

## HELLABY HOLDINGS LIMITED - NZX ANNOUNCEMENT

27 August 2007

### Hellaby result reflects a challenging year

- Decline in profitability due to difficult trading conditions and one-off transactions, including impairment of BBQ Factory goodwill and brands
- Strategic review of businesses undertaken
- Tightened investment performance criteria for all assets
- FY2008 target for EBITDA adjusted for one-offs of around the \$45 million achieved in recent years

Investment company Hellaby Holdings Limited today reported a decline in profitability for the financial year to 30 June 2007.

Hellaby's trading surplus before interest, tax, depreciation, amortisation and one-off transactions was \$34.0 million, 28% lower than last year's \$47.6 million.

Hellaby Chairman Bill Falconer said the company was understandably disappointed in the result. "As we reported earlier this year, all of the company's divisions – Automotive, Industrial, Retail and Diversified – simultaneously experienced difficult trading conditions during the first half of the year. While most businesses improved performance and met their targets during the second half, all divisions returned lower trading surpluses for the year compared to the previous financial year. "

This result has been further impacted by a number of one-off costs, plus the non-recurrence of one-off gains achieved in the year to 30 June 2006, and an \$18.8 million goodwill and brands impairment booked for retail subsidiary BBQ Factory. Consequently, the company has recorded a tax-paid deficit of \$9.8 million, compared with last year's \$23.1 million surplus.

Included in the result to 30 June 2007 are the following one-off costs:

- \$2.4 million of costs associated with forward exchange contracts required to be expensed in accordance with IAS 39 and stock adjustments;
- \$0.9 million of costs incurred in conducting a strategic review of the retail businesses;
- \$0.4 million of costs associated with the previous Chief Executive's retirement.

This result represents an after tax return of (10%) on average shareholders funds employed (last year 21%), and net asset backing of \$1.61 per share (last year \$2.29 per share).

In recognition of the poor results achieved, the Board of Directors had resolved not to distribute a final dividend for the year. Hellaby's total distribution for the year will be the interim dividend of 10 cents, fully imputed, and paid on 20 April 2007.

Mr Falconer said that the past year's performance had resulted in the group comprehensively reviewing its future direction. "On a positive note, this has confirmed that our core businesses are sound and can be expected to be resilient in the current economic uncertainty. There are some businesses we will divest for the right price, and there are some where value can be added before divestment would be considered. Overall however, the decks are being cleared,

and the company is moving forward with a strong focus on operational performance.”

The company’s second half performance improved markedly in several of the businesses, compared to the same period in the previous year. The Brake & Transmission EBIT was 16% higher in the second half (excluding acquisitions during the year), the AB Equipment/AB Rental EBIT was 10% higher, and the No 1 Shoes EBIT was 20% higher in the second-half year-on-year.

Mr Falconer also advised that the strategic review of Hellaby’s footwear retail division was nearing completion. “Following a detailed evaluation of our options, the Board believes that we have two excellent and well-managed assets, both of which have the potential for further profit growth. Hellaby will retain ownership of these businesses for the time being.”

Recently-appointed Hellaby Chief Executive John Williamson said that a range of factors contributed towards the lower performance of the various divisions. “The Automotive and Industrial Divisions were constrained by slower than planned expansion into the Australian market, a downturn in the agricultural sectors on both sides of the Tasman, equipment supply issues due to worldwide equipment demand, and negative hedging adjustments,” he said.

“Our retail businesses, like most in their sector, experienced extremely poor summer trading conditions which were not sufficiently offset by an improved performance during the second half of the year, while BBQ Factory’s performance remained unsatisfactory throughout. Our new automotive investments in batteries and brake parts did not start to make their contribution to group performance until later in the year.”

Mr Williamson said that while market conditions had improved for most divisions, further performance improvements were also being sought. “The majority of our companies have been performing to expectations for the past three to four months, which is a positive trend. However, we have also recently introduced a number of comprehensive operational improvement initiatives across the Hellaby group to capture more value from our businesses.”

“We know we have to improve performance significantly and to this end, capital discipline and working capital efficiency has become a key focus across all business units.”

Mr Williamson said that the integration of the two recently acquired packaging businesses, Wellington-based PPL Corporation and Christchurch-based Chequer Packaging (in Receivership) into the new Elldex packaging division was progressing satisfactorily. Both businesses were acquired in July 2007 subsequent to year-end. “Hellaby’s packaging sales revenue and profits are on track to more than double for the year to 30 June 2008,” he said.

“Importantly, we believe that this expansion in packaging represents a standard template for future investment by Hellaby. Our strategy over time will be to develop further divisions through the carefully-researched initial acquisition or development of a platform business, and subsequent growth through a combination of market development and ‘bolt-on’ acquisitions.”

While Hellaby continued to focus on the turnaround of the BBQ Factory, Mr Williamson said that recent initiatives, which include new outlets and refurbishments, had not yet gained traction. “Following a review of the business, the Board of Directors has concluded that it will take further time to complete, and that the Group should recognise an \$18.8 million goodwill and brands impairment for the BBQ Factory in the year to 30 June 2007.”

Mr Williamson noted that since the time of its acquisition by Hellaby, BBQ Factory has returned EBIT losses of \$2.0 million in the year to 30 June 2007, similar to the previous year. Mr Williamson said that performance since the time of acquisition indicated that Hellaby had overpaid for the BBQ Factory. "Although measures are in place to improve performance, directors believe an impairment expensing of the full remaining goodwill and brands value is the most appropriate decision at this time," he said.

Looking ahead, Mr Falconer said that the Hellaby Board's overriding objective was to restore investor confidence in Hellaby, by driving company performance and improving total shareholder returns. "We know we have to improve performance significantly – and chase free cash flow hard. Capital discipline and efficient use of working capital has become a key focus across all business units. Assets are likely to be divested if they are not performing, if we are unable to grow them, or if we can better add value for our shareholders by investing elsewhere."

"In summary, the year to 30 June 2008 will be a year of consolidation. Our immediate priorities are achieving Hellaby group EBIT targets, improving our group net working capital efficiency, and successfully turning around the BBQ Factory. We intend to finish the next financial year with a stronger balance sheet, and are targeting revenue and profit growth in all our business units for the year to 30 June 2008."

Current expectations are that in the financial year to 30 June 2008 Hellaby's trading surplus before interest, taxation, depreciation, amortisation and one-off transactions will be around the \$45 million achieved in recent years.

Ends

For further information please contact:

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Chief Executive Officer  
HELLABY HOLDINGS LIMITED

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**Summary of Hellaby Group financial performance for the year ended 30 June 2007:**

	2007 NZ IFRS \$'000	2006 NZ IFRS \$'000	2005 NZ IFRS \$'000
Gross trading surplus	37,017	50,118	44,940
Administration	3,028	2,548	1,912
Trading surplus before depreciation & interest	33,989	47,570	43,028
Depreciation	8,799	10,027	9,064
Amortisation	1,030	570	422
Interest	10,388	9,601	5,806
Net trading surplus	13,772	27,372	27,736
Other			
Surplus on sale of assets	322	8,850	778
Surplus on sale of shares	0	1,382	0
Goodwill impairment	(18,792)	(5,119)	0
Operating (deficit) / surplus	(4,698)	32,485	28,514
Less tax	5,131	9,349	6,296
	(9,829)	23,136	22,218
Plus one-off tax benefits	0	0	978
Operating (deficit) / surplus after tax	(9,829)	23,136	23,196
Earnings per share	(19.7) cents	46.9 cents	47.1 cents

**Divisional performance:**

	Turnover (\$m)		EBIT (\$m)		
	FY 2007	FY 2006	FY 2007	FY 2006	
Automotive	118.5	100.9	12.8		14.0
Industrial	134.3	129.9	6.2		9.6
Retail - Ongoing operations	191.7	176.8	6.7	9.8	13.7
- Discontinued operations		<u>42.7</u>		<u>3.9</u>	
Diversified	41.5	42.4	2.6		2.9
	486.0	492.7	28.3		40.2



**Income Statements**  
**For the year ended 30 June 2007**

	Notes	2007 \$000	Group 2006 \$000
Revenue			
Sale of goods	3	<b>482,876</b>	487,145
Other income		<b>3,603</b>	15,975
<b>Total income</b>		<b>486,479</b>	503,120
Expenses	4		
Cost of inventory sold		<b>289,666</b>	278,182
Rental & operating leases		<b>41,526</b>	45,489
Salaries & wages		<b>69,633</b>	71,349
Depreciation & amortisation		<b>9,829</b>	10,597
Impairment of intangibles		<b>18,792</b>	5,119
Other expenses		<b>51,570</b>	50,367
Profit/(deficit) before finance costs	3	<b>5,463</b>	42,017
Finance (costs)/revenue	4	<b>(10,388)</b>	(9,601)
Share of profit from associates	4	<b>227</b>	680
(Deficit)/profit before tax		<b>(4,698)</b>	33,096
Income tax (expense)/credit	5	<b>(5,131)</b>	(9,349)
(Deficit)/profit after tax		<b>(9,829)</b>	23,747
Minority interest in surpluses of subsidiaries		-	(611)
<b>(Deficit)/profit after tax attributable to Shareholders of Parent Company</b>		<b>(9,829)</b>	23,136

		Group cents	cents
<b>Earnings per share attributable to the Shareholders of Parent Company:</b>	6		
Basic and diluted earnings per share		<b>(19.7)</b>	46.9

The above income statements are to be read in conjunction with the notes on pages 7 to 49.

**Balance Sheets**  
**As at 30 June 2007**

	Notes	2007 \$000	Group 2006 \$000
<b>ASSETS</b>			
Current assets			
Inventories	9	<b>126,685</b>	119,393
Derivative financial instruments	10	<b>1</b>	7,018
Receivables and prepayments	8	<b>53,046</b>	48,877
Receivables from related parties	8	<b>1</b>	1,001
Cash and cash equivalents	7	<b>5,830</b>	3,406
Other current assets	11	<b>154</b>	382
<b>Total current assets</b>		<b>185,717</b>	180,077
Non-current assets			
Property, plant and equipment	13	<b>36,932</b>	35,542
Intangible assets	15	<b>57,524</b>	72,301
Investments	12	<b>5,283</b>	2,842
Loans and advances	12	<b>784</b>	712
Future tax benefit	14	<b>18,600</b>	11,969
<b>Total non-current assets</b>		<b>119,123</b>	123,366
<b>Total Assets</b>		<b>304,840</b>	303,443
<b>LIABILITIES</b>			
Current liabilities			
Derivative financial instruments	10	<b>13,023</b>	20
Current tax liabilities	14	<b>2,292</b>	5,026
Trade and other payables	16	<b>45,339</b>	40,425
Payable to related parties	16	<b>553</b>	753
Provisions	16	<b>5,062</b>	5,064
Deferred consideration	16	<b>14,378</b>	9,025
Borrowings	17	<b>7,048</b>	17,841
<b>Total current liabilities</b>		<b>87,695</b>	78,154
Non-current liabilities			
Borrowings	17	<b>84,500</b>	43,000
Capital notes	17	<b>48,525</b>	48,152
Payables	16	<b>125</b>	376
Deferred consideration	16	<b>2,941</b>	19,523
Provisions	16	<b>416</b>	704
<b>Total non-current liabilities</b>		<b>136,507</b>	111,755
<b>Total Liabilities</b>		<b>224,202</b>	189,909
<b>Net Assets</b>		<b>80,638</b>	113,534

	Notes	2007 \$000	Group 2006 \$000
<b>EQUITY</b>			
Contributed equity	21	<b>19,752</b>	17,591
Cash flow hedge reserve	22	<b>(8,514)</b>	3,811
Retained profits	22	<b>69,400</b>	92,132
<b>Total Equity</b>		<b>80,638</b>	113,534

The above balance sheets are to be read in conjunction with the notes on pages 7 to 49.

**Statements of Movements in Equity  
For the year ended 30 June 2007**

	Notes	2007 \$000	Group 2006 \$000
<b>Total equity at the beginning of the period</b>		<b>113,534</b>	106,749
Fair value of financial instruments on adoption of NZ IFRS net of tax	22	-	(41)
Movement in cash flow hedge reserve net of tax	22	<b>(12,325)</b>	3,811
(Deficit)/profit for the period		<b>(9,829)</b>	23,136
<b>Total recognised income and expense</b>		<b>(22,154)</b>	26,906
Dividends provided for or paid	23	<b>(10,742)</b>	(15,914)
Total changes in minority interest		-	(4,207)
<b>Total equity at the end of period</b>		<b>80,638</b>	113,534

The above statements of movements in equity are to be read in conjunction with the notes on pages 7 to 49.

**Statements of Cash Flows**  
**For the year ended 30 June 2007**

	Notes	2007 \$000	Group 2006 \$000
<b>Cash flows from operating activities</b>			
Receipts from customers		484,437	504,748
Payments to suppliers and employees		(458,330)	(475,451)
Cash from operations		26,107	29,297
Dividends received		157	556
Interest received		229	230
Other revenue		857	1,347
Interest paid		(11,130)	(9,881)
Income taxes paid		(8,336)	(8,096)
<b>Net cash inflow from operating activities</b>	28	<b>7,884</b>	13,453
<b>Cash flows from investing activities</b>			
Payment for purchase of businesses, net of cash acquired	19	(20,521)	(19,214)
Payment for purchase of equity investments		(1,500)	(9)
Payments for property, plant and equipment and software		(17,996)	(18,057)
Loans advanced		(6)	(845)
Proceeds from sale of business, net of cash disposed	20	6,144	11,301
Proceeds from sale of equity investments		-	690
Proceeds from sale of property, plant and equipment and software		8,397	13,364
Repayment of loans		1,330	548
<b>Net cash (outflow) from investing activities</b>		<b>(24,152)</b>	(12,222)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		41,708	55,762
Repayment of borrowings		(11,142)	(43,774)
Advances from subsidiaries and associates		(200)	150
Dividends paid to Company's shareholders		(10,742)	(15,914)
Repurchase of shares		-	-
Dividends paid to minority interests		-	(500)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>19,624</b>	(4,276)
Net increase/(decrease) in cash and cash equivalents		3,356	(3,045)
Cash and cash equivalents at the beginning of the period		2,461	5,537
Effects of exchange rate changes on cash and cash equivalents		-	(31)
<b>Cash and cash equivalents at the end of the period</b>	7	<b>5,817</b>	2,461

	Notes	2007 \$000	Group 2006 \$000
<hr/>			
Consisting of:			
Cash and cash equivalents		5,830	3,406
Bank overdraft		(13)	(945)
<hr/>			
<b>Closing cash balance</b>	7	<b>5,817</b>	2,461
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The above statements of cash flows are inclusive of applicable goods and services tax. They should be read in conjunction with the notes on pages 7 to 49.

**Segmental Reporting**  
**Primary reporting format – business segments**

Year ended 30 June 2007

	Automotive \$000	Industrial \$000	Retail \$000
<b>INCOME STATEMENT</b>			
Sales to external customers	118,065	133,011	190,373
Intersegment sales	192	195	-
Total sales revenue	118,257	133,206	190,373
Other income	215	1,138	1,349
Total segment income	118,472	134,344	191,722
Segment result	12,830	6,214	6,669
Finance costs			
Share of profit from associates			
Income tax expense			
Minority interest			
<b>Net (Deficit) for the year</b>			

	Diversified \$000	Corporate \$000	Inter- segment eliminations /unallocated \$000	Group \$000
<b>INCOME STATEMENT</b>				
Sales to external customers	41,427	-	-	482,876
Intersegment sales	81	-	(468)	-
Total sales revenue	41,508	-	(468)	482,876
Other income	3	17,003	(16,105)	3,603
Total segment income	41,511	17,003	(16,573)	486,479
Segment result	2,639	(22,889)	-	5,463
Finance costs				(10,388)
Share of profit from associates				227
Income tax expense				(5,131)
Minority interest				-
<b>Net (Deficit) for the year</b>				<b>(9,829)</b>

## Principal Subsidiaries

<b>Name</b>	<b>Activity</b>	<b>2007 Interest</b>	<b>2006 Interest</b>
AB Equipment Limited	Materials handling and construction equipment	100%	100%
AB Rental Limited	Forklift rentals	100%	100%
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%
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 1 April 2007 Brake & Transmission NZ Limited acquired the trade and assets of NZ Brake 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 an agreement to acquire the remaining 20% 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 2007 the purchase price has been estimated as \$32.9 million (30 June 2006: \$34.3 million) of which \$15.8 million (2006: \$5.8 million) has been paid with the balance due progressively over the period to 31 August 2008.

On 1 July 2005 Hellaby Holdings acquired a further 9.2% of R Hannah & Co Limited for consideration of \$6.2 million and on 31 March 2006 a further 5.8% for consideration of \$2.3 million.

On 1 September 2005 BBQ Factory Limited acquired the Manukau, Tauranga and Rotorua franchises and on 1 October 2005 the Hamilton franchise.

On 1 October 2005 Brake & Transmission NZ Limited acquired the trade and assets of Automotive Supplies Thames for consideration of \$0.7 million.

On 31 December 2005 Hellaby Holdings sold the 75% shareholding in Oakleys Plumbing Supplies Limited for consideration of \$0.72 million.

On 1 April 2006 Diesel Distributors Australia Pty Limited purchased the trade and assets of B&E Diesel Spares for consideration of \$1.3 million.

On 30 June 2006 the trade and assets of Rodd & Gunn Limited were sold for consideration of \$12.3 million.

Details of the assets and liabilities acquired and disposed are shown in Notes 19 and 20.

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, are incorporated in New Zealand.

## **Associates**

Name	Activity	2007 Interest	2006 Interest
Bombay Petfoods Limited	Petfood supplier	49.0%	49.0%
Energy Intellect Limited	Metering/communications	34.4%	25.0%

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

## **Impairment tests for goodwill and indefinite life brands**

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired business at the date of acquisition.

Goodwill on acquisitions of businesses is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash generating units for the purpose of impairment testing. Each of those cash generating units represents the Group's investment in each subsidiary.

After assessing the trading results of all companies in the Group for the year ended 30 June 2007, a review was completed to determine whether any impairment existed in respect of goodwill and indefinite life brands together with the completion of 2007/08 budgets and strategic reviews. As a consequence of the review, the BBQ Factory goodwill and brands, (included in retail), was written down by \$18.792 million (2006: \$4.064 million), goodwill in Bindons, a division of Brake & Transmission (included in automotive), was written down by \$Nil (2006: \$0.845 million), and intellectual property in Teamwork Inteletrac was written down by \$Nil (2006: \$0.21 million). All amounts have been included within the Income statement.

## **Notice of Annual General Meeting**

**Notice is hereby given** that the Annual General Meeting of Shareholders of Hellaby Holdings Limited will be held in the Waitemata Room, Langham Hotel, 83 Symonds Street, Auckland on Friday 16 November 2007, at 10:00 am.

## **Auditors' Report**

To the shareholders of Hellaby Holdings Limited

We have audited the financial statements on pages 1 to 49. The financial statements provide information about the past financial performance and cash flows of the Company and Group for the year ended 30 June 2007 and their financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 7 to 15.

### **Directors' Responsibilities**

The Company's Directors are responsible for the preparation and presentation of the financial statements which give a true and fair view of the financial position of the Company and Group as at 30 June 2007 and their financial performance and cash flows for the year ended on that date.

### **Auditors' Responsibilities**

We are responsible for expressing an independent opinion on the financial statements presented by the Directors and reporting our opinion to you.

### **Basis of Opinion**

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- (a) the significant estimates and judgements made by the Directors in the preparation of the financial statements; and
- (b) whether the accounting policies are appropriate to the circumstances of the Company and Group, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

We have no relationship with or interests in the Company or any of its subsidiaries other than in our capacity as auditors, taxation advisors and providers of other assurance services.

### **Unqualified Opinion**

We have obtained all the information and explanations we have required.

In our opinion:

- (a) proper accounting records have been kept by the Company as far as appears from our examination of those records; and
- (b) the financial statements on pages 1 to 49:
  - (i) comply with generally accepted accounting practice in New Zealand;
  - (ii) comply with International Financial Reporting Standards; and
  - (iii) give a true and fair view of the financial position of the Company and Group as at 30 June 2007 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 27 August 2007 and our unqualified opinion is expressed as at that date.

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

Reporting Period	12 months to 30 June 2007
Previous Reporting Period	12 months to 30 June 2006

	Amount (000s)	Percentage change
Revenue from ordinary activities	\$486,479	(3.3%)
Profit (loss) from ordinary activities after tax attributable to shareholders	(\$9,829)	
Net profit (loss) attributable to shareholders.	(\$9,829)	

Final Dividend	Gross amount per share	Imputed amount per share
	Nil	n/a

Record Date	n/a
Dividend Payment Date	n/a
Dividend Reinvestment Plan – last date for receipt of election notice.	n/a
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.
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**HELLABY HOLDINGS LIMITED**

**Annual results summary**  
**for the year to June 2007**

John Williamson  
Chief Executive Officer

Richard Jolly  
Chief Financial Officer

27 August 2007

# Overview – as at 30 June 2007

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- Overall decline in profitability due to:
  - Difficult trading conditions, and
  - One off transactions
- Strategic review of businesses undertaken
- Tightened investment performance criteria for all assets
- FY 2008 target for EBITDA (net of one-offs) of around \$45m
  - in line with recent years

# Financial summary

	2007 NZ IFRS \$'000	2006 NZ IFRS \$'000	2005 NZ IFRS \$'000
Gross trading surplus	37,017	50,118	44,940
Administration	3,028	2,548	1,912
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Amortisation	1,030	570	422
Interest	10,388	9,601	5,806
Net trading surplus	13,772	27,372	27,736
Other:			
Surplus on sale of assets	322	8,850	778
Surplus on sale of shares	0	1,382	0
Goodwill impairment	(18,792)	(5,119)	0
Operating (deficit) / surplus	(4,698)	32,485	28,514
Less tax	5,131	9,349	6,296
Plus one-off tax benefits	0	0	978
Operating (deficit) / surplus after tax	(9,829)	23,136	23,196

# FY 2007 - one off impacts

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- (\$18.8m)** BBQ Factory goodwill and brands impairment
- (\$2.4m)** Forward exchange contract costs required to be expensed under IAS 39, plus stock adjustments
- (\$0.9m)** Costs incurred in relation to strategic review for retail footwear
- (\$0.4m)** Severance costs associated with previous CEO retirement

# Divisional performance

	<u>Turnover (\$m)</u>		<u>EBIT (\$m)</u>	
	FY 2007	FY 2006	FY2007	FY2006
Automotive	118.5	100.9	12.8	14.0
Industrial	134.3	129.9	6.2	9.6
Retail - Ongoing operations	191.7	176.8	6.7	9.8
- Discontinued operations		42.7		3.9
Diversified	41.5	42.4	2.6	2.9
	486.0	492.7	28.3	40.2

# Balance Sheet

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	2007 NZ IFRS \$000	2006 NZ IFRS \$000	2005 NZ IFRS \$000
Current assets	185,717	180,077	145,574
Non-current assets	119,123	123,366	101,149
	<hr/> 304,840	<hr/> 303,443	<hr/> 246,723
Current liabilities	87,695	78,154	53,646
Non-current liabilities	136,507	111,755	86,328
	<hr/> 224,202	<hr/> 189,909	<hr/> 139,974
Equity	80,638	113,534	106,749

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**HELLABY HOLDINGS LIMITED**

# Debt / Capital structure

	2007 NZ IFRS \$000	2006 NZ IFRS \$000	2005 NZ IFRS \$000
Core borrowings	84,500	43,000	83,000
Capital notes (net)	48,525	48,152	-
Other borrowings / cash balances	1,218	14,435	4,897
	<b>134,243</b>	<b>105,587</b>	<b>87,897</b>
Equity	80,638	113,534	106,749
Debt / Debt + Equity	62%	48%	44%
Equity / Total Assets	26%	37%	43%

# Operating review

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BBQ Factory

Footwear retail

Automotive parts

Industrial equipment

Diversified

# BBQ Factory

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## Several initiatives commenced in FY 2007

- Rationalisation of outlets
- Refurbishment programme - rebranding
- Marketing repositioning

## Traction still to be gained

- recent strategic review of business
- Decision to recognise **\$18.8m goodwill & brands impairment**

## Further initiatives for FY 2008 include

- Product mix and sourcing improvements
- Upgraded information systems
- Optimise mix of own/franchise stores
- New store Mt Wellington (September 2007)

# Footwear retail

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## Strategic review nearing completion

- Ownership retained for time being

## No 1 Shoes

- 5 new stores during FY 2007, 6 planned for FY 2008
- Significant second half improvement – same store sales up 8%; second half EBIT 20% higher year-on-year
- Move to 100% ownership on 31 August
- Ongoing investment in expansion and branding

## Hannahs

- Similar market conditions to No 1 Shoes –weak Christmas trading
- Management confident about FY 2008 performance
- Rebranding programme – store upgrades and brand advertising

# Retail division

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Revenue - \$191.7m (down 12.7%)    EBIT - \$6.7m (down 51.1%)

FY 2006 results include \$42.7m of revenue and \$3.9m of EBIT for Rodd & Gunn, sold effective 30 June 2006

# Automotive parts division

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Revenue - \$118.5m (up 17.4%)    EBIT - \$12.8m (down 8.6%)

## Brake & Transmission (BNT)

- Hit by currency hedging and IAS 39
- Growth continued through new outlet and product expansion
- Second half EBIT 16% higher year-on-year
- Acquired HCB Technologies and NZ Brake Co

## Diesel Distributors

- Slower than planned expansion into Australia – 4 Australian branches now established
- Appointed Australian distributor for 2 key brands – but benefits not realised in FY 2007
- Now well positioned for FY 2008 growth

# Industrial equipment division

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Revenue - \$134.3m (up 3.4%) EBIT - \$6.2m (down 35.4%)

## AB Equipment / AB Rental / Eurolift

- Difficult trading conditions in both supply and demand
- Currency hedging and stock adjustment impact
- Second half EBIT 10% higher year-on-year
- Record confirmed orders at start of current financial year

## TRS Tyre & Wheel

- Agricultural downturn but demand now improving
- Slower than planned expansion into Australia affected performance and profitability

# Diversified companies

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Revenue - \$41.5m (down 2.1%)    EBIT - \$2.6m (down 10.3%)

## Levana Textiles

- Improved revenue and profitability (despite increased rental of \$275k in FY 2007)

## Elldex Packaging

- Increased raw materials costs affected first half profit
- Strong growth prospects due to recent acquisitions and organic expansion

# Looking ahead

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New packaging division

Performance improvement initiatives

Portfolio strategy

Dividend policy

Profit outlook for FY 2008

# Packaging

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## Two post balance date acquisitions

- PPL Corporation – Wellington
- Chequer Packaging (in Receivership) – Christchurch

## Integration of three complementary businesses

## Formation of Eildex flexible packaging group

- Sales and profits expected to increase by >100% in FY 2008
- Strong existing positions in retail and rubbish bags
- Acquired strong positions in meat, horticultural and timber packaging

This approach represents a standard growth template for Hellaby

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# Performance improvement

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## Group-wide operational improvements

- Significant improvements sought
- Free cash flow - capital discipline and working capital efficiency
- Focus on operating margins
- Group-wide procurement project
- Same store sales growth

## Management communication and reporting

- Clarity of financial and performance objectives
- Alignment of leadership incentives

# Hellaby portfolio philosophy

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**Provide strong total shareholder returns through a mix of:**

- **smart acquisitions and divestments,**
- **investment in subsidiary growth, and**
- **unrelenting focus on operational performance**

# Portfolio strategy (1)

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## Portfolio strategy will be refined in coming year

- Clusters or divisions operating in clearly defined markets
- Develop clusters through initial acquisition and/or development of a platform business
- Growth through market development or 'bolt-on' acquisitions
- Reserve the right to opportunistically acquire or divest

## Currently four clear portfolio groupings

- Automotive parts
- Materials handling equipment (industrial)
- Packaging
- Footwear retail

# Portfolio strategy (2)

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## Short-medium term investment focus

- Industrial or distribution assets rather than retail

## Acquisitions

- Must increase shareholder value
- Traditional model is to buy undervalued or underperforming assets

## Retention

- Retain consistently profitable businesses that we can see growth opportunities for

## Divestments

- Pursue opportunities to add value to businesses before selling
- Assets will be divested if not performing, unable to grow or funds can be better invested elsewhere

# Dividend policy

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No final dividend will be distributed for the year to 30 June 2007

Dividend policy has been reviewed

- To allow for growth requirements and a prudent gearing level

New guidelines

- Approximately 50% of net tax-paid operating profits to be distributed
- Specific provision for one-off gains or losses on a case-by-case basis
- Imputation credits attached only if available from taxation payments

# Outlook for FY 2008

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## Economic

- Profit improvement targeted regardless of economic conditions

## EBITDA (net of one-offs) target for FY 2008

- Around the \$45 million achieved in recent years

# In summary

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- Underlying health of core businesses is good
- Hellaby will become a more active, hands-on owner of assets, with a 'buy, build, divest' investment philosophy
- FY 2008 to be a year of consolidation
  - Achieve group target EBITDA (net of one-offs)
  - Met budget for July 2007
  - Significant improvement in net working capital efficiency
  - Turnaround of BBQ Factory
- Clear focus across business to achieve this

**HELLABY HOLDINGS LIMITED**

Questions?