898
Other payables	279	346
Provisions	190	340
Total non-current liabilities	100,740	135,084
Total Liabilities	162,575	213,867
Net Assets	84,560	90,550

	Group	
	2009	2008
	\$000	\$000
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EQUITY		
Contributed equity	20,808	20,145
Cash flow hedge reserve	(5,519)	(1,174)
Retained earnings	69,271	71,579
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Total Equity	84,560	90,550
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The Board of Directors of Hellaby Holdings Limited authorised these financial statements for issue on 27 August 2009.

On behalf of the Board

Director

Director

**Statements of Movements in Equity
For the year ended 30 June 2009**

	Group	
	2009	2008
	\$000	\$000
Total equity at the beginning of the period	90,550	80,638
Movement in cash flow hedge reserve net of tax	(4,345)	7,340
Profit for the period	707	4,679
Total recognised income and expense	(3,638)	12,019
Dividends provided for or paid	(2,352)	(2,107)
Total equity at the end of the period	84,560	90,550

Statements of Cash Flows
For the year ended 30 June 2009

	Group	
	2009	2008
	\$000	\$000
Cash flows from operating activities		
Receipts from customers	495,471	545,882
Payments to suppliers and employees	(447,278)	(510,101)
Cash from operations	48,193	35,781
Dividends received	10	257
Interest received	329	111
Other revenue	891	1,659
Interest paid	(10,760)	(15,272)
Income taxes paid	(802)	(794)
Net cash inflow from operating activities	37,861	21,742
Cash flows from investing activities		
Payment for purchase of businesses, net of cash acquired	(519)	(25,441)
Payments for property, plant and equipment and software	(13,556)	(16,546)
Proceeds from sale of business, net of cash disposed	2,718	6,301
Proceeds from sale of property, plant and equipment and software	12,272	9,678
Repayment of loans	1,442	802
Net cash inflow/(outflow) from investing activities	2,357	(25,206)
Cash flows from financing activities		
Proceeds from borrowings	82	7,612
Repayment of borrowings	(36,702)	(4,444)
Dividends paid to Company's shareholders	(2,352)	(2,107)
Net cash (outflow)/inflow from financing activities	(38,972)	1,061
Net increase/(decrease) in cash and cash equivalents	1,246	(2,403)
Cash and cash equivalents at the beginning of the period	3,353	5,817
Effects of exchange rate changes on cash and cash equivalents	(27)	(61)
Cash and cash equivalents at the end of the period	4,572	3,353

	Group	
	2009	2008
	\$000	\$000
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Consisting of:		
Cash and cash equivalents	4,572	3,597
Bank overdraft	-	(244)
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Closing cash balance	4,572	3,353
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Operating segment information

2009

	Automotive \$000	Equipment \$000	Footwear \$000
INCOME STATEMENT			
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
Finance costs			
Share of (deficit) 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	54,732	-	-	-	478,947
Intersegment sales	171	-	-	(1,773)	-
Total sales revenue	54,903	-	-	(1,773)	478,947
Other income	4	-	10,031	(9,744)	1,769
Total segment income	54,907	-	10,031	(11,517)	480,716
Segment result	2,001	-	(3,636)	-	18,325
Finance costs					(10,849)
Share of (deficit) from associates					(102)
Income tax expense					(2,092)
Discontinued operations					(4,575)
Net Profit for the year					707

Principal Subsidiaries

Name	Activity	2009 Interest	2008 Interest
AB Equipment Limited	Materials handling and construction equipment importer and distributor	100%	100%
AB Rental Limited	Forklift rentals	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%
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%	-
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.

All companies above have a balance date of 30 June 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	2009 Interest	2008 Interest
BPF 2008 Limited (liquidated)	Petfood supplier	-	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 in 2008.

Notes to the 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.

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

(i) 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 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:

	2009	2008
	\$000	\$000
Revenue	-	31,239
Expenses	(532)	(38,380)
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(Deficit) before interest and tax from operating activities	(532)	(7,141)
Finance revenue/(costs)	302	(1,994)
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(Deficit) before tax from operating activities	(230)	(9,135)
Profit/(loss) on disposal of shares and assets	10	(11,916)
Provision for impairment	(4,438)	(720)
Intangible asset impairment	-	(1)
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(Deficit) before tax from discontinued operations	(4,658)	(21,772)
Income tax credit	83	7,083
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(Deficit) after tax from discontinued operations	(4,575)	(14,689)

Notice of Annual General Meeting

Notice is hereby given that Hellaby Holdings Limited intends to hold its Annual General Meeting of Shareholders on Thursday 5 November 2009 at the Rendezvous Hotel, Corner of Mayoral Drive & Vincent Street, Auckland at 2:00 pm.