

HELLABY HOLDINGS LIMITED

interim report

07

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



# DIRECTORS' REPORT

---

Your directors report an underlying tax paid surplus for the six months to 31 December 2006 of \$4.49 million, a 52% decrease on last year's reported underlying surplus of \$9.3 million.

The Hellaby Group tax paid profit for the six months to 31 December 2006 was \$2.8 million, net of a one-off pre-tax \$2.6 million cost associated with the application of IAS 39 (Financial Instruments : Recognition and Measurement).

As at 31 December 2006 the Group had a net asset backing of \$2.02 per share (last year \$2.08 per share).

## **Investments**

In November 2006 Hellaby acquired Auckland based HCB Technologies Limited from its private owners. This company is the largest New Zealand owned importer and distributor of automotive and industrial batteries, complementing other Hellaby owned businesses in the automotive sector.

## **Trading**

The Group's earnings before interest and tax ("EBIT") decreased by 57% to \$8.2 million.

In mid January 2007 Hellaby announced to the market the forecast earnings of the Group for the half year to 31 December 2006, and full year to 30 June 2007, would be down on the previous year. This situation arose primarily as a result of difficult trading conditions in the retail sector over the crucial Christmas trading period, pressure on both sales and margins for the Group's industrial businesses, together with a loss of profit contribution from Rodd & Gunn which was sold in June 2006.

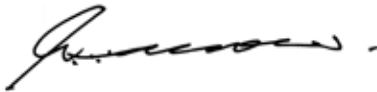
## **Dividend**

An interim dividend has been declared for the year ending 30 June 2007 of 10 cents per share, fully imputed (last year 15 cents per share), payable on Friday 20 April 2007 (ex dividend 5:00pm, 13 April 2007 for the purposes of determining shareholder entitlements).

In March 2006 Hellaby announced that it had 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.

**Outlook**

Indications are that sales and profit will recover in the second half of the financial year. However, it is unlikely that this will offset the first half result, and directors estimate the Group underlying profitability (excluding the pre tax consequence of applying IAS 39 noted above) for the full year will be down by around 20% on the previous year.



WJ Falconer

Chairman

26 February 2007

# CONSOLIDATED INCOME STATEMENT

For the 6 months ended 31 December 2006

	Unaudited		Audited
	6 months 31 December 2006 \$000	6 months 31 December 2005 \$000	Year 30 June 2006 \$000
<hr/>			
Revenue			
Sale of goods	228,338	250,052	487,145
Other income	1,579	2,860	15,975
<b>Total income</b>	<b>229,917</b>	252,912	503,120
<hr/>			
Expenses			
Cost of inventory sold	135,272	143,380	278,182
Rental & operating leases	20,606	22,146	45,489
Salaries & wages	34,071	38,363	71,349
Depreciation & amortisation	4,614	5,488	10,597
Impairment of intangibles	-	-	5,119
Other expenses	27,144	24,514	50,367
<b>Profit before finance costs</b>	<b>8,210</b>	19,021	42,017
<hr/>			
Finance (costs)	(4,676)	(4,739)	(9,601)
Share of profit from associates	190	173	680
<b>Profit before tax</b>	<b>3,724</b>	14,455	33,096
<hr/>			
Income tax (expense)	(956)	(4,778)	(9,349)
<b>Profit after tax</b>	<b>2,768</b>	9,677	23,747
<hr/>			
Minority interest in surpluses of subsidiaries	-	(377)	(611)
<hr/>			
<b>Profit after tax attributable to shareholders of Hellaby Holdings Limited</b>	<b>2,768</b>	9,300	23,136
<hr/>			
	Cents	Cents	Cents
<hr/>			
Earnings per share attributable to the shareholders of Hellaby Holdings Limited:			
Basic and diluted earnings per share (6 months)	5.6	18.9	-
Basic and diluted earnings per share (annualised)	11.2	37.8	46.9

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

# CONSOLIDATED BALANCE SHEET

As at 31 December 2006

	Unaudited		Audited
	As at 31 December 2006 \$000	As at 31 December 2005 \$000	As at 30 June 2006 \$000
<b>ASSETS</b>			
Current assets			
Inventories	131,134	126,242	119,393
Derivative financial instruments	6	835	7,018
Receivables and prepayments	49,113	46,669	48,877
Receivable from related parties	1,000	1	1,001
Cash and cash equivalents	3,484	5,085	3,406
Loans and advances	387	320	382
Future tax benefit	-	2,612	-
<b>Total current assets</b>	<b>185,124</b>	<b>181,764</b>	<b>180,077</b>
Non-current assets			
Property, plant and equipment	37,273	42,265	35,542
Intangible assets	71,219	66,625	72,301
Investments	4,532	8,338	2,842
Loans and advances	855	492	712
Future tax benefit	17,826	4,486	11,969
<b>Total non-current assets</b>	<b>131,705</b>	<b>122,206</b>	<b>123,366</b>
<b>Total Assets</b>	<b>316,829</b>	<b>303,970</b>	<b>303,443</b>
<b>LIABILITIES</b>			
Current liabilities			
Derivative financial instruments	8,887	387	20
Current tax liabilities	5,874	921	5,026
Trade and other payables	43,110	40,459	40,425
Payable to related parties	465	401	753
Provisions	3,815	4,126	5,064
Deferred consideration	10,714	10,034	9,025
Borrowings	10,816	18,141	17,841
<b>Total current liabilities</b>	<b>83,681</b>	<b>74,469</b>	<b>78,154</b>
Non-current liabilities			
Borrowings	80,702	111,549	43,000
Capital notes	48,340	-	48,152
Payables	607	1,256	376
Deferred consideration	2,864	10,439	19,523
Provisions	220	1,409	704
<b>Total non-current liabilities</b>	<b>132,733</b>	<b>124,653</b>	<b>111,755</b>
<b>Total Liabilities</b>	<b>216,414</b>	<b>199,122</b>	<b>189,909</b>
<b>Net Assets</b>	<b>100,415</b>	<b>104,848</b>	<b>113,534</b>

	Unaudited		Audited
	As at	As at	As at
	31 December	31 December	30 June
	2006	2005	2006
	\$000	\$000	\$000
<b>EQUITY</b>			
Contributed equity	19,027	16,286	17,591
Cash flow hedge reserve	(5,590)	249	3,811
Retained profits	86,978	85,675	92,132
<b>Shareholders' Equity</b>	<b>100,415</b>	102,210	113,534
Minority interest	-	2,638	-
<b>Total Equity</b>	<b>100,415</b>	104,848	113,534

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 2006

	<b>Unaudited</b>		Audited
	<b>6 months</b>	6 months	Year
	<b>31 December</b>	31 December	30 June
	<b>2006</b>	2005	2006
	<b>\$000</b>	\$000	\$000
<b>Total equity at the beginning of the period</b>	<b>113,534</b>	106,749	106,749
Fair value of financial instruments on adoption of NZ IFRS, net of tax	-	(41)	(41)
Movement in cash flow hedge reserve, net of tax	<b>(9,401)</b>	249	3,811
Profit for the period	<b>2,768</b>	9,300	23,136
Total recognised income and expense for the period	<b>(6,633)</b>	9,508	26,906
Dividends provided for or paid	<b>(6,486)</b>	(9,840)	(15,914)
Total changes in minority interest	-	(1,569)	(4,207)
<b>Total equity at the end of the period</b>	<b>100,415</b>	104,848	113,534

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 2006

	Unaudited		Audited
	6 months 31 December 2006 \$000	6 months 31 December 2005 \$000	Year 30 June 2006 \$000
<b>Cash flows from operating activities</b>			
Receipts from customers	222,270	284,857	504,748
Payments to suppliers and employees	(221,793)	(282,204)	(475,451)
Cash from operations	477	2,653	29,297
Dividends received	10	262	556
Interest received	97	92	230
Other revenue	763	781	1,347
Interest paid	(4,491)	(4,392)	(9,881)
Income taxes paid	(1,205)	(2,163)	(8,096)
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(4,349)</b>	<b>(2,767)</b>	<b>13,453</b>
<b>Cash flows from investing activities</b>			
Payment for purchase of business, net of cash acquired	(17,619)	(14,570)	(19,214)
Payment for purchase of equity investments	(1,500)	-	(9)
Payments for property, plant and equipment	(8,386)	(7,862)	(18,057)
Loans advanced	(6)	-	(845)
Proceeds from sale of business, net of cash disposed	-	-	11,301
Proceeds from sale of equity investments	6,144	-	690
Proceeds from sale of property, plant and equipment	3,096	4,745	13,364
Repayment of loans	145	17	548
<b>Net cash (outflow) from investing activities</b>	<b>(18,126)</b>	<b>(17,670)</b>	<b>(12,222)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings	39,350	31,815	55,762
Repayment of borrowings	(9,098)	(2,270)	(43,774)
Advances (to)/from associates	(300)	(200)	150
Dividends paid to company's shareholders	(6,486)	(9,890)	(15,914)
Dividends paid to minority interests	-	-	(500)
<b>Net cash inflow/(outflow) from financing activities</b>	<b>23,466</b>	<b>19,455</b>	<b>(4,276)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>991</b>	<b>(982)</b>	<b>(3,045)</b>
Cash and cash equivalents at the beginning of the period	2,461	5,537	5,537
Effects of exchange rate changes on cash and cash equivalents	29	7	(31)
<b>Cash and cash equivalents at end of the period</b>	<b>3,481</b>	<b>4,562</b>	<b>2,461</b>
Consisting of:			
Cash and cash equivalents	3,484	5,085	3,406
Bank overdraft	(3)	(523)	(945)
<b>Closing cash balance</b>	<b>3,481</b>	<b>4,562</b>	<b>2,461</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 Generally Accepted Accounting Practice in New Zealand (NZ GAAP) and NZ IAS 34: Interim Financial Reporting, and should be read in conjunction with the 2006 Annual Report.

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 and International Financial Reporting Standards.

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 2006 and 31 December 2005 are unaudited. The comparative information for the year ended 30 June 2006 is audited.

## 2. Segment information

### (a) 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 HCB Technologies Limited, an importer and distributor of automotive and industrial batteries.

#### *Industrial*

The industrial division includes AB Equipment Limited, an importer and distributor of materials handling, construction and transport equipment; AB Rental Limited, a forklift rentals company; Eurolift NZ Limited, an importer and distributor of materials handling equipment; and TRS Tyre & Wheel Limited and TRS Tyre & Wheel Pty Limited, importers and distributors of tyres and wheels.

#### *Retail*

The retail division includes the BBQ Factory Limited, an outdoor living and home heating retailer; and R Hannah & Co Limited and Discount Shoe Warehouse Limited, specialty shoe retailers.

#### *Diversified*

The diversified division includes Levana Textiles Limited, a manufacturer of knitted textiles; and 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 Bombay Petfoods Limited, a petfood supplier, and Energy Intellect Limited, a metering and communications company.

**(b) Primary reporting format - business segments**

	<b>Unaudited 6 months 31 December 2006 \$000</b>		<b>Unaudited 6 months 31 December 2005 \$000</b>		<b>Audited Year 30 June 2006 \$000</b>	
	<b>Total Sales Revenue</b>	<b>Segment Result</b>	Total Sales Revenue	Segment Result	Total Sales Revenue	Segment Result
Automotive	<b>56,338</b>	<b>4,655</b>	48,703	5,961	99,775	13,962
Industrial	<b>58,382</b>	<b>1,099</b>	67,265	3,480	127,113	9,563
Retail	<b>93,437</b>	<b>1,995</b>	110,948	8,121	218,323	13,665
Diversified	<b>20,389</b>	<b>1,208</b>	23,136	1,347	42,162	2,853
Corporate	-	<b>(747)</b>	-	112	-	1,974
Intersegment eliminations	<b>(208)</b>	-	-	-	(228)	-
Finance costs	-	<b>(4,676)</b>	-	(4,739)	-	(9,601)
Share of profit from associates	-	<b>190</b>	-	173	-	680
Income tax expense	-	<b>(956)</b>	-	(4,778)	-	(9,349)
Minority interest	-	-	-	(377)	-	(611)
<b>Total Group</b>	<b>228,338</b>	<b>2,768</b>	250,052	9,300	487,145	23,136

**3. Acquisition**

In November 2006 the Parent acquired 100% of automotive and industrial battery importer and distributor, HCB Technologies Limited (and its subsidiaries) from its private owners.

The purchase price and net assets acquired remains subject to final completion accounts being prepared, however, the purchase price will be less than \$8.0 million, including goodwill of approximately \$3.5 million.

#### 4. Capital and reserves

##### Dividends

During the six months ended 31 December 2006, the Group paid dividends of \$7.92m (six months ended 31 December 2005: \$9.84m).

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

	Share capital \$000	Cash flow hedge \$000	Retained earnings \$000	Minority interest \$000	Total equity \$000
<b>Balance at 1 July 2005</b>	16,286	-	86,256	4,207	106,749
Profit for the period	-	-	9,300	-	9,300
Fair value of financial instruments on adoption of NZ IFRS, net of tax	-	-	(41)	-	(41)
Dividend payment	-	-	(9,840)	-	(9,840)
Movement in cash flow hedge, net of tax	-	249	-	-	249
Movement in minority interest	-	-	-	(1,569)	(1,569)
<b>Balance at 31 December 2005</b>	16,286	249	85,675	2,638	104,848
<b>Balance at 1 July 2005</b>	16,286	-	86,256	4,207	106,749
Profit for the period	-	-	23,136	-	23,136
Fair value of financial instruments on adoption of NZ IFRS, net of tax	-	-	(41)	-	(41)
Dividend payment	1,305	-	(17,219)	-	(15,914)
Movement in cash flow hedge, net of tax	-	3,811	-	-	3,811
Movement in minority interest	-	-	-	(4,207)	(4,207)
<b>Balance at 30 June 2006</b>	17,591	3,811	92,132	-	113,534
<b>Balance at 1 July 2006</b>	17,591	3,811	92,132	-	113,534
Profit for the period	-	-	2,768	-	2,768
Dividend payment	1,436	-	(7,922)	-	(6,486)
Movement in cash flow hedge, net of tax	-	(9,401)	-	-	(9,401)
Movement in minority interest	-	-	-	-	-
<b>Balance at 31 December 2006</b>	19,027	(5,590)	86,978	-	100,415

## 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 directors, H Green, RW Carter and DMJ Houldsworth, and Brake & Transmission NZ Limited ("BNT") Chief Executive G Horne. Products to the value of \$770,000 were sold by BNT to Midas franchisees during the half year (2005: \$634,000) on normal trade terms.

BNT leases premises at Omega Street, North Harbour, Auckland, which are owned by a company associated with G Horne, BNT's Chief Executive. Lease payments of \$242,000 were made for the half year (2005: \$242,000) on normal arms length terms.

Levana Textiles Limited leases premises at Stanley St, Levin, which are owned by a family trust associated with DMJ Houldsworth, Managing Director of Hellaby Holdings Limited. Lease payments of \$39,000 were made for the half year (2005: \$nil) on normal arms length terms.

## 6. Capital expenditure commitments

	Unaudited		Audited
	As at	As at	As at
	December	December	June
	2006	2005	2006
	\$000	\$000	\$000
.....			
Commitments at the end of the period			
not provided for in the financial statements	<b>203</b>	430	1,388

## 7. Operating lease commitments

	Unaudited		Audited
	As at	As at	As at
	December	December	June
	2006	2005	2006
	\$000	\$000	\$000
.....			
Gross commitments under non-cancellable			
operating leases for the Group	<b>138,225</b>	150,059	138,087

## 8. Contingent liabilities

	Unaudited		Audited
	As at December 2006 \$000	As at December 2005 \$000	As at June 2006 \$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	41,757	40,647	45,637
Letters of credit	8,683	5,476	6,759
<b>Total contingent liabilities</b>	<b>50,440</b>	<b>46,123</b>	<b>52,396</b>

## 9. Reconciliation of net cash flow from operating activities to reported profit

	Unaudited		Audited
	6 months December 2006 \$000	6 months December 2005 \$000	Year June 2006 \$000
.....			
<b>Operating profit before taxation</b>	<b>3,724</b>	14,455	33,096
<b>Adjusted for:</b>			
Depreciation expense	4,299	5,020	10,027
Fair value movement in derivatives	2,569	(77)	(1,137)
Intangible assets impairment	-	-	5,119
Amortisation of intangibles	315	468	570
Share of retained surpluses of associated companies	(190)	(173)	(680)
Net profit on sale of assets/shares	(567)	(436)	(10,232)
Taxation	(1,205)	(2,163)	(8,096)
Provision for investments to net tangible value	-	-	97
<b>Impact of changes in working capital items:</b>			
(Increase)/decrease in debtors and prepayments	(3,624)	(463)	307
(Decrease)/increase in creditors and provisions	(1,445)	(134)	1,072
(Increase) in inventories	(8,225)	(19,264)	(16,690)
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(4,349)</b>	<b>(2,767)</b>	<b>13,453</b>

# DIRECTORY

---

## Directors

W.J. Falconer (Chairman)  
D.M.J. Houldsworth (Managing Director)  
P.A. Byrnes  
R.W. Carter  
H. Green  
J.M. Williamson

## Secretary

R.P. Jolly

## Audit Committee

R.W. Carter (Chairman)  
P.A. Byrnes  
W.J. Falconer

## Registered Office

Level 9, Worldwide Tower  
8-10 Whitaker Place  
Auckland

## Mailing Address

PO Box 1670  
Auckland, 1140  
Telephone: 0-9-307 6844  
Facsimile: 0-9-307 3559

## Website

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

## Share Registry

Computershare Investor Services Limited  
Private Bag 92 119  
Auckland, 1120  
Telephone: 0-9-488 8700  
Facsimile: 0-9-488 8787

## Principal Subsidiaries

Wholly owned unless otherwise stated:

- AB Equipment Limited
- AB Rental Limited
- BBQ Factory Limited
- Brake & Transmission NZ Limited
- Diesel Distributors Limited
- Diesel Distributors Australia Pty Limited
- Discount Shoe Warehouse Limited (80%)
- Elldex Packaging Limited
- Eurolift NZ Limited
- R. Hannah & Co Limited
- HCB Technologies Limited
- Levana Textiles Limited
- TRS Tyre & Wheel Limited
- TRS Tyre & Wheel Pty Limited

## Associated Companies

- Bombay Petfoods Limited (49%)
- Energy Intellect Limited (34%)

HELLABY HOLDINGS LIMITED

---

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