

HELLABY HOLDINGS LIMITED

INTERIM REPORT

2006

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**Financial Result**

Your directors report tax paid profit of \$9.3 million for the six months to 31 December 2005, a 9.7% decrease on last year's reported result of \$10.3 million. As the current year's profit is based on the newly adopted International Financial Reporting Standards ("IFRS"), last year's restated comparable tax paid profit is \$11.2 million.

This year's result represents an annualised 18.2% tax paid return on average funds employed, with annualised earnings per share of 37.8 cents and an asset backing of \$2.08 per share.

**Investments**

With effect from 1 July 2005 Hellaby acquired an 80% shareholding in No 1 Shoe Warehouse with a binding agreement to acquire the remaining 20% on 31 August 2007.

No 1 Shoe Warehouse is New Zealand's largest specialist discount shoe retailer and is complementary to our other shoe retailing interests.

This business is enjoying strong growth and is expected to contribute significant profits to the Hellaby Group.

**Trading**

The group's earnings before interest and tax ("EBIT") increased by 5% to 19.0 million reflecting higher earnings from the automotive, retail and diversified companies divisions. The increase however was offset by higher borrowing costs and an increase in the effective rate of income tax from 24% last year to 33% this year.

**Other**

Your directors have resolved to introduce a number of measures to fund future acquisition opportunities, ongoing working capital requirements and to further strengthen the companies financial base to support future growth, namely:

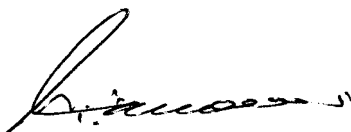
- arrange a Capital Note Issue of \$35 - \$40 million (anticipated to be issued by 30 June 2006),
- actively pursue the sale of certain non-core investments, and
- introduce a dividend re-investment plan to allow shareholders to elect to receive Hellaby shares, at a discount to ruling market price, in lieu of cash dividends.

**Dividend**

An interim dividend has been declared for the year ending 30 June 2006 of 15 cents per share fully imputed (last year 19 cents per share), payable on Friday 28 April 2006 (ex dividend 5.00pm 21 April 2006 for the purposes of determining shareholder entitlements). Details of the dividend reinvestment plan are enclosed. Shareholders wishing to participate in the plan for the 28 April 2006 dividend distribution are asked to complete and return their Participation Notice by Friday 21 April 2006.

**Outlook**

While the current economic climate makes it difficult to accurately predict the full year's result your directors believe that if current trading conditions continue Hellaby's underlying tax paid trading profit for the year ending 30 June 2006 is likely to be in the year range of 5-10% below the \$19.9 million achieved last year.



W J Falconer

Chairman

3 March 2006

2 CONSOLIDATED INCOME STATEMENT For the 6 months ended 31 December 2005 (unaudited)

	6 months ended 31 December	
	2005	2004
	\$000	\$000
Revenue		
Sale of goods	250,052	186,625
Other revenue	2,860	1,981
<b>Total income</b>	<b>252,912</b>	<b>188,606</b>
Cost of sales of goods	143,380	103,952
Sales, distribution and marketing	11,734	7,665
Rental & operating leases	22,146	16,198
Salaries & wages	38,363	28,836
Depreciation & amortisation	5,488	4,433
Other expenses	12,780	9,342
<b>Profit before finance costs</b>	<b>19,021</b>	<b>18,180</b>
Less finance costs	4,739	2,484
Plus share of profit from associates	173	25
<b>Profit before income tax</b>	<b>14,455</b>	<b>15,721</b>
Income tax	4,778	3,821
<b>Profit after tax</b>	<b>9,677</b>	<b>11,900</b>
Profit attributable to minority interest	377	679
<b>Profit attributable to shareholders of Hellaby Holdings Limited</b>	<b>9,300</b>	<b>11,221</b>
	<b>Cents</b>	<b>Cents</b>
Earnings per share for profit attributable to the shareholders of the company:		
Basic and diluted earnings per share (6 months)	18.9	22.8
Basic and diluted earnings per share (annualised)	37.8	45.6

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

	31 December 2005 \$000	30 June 2005 \$000	31 December 2004 \$000
<b>ASSETS</b>			
<b>Current assets</b>			
Inventories	126,242	94,181	93,179
Derivative financial instruments	835	-	-
Receivables	46,670	45,446	41,152
Cash and cash equivalents	5,085	5,601	5,225
Other current assets	2,932	346	5,781
<b>Total current assets</b>	<b>181,764</b>	<b>145,574</b>	<b>145,337</b>
<b>Non-current assets</b>			
Property, plant and equipment	42,265	38,474	36,309
Intangible assets	66,625	44,145	37,101
Future tax benefit	4,486	10,139	3,800
Other non-current assets	8,830	8,391	9,334
<b>Total non-current assets</b>	<b>122,206</b>	<b>101,149</b>	<b>86,544</b>
<b>Total assets</b>	<b>303,970</b>	<b>246,723</b>	<b>231,881</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Derivative financial instruments	387	-	-
Current tax liabilities	921	-	6,314
Payables	55,020	42,546	40,913
Borrowings	18,141	11,100	11,693
<b>Total current liabilities</b>	<b>74,469</b>	<b>53,646</b>	<b>58,920</b>
<b>Non-current liabilities</b>			
Payables	11,695	1,084	-
Borrowings	111,549	83,000	66,500
Other non-current liabilities	1,409	2,244	2,565
<b>Total non-current liabilities</b>	<b>124,653</b>	<b>86,328</b>	<b>69,065</b>
<b>Total liabilities</b>	<b>199,122</b>	<b>139,974</b>	<b>127,985</b>
<b>Net assets</b>	<b>104,848</b>	<b>106,749</b>	<b>103,896</b>
<b>EQUITY</b>			
Contributed equity	16,286	16,286	16,287
Cash flow hedge reserve	249	-	-
Retained profits	85,675	86,256	83,630
<b>Shareholders' equity</b>	<b>102,210</b>	<b>102,542</b>	<b>99,917</b>
Minority interest	2,638	4,207	3,979
<b>Total equity</b>	<b>104,848</b>	<b>106,749</b>	<b>103,896</b>

The above consolidated balance sheet is to be read in conjunction with the accompanying notes.

	<b>31 December</b>	30 June	31 December
	<b>2005</b>	2005	2004
	<b>\$000</b>	\$000	\$000
<b>Total equity at the beginning of the period</b>	<b>106,749</b>	101,654	101,654
Fair value of financial instruments on adoption of NZ IFRS net of tax	(41)	-	-
Movement in cash flow hedge reserve net of tax	249	-	-
Profit for the period	9,300	23,196	11,221
<b>Total recognised income and expense for the period</b>	<b>9,508</b>	23,196	11,221
Dividends provided for or paid	(9,840)	(18,695)	(9,347)
Total changes in minority interest	( 1,569)	595	368
Re-purchase of shares	-	(1)	-
<b>Total equity at the end of the period</b>	<b>104,848</b>	106,749	103,896

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

	6 months ended 31 December	
	2005	2004
	\$000	\$000
<b>Cash flows from operating activities</b>		
Receipts from customers	284,857	221,204
Payments to suppliers and employees	(282,204)	(208,587)
<b>Cash generated from operations</b>	<b>2,653</b>	<b>12,617</b>
Dividends received	262	1,158
Interest received	92	66
Other revenue	781	926
Interest paid	(4,392)	(2,604)
Income taxes paid	(2,163)	(1,752)
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(2,767)</b>	<b>10,411</b>
<b>Cash flows from investing activities</b>		
Payment for purchase of business, net of cash acquired	(14,570)	(26,664)
Payments for property, plant and equipment	(7,862)	(8,208)
Loans made	-	(26)
Proceeds from sale of equity investments	-	844
Proceeds from sale of property, plant and equipment	4,745	1,307
Repayment of loans	17	486
Other	-	(750)
<b>Net cash (outflow) from investing activities</b>	<b>(17,670)</b>	<b>(33,011)</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	31,615	36,840
Repayment of borrowings	(2,270)	(693)
Dividends paid to company's shareholders	(9,890)	(9,986)
<b>Net cash inflow from financing activities</b>	<b>19,455</b>	<b>26,161</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(982)</b>	<b>3,561</b>
Cash and cash equivalents at the beginning of the period	5,537	485
Effects of exchange rate changes on cash and cash equivalents	7	(24)
<b>Cash and cash equivalents at end of the period</b>	<b>4,562</b>	<b>4,022</b>
Consisting of:		
Cash and cash equivalents	5,085	5,225
Bank overdraft	(523)	(1,203)
<b>Closing cash balance</b>	<b>4,562</b>	<b>4,022</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.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

These general purpose financial statements for the interim 6 months reporting period ended 31 December 2005 have been prepared in accordance with Accounting Standard NZ IAS 34 Interim Financial Reporting. They do not include all the notes included in the full annual financial statements and are to be read in conjunction with the Annual Report for the year ended 30 June 2005.

The accounting policies used are compliant with NZIFRS and will be used in the full year accounts to 30 June 2006.

**(a) Basis of preparation of interim financial statements**

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

**Entities reporting**

The financial statements are for Hellaby Holdings Limited as a separate legal entity.

The consolidated financial statements of the 'Group' are for the economic entity comprising Hellaby Holdings Limited, its subsidiaries and associates.

The Parent company and the consolidated entity are designated as profit-orientated entities for financial reporting purposes. No separate Parent results are disclosed in the interim financial statements.

**Statutory base**

Hellaby Holdings Limited is a company registered under the Companies Act 1993 and is an issuer in terms of the Securities Act 1978.

The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993 and the Companies Act 1993.

**Application of NZ IFRS 1 Firsttime Adoption of New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS)**

Financial statements of Hellaby Holdings Limited until 30 June 2005 had been prepared in accordance with previous New Zealand Financial Reporting Standards (NZ FRS). NZ FRS differs in certain respects from NZ IFRS. When preparing the Hellaby Holdings Limited interim financial statements for the half year ended 31 December 2005, management has amended certain accounting and valuation methods applied in the previous NZ FRS financial statements to comply with NZ IFRS. With the exception of financial instruments, the comparative figures were restated to reflect these adjustments. The company has taken the exemption available under NZ IFRS 1 only to apply NZ IAS 32 and NZ IAS 39 from 1 July 2005.

Reconciliations and descriptions of the effect of transition from previous NZ FRS to NZ IFRS on the company's equity and its net income are given in note 11.

**Historical cost convention**

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

**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 company's accounting policies.

**(b) Principles of consolidation****(i) Subsidiaries**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Hellaby Holdings Limited ('company' or 'Parent entity') as at 31 December 2005 and the results of all subsidiaries for the 6 months then ended. Hellaby Holdings Limited and its subsidiaries together are referred to in these financial statements as the Group or the consolidated entity.

Subsidiaries are all those entities over which the company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the company controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the company. They are deconsolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Intercompany transactions, balances and unrealised gains on transactions between subsidiary companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the company.

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated income statement and balance sheet.

(ii) **Associates**

Associates are all entities over which the company has significant influence but not control, generally evidenced by holding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the Parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The company's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The company's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates are recognised in the Parent entity's income statement, while in the consolidated financial statements they reduce the carrying amount of the investment.

When the company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the company and its associates are eliminated to the extent of the company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the company.

(c) **Segment reporting**

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

(d) **Foreign currency translation**

(i) **Functional and presentation currency**

Items included in the financial statements of each of the company's operations are measured using the currency of the primary economic environment in which it operates ('the functional currency'). The financial statements are presented in New Zealand dollars, which is the company's functional and presentation currency.

(ii) **Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

## (iii) Foreign operations

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions)
- all resulting exchange differences are recognised as a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

## (e) Revenue recognition

Revenue comprises the fair value for the sale of goods and services, net of value-added tax (including Goods and Services Tax), rebates and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

## (i) Sales of goods - wholesale

Sales of goods are recognised when a Group entity has delivered products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

## (ii) Sales of goods - retail

Sales of goods are recognised when a Group entity sells a product to the customer. Retail sales are usually in cash or by credit card. The recorded revenue is the gross amount of sale, including credit card fees payable for the transaction. Such fees are included in distribution costs.

## (iii) Sales of services

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

## (iv) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

## (v) Rental income

Rental income is recognised on an accruals basis in accordance with the substance of the relevant agreements.

## (vi) Dividend income

Dividend income is recognised when the right to receive payment is established.

## (f) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

**(g) Leases****(i) The Group is the lessee**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight line basis over the period of the lease.

**(ii) The Group is the lessor**

Assets leased to third parties under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

**(h) Impairment of assets**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

**(i) Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

**(j) Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the average cost of capital. The amount of the provision is recognised in the income statement.

**(k) Inventories**

Raw materials and stores, work in progress and finished goods

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials and where applicable, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

**(l) Investments and other financial assets****From 1 July 2005**

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the company provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet.

**(m) Derivatives**

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The company designates certain derivatives as either; (1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or (2) hedges of highly probable forecast transactions (cash flow hedges).

Certain subsidiaries document at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. These subsidiaries also document their assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

**(i) Fair value hedge**

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

**(ii) Cash flow hedge**

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the balance sheet.

Amounts accumulated in equity are recycled in the balance sheet in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

**(iii) Derivatives that do not qualify for hedge accounting**

Certain derivative instruments do not qualify for hedge accounting or hedge accounting has not been adopted. Changes in the fair value of these derivative instruments are recognised immediately in the income statement.

**(iv) Financial instruments comparative period**

For comparative purposes, the Group is party to financial instruments, including forward exchange contracts and forward interest rate agreements, with off-balance sheet risk to meet financing needs and to reduce exposure to fluctuations in interest rates and foreign exchange rates. Exposure to gains or losses on these contracts is generally offset by a related loss or gain on the item being hedged. Gains and losses on currency contracts which hedge specific short term foreign currency denominated commitments are recognised as a component of the related transaction in the period in which the transaction is completed.

**(n) Fair value estimation**

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined using valuation techniques. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance date.

**(o) Property, plant and equipment**

All property, plant and equipment is stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

- Buildings	10 - 40 years
- Plant and equipment	4 - 15 years
- Motor vehicles	4 - 5 years
- Furniture, fittings and office equipment	4 - 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

**(p) Intangible assets****(i) Goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of the company's share of the net identifiable assets of the acquired business/associate at the date of acquisition. Goodwill on acquisitions of businesses is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill acquired in business combinations 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 company's investment in each country of operation by each primary reporting segment.

**(ii) Brands**

Brands are valued independently as part of the fair value of businesses acquired from third parties where the brand has a value which is substantial and long-term and where the brands can be sold separately from the rest of the businesses acquired. Brands are amortised over their estimated life, except where it is considered that the useful economic life is indefinite. Brands have only been valued for acquisitions that have occurred since the opening IFRS balance sheet date as the group has taken advantage of the exemption not to reopen business combinations since this date. No deferred tax is recognised in relation to brands since they are deemed to have an indefinite life and therefore are not being consumed by the company.

**(iii) Trademarks and licences**

Trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight line method to allocate the cost of trademarks and licences over their estimated useful lives, which vary from 3 to 5 years.

**(iv) Intellectual Property**

Intellectual property has a finite useful life and is carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight line method to allocate the cost over its useful life of five years.

**(v) Software costs**

Software costs have a finite useful life. Software costs are capitalised and written off over the useful economic life of 2 to 5 years.

(q) **Trade and other payables**

These amounts represent liabilities for goods and services provided to the company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(r) **Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

(s) **Provisions**

Provisions for legal claims, service warranties and rental obligations are recognised when: the company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(t) **Employee benefits**

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(u) **Dividends**

Provision is made for the amount of any dividend declared on or before the balance date but not distributed at balance date.

(v) **Earnings per share**

Basic and diluted earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the half-year, adjusted for bonus elements in ordinary shares issued during the half-year.

## 2. TRANSITION TO NZ IFRS

### (a) Application of NZ IFRS 1

The Group's interim financial statements for the six months ended 31 December 2005 are the first financial statements that are prepared under NZ IFRS, specifically NZ IAS 34 and NZ IFRS 1. These financial statements have been prepared as described in Note 1. The Group has applied NZ IFRS 1 in preparing these consolidated financial statements.

Hellaby Holdings Limited transition date is 30 June 2004. The Group prepared its opening NZ IFRS balance sheet at that date. The reporting date of these interim financial statements is 31 December 2005. The Group's NZ IFRS adoption date is 1 July 2005.

In preparing these interim financial statements in accordance with NZ IFRS 1, the Group has applied the mandatory exceptions and certain of the optional exemptions from full retrospective application of NZ IFRS.

The following optional exemptions from full retrospective application have been applied.

#### (i) Business combinations exemption

Hellaby Holdings Limited has applied the business combinations exemption in NZ IFRS 1. It has not restated business combinations that took place prior to the 30 June 2004 transition date.

#### (ii) Fair value as deemed cost exemption

The Directors' have decided not to use the exemption in NZ IFRS 1 to set the fair value as the deemed cost of property, plant and equipment.

#### (iii) Exemption from restatement of comparatives for NZ IAS 32 and NZ IAS 39

The Group has applied previous NZFRS rules to derivatives, financial assets, financial liabilities and to hedging relationships for the comparative information. The adjustments required for differences between NZFRS and NZ IAS 32 and NZ IAS 39 are determined and recognised at 1 July 2005.

The following mandatory exceptions from retrospective application have been applied.

#### (i) De-recognition of financial assets and liabilities exception

Financial assets and liabilities derecognised before 30 June 2004 are not re-recognised under NZ IFRS. The application of the exemption from restating comparatives for NZ IAS 32 and NZ IAS 39 means that the Group recognised from 30 June 2004 any financial assets and financial liabilities derecognised since 30 June 2004 that does not meet the NZ IAS 39 de-recognition criteria. The Directors have chosen not to apply the NZ IAS 39 de-recognition criteria to an earlier date.

#### (ii) Hedge accounting exception

The Directors have adopted hedge accounting in certain subsidiaries from 1 July 2005 only if the hedge relationship meets all the hedge accounting criteria under NZ IAS 39. The application of this exception at the opening balance sheet date of 1 July 2005 is detailed in Note 11.

#### (iii) Estimates exception

Estimates under NZ IFRS at 30 June 2004 are required to be consistent with estimates made for the same date under previous GAAP, unless there is evidence that those estimates were in error. No adjustments to previous estimates have been made by the Directors.

#### (iv) Assets held for sale and discontinued operations exception

The Directors apply NZ IFRS 5 prospectively from 1 July 2005. Any assets held for sale or discontinued operations are recognised in accordance with NZ IFRS 5 only from 1 July 2005. The company did not have any assets that met the held for sale criteria during the period presented. No adjustment was required.

The reconciliations in Note 11 provide a quantification of the effect of the transition to NZ IFRS. The five reconciliations provide details of the impact of the transition on:

- profit for the 6 months ended 31 December 2004
- profit for the 6 months ended 30 June 2005
- equity at 30 June 2004
- equity at 31 December 2004
- equity at 30 June 2005

### 3. SEGMENT INFORMATION

#### (a) Description of segments

##### Business segments

The company is organised into the following divisions by product and service type.

##### Automotive

The automotive division is comprised of Brake & Transmission, an importer and distributor of automotive and commercial replacement parts, and Diesel Distributors, a wholesale distributor of diesel fuel injection, turbocharger and ancillary diesel engine parts in New Zealand and Australia.

##### Industrial

The industrial division includes AB Equipment, an importer and distributor of materials handling, construction and transport equipment; AB Rentals, a company that rents forklifts; Eurolift NZ, an importer and distributor of materials handling equipment; and TRS Tyre & Wheel, an importer, manufacturer, and distributor of tyres and wheels.

##### Retail

The retail division includes Hannahs and Discount Shoe Warehouse, retailers of shoes; Rodd & Gunn, a retailer of menswear; and BBQ Factory, an outdoor living and home heating retailer.

##### Other

Includes Levana Textiles, a manufacturer of knitted textiles and Elldex Packaging, a manufacturer and importer of flexible plastic packaging.

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

December 2005	Automotive \$000	Industrial \$000	Retail \$000	Other \$000	Interest /Taxation \$000	Total \$000
Total sales revenue	48,703	67,265	110,948	23,136	-	250,052
Segment result	5,961	3,480	8,121	1,162	(9,424)	9,300

December 2004	Automotive \$000	Industrial \$000	Retail \$000	Other \$000	Interest /Taxation \$000	Total \$000
Total sales revenue	45,896	58,557	72,224	9,948	-	186,625
Segment result	5,645	3,690	7,665	526	(6,305)	11,221

### 4. ACQUISITION

On 1 July 2005 Hellaby Holdings acquired 80% of Discount Shoe Warehouse (DSW), with an agreement to acquire the remaining 20% on 31 August 2007. The company trades as No. 1 Shoe Warehouse and is New Zealand's largest specialist discount shoe retailer operating 30 stores.

As Hellaby has a 100% beneficial interest in DSW it has been consolidated as a wholly-owned subsidiary.

The purchase price for DSW is based on a multiple of its 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 31 December 2005 the purchase price has been estimated as \$26.3m of which \$5.8m has been paid with the balance due progressively over the period to 31 August 2008.

The acquired business contributed revenues of \$35.8m and net profit after tax of \$2.3m to the Group for the six months to 31 December 2005.

Details of the fair value of the assets and liabilities acquired and goodwill are as follows:

	2005 \$000
Estimated purchase consideration	
Cash paid	5,850
Payable	20,473
Total purchase consideration	26,323
Fair value of net identifiable assets acquired	10,657
<b>Goodwill</b>	<b>15,566</b>

	2005 \$000
.....	
Estimated purchase consideration	
Total estimated consideration	26,323
Less contingent consideration payable	20,473
Cash on hand on acquisition	(456)
<b>Outflow of cash</b>	<b>5,394</b>

#### Assets and liabilities acquired

The assets and liabilities arising from the acquisition are as follows:

	Acquired value \$000	Fair value \$000
Property, plant and equipment	5,271	5,271
Intangible assets	534	534
Receivables	715	715
Derivative financial instruments	433	433
Inventory	12,797	12,797
Cash	456	456
Payables & accruals	(3,808)	(3,808)
Borrowings	(5,741)	(5,741)
<b>Net assets acquired</b>	<b>10,657</b>	<b>10,657</b>

## 5. CAPITAL AND RESERVES

### Dividends

During the six months ended 31 December 2005, the Group paid dividends of \$9.84m (six months ended 31 December 2004 \$9.35m).

### Equity Attributable to Shareholders of the Parent

	Share capital \$000	Cash Flow Hedge \$000	Retained earnings \$000	Total \$000	Minority interest \$000	Total equity \$000
<b>Balance at 1 July 2004</b>	16,287	-	81,756	98,043	3,611	101,654
Total recognised income and expense	-	-	11,221	11,221	-	11,221
Dividend payment	-	-	(9,347)	(9,347)	-	(9,347)
Shares issued	-	-	-	-	-	-
Movement in minority interest	-	-	-	-	368	368
<b>Balance at 31 December 2004</b>	16,287	-	83,630	99,917	3,979	103,896
<b>Balance at 1 July 2005</b>	16,286	-	86,256	102,542	4,207	106,749
Total recognised income and expense	-	-	9,300	9,300	-	9,300
Fair value of financial instruments on adoption of NZ IFRS net of tax	-	-	(41)	(41)	-	(41)
Dividend payment	-	-	(9,840)	(9,840)	-	(9,840)
Movement in cash flow hedge net of tax	-	249	-	249	-	249
Movement in minority interest	-	-	-	-	(1,569)	(1,569)
<b>Balance at 31 December 2005</b>	16,286	249	85,675	102,210	2,638	104,848

## 6. 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, was acquired on 1 June 2003 by parties associated with Hellaby directors, H Green, RW Carter and D Houldsworth, and BNT Chief Executive G Horne. Company products of \$634,000 were sold by BNT to Midas franchisees during the half year (2004 - \$485,000) on normal trade terms.

BNT leases premises at Omega Street, North Harbour, Auckland owned by G Horne's family trust. Lease payments of \$242,000 were made for the half year (2004 - \$233,000).

## 7. CAPITAL EXPENDITURE COMMITMENTS

	December 2005 \$000	December 2004 \$000
.....		
Commitments at the end of the period not provided for in the financial statements	430	1,437

## 8. OPERATING LEASE COMMITMENTS

	December 2005 \$000	December 2004 \$000
Gross commitments under non-cancellable operating leases for the Group	150,059	105,212

## 9. CONTINGENT LIABILITIES

	December 2005 \$000	June 2005 \$000	December 2004 \$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	40,647	35,517	45,124
Letters of credit	5,476	9,316	5,294
<b>Total contingent liabilities</b>	<b>46,123</b>	<b>44,833</b>	<b>50,418</b>

## 10. RECONCILIATION OF NET CASH FLOW FROM OPERATING ACTIVITIES TO REPORTED PROFIT

	December 2005 6 months \$000	December 2004 6 months \$000
.....		
<b>Operating profit before financing costs</b>	<b>9,300</b>	<b>11,221</b>
<b>Adjusted for:</b>		
Depreciation expense	5,020	4,281
Fair value movement in derivatives	(77)	-
Amortisation of intangibles	468	152
Profit on sale of assets	(436)	(876)
<b>Impact of changes in working capital items</b>		
(Increase)/decrease in debtors and prepayments	(463)	138
Increase in creditors and provisions	2,685	3,335
(Increase) in inventories	(19,264)	(7,840)
<b>Cash generated from operations</b>	<b>(2,767)</b>	<b>10,411</b>

## 11. EXPLANATION OF TRANSITION TO NEW ZEALAND EQUIVALENTS TO IFRS

### (a) Reconciliations of profit for the 6 months ended 31 December 2004

	Note	Previous NZ GAAP \$000	Effect of transition to NZ IFRS \$000	NZ IFRS \$000
<b>Revenue</b>				
Sale of goods		186,625	-	186,625
Other income		1,981	-	1,981
<b>Expenses</b>				
Cost of sales of goods	1	103,952	-	103,952
Sales, distribution and marketing		7,665	-	7,665
Rental & operating leases		16,198	-	16,198
Salaries & wages		28,836	-	28,836
Depreciation & amortisation	2	5,442	(1,009)	4,433
Other expenses		9,263	79	9,342
<b>Profit before finance costs</b>		17,250	930	18,180
Less finance costs		2,484	-	2,484
Plus share of profit from associates		25	-	25
<b>Profit before income tax</b>		14,791	930	15,721
Income tax		3,821	-	3,821
<b>Profit after tax</b>		10,970	930	11,900
Profit attributable to minority interest	2	(659)	(20)	(679)
<b>Profit attributable to shareholders of Hellaby Holdings Limited</b>		10,311	910	11,221

### (b) Reconciliation of profit for the 12 months ended 30 June 2005

	Note	Previous NZ GAAP \$000	Effect of transition to NZ IFRS \$000	NZ IFRS \$000
<b>Revenue</b>				
Sale of goods		390,230	-	390,230
Other income		2,148	-	2,148
<b>Expenses</b>				
Cost of sales of goods	1	220,957	-	220,957
Sales, distribution and marketing		16,099	-	16,099
Rental & operating leases		33,458	-	33,458
Salaries & wages		60,101	-	60,101
Depreciation & amortisation	2	11,850	(2,364)	9,486
Other expenses		17,918	(14)	17,904
<b>Profit before finance costs</b>		31,995	2,378	34,373
Less finance costs		5,806	-	5,806
Plus share of profit from associates		752	-	752
<b>Profit before income tax</b>		26,941	2,378	29,319
Income tax		5,318	-	5,318
<b>Profit after tax</b>		21,623	2,378	24,001
Profit attributable to minority interest	2	(765)	(40)	(805)
<b>Profit attributable to shareholders of Hellaby Holdings Limited</b>		20,858	2,338	23,196

## (c) Reconciliation of equity at 30 June 2004 – Opening position

	Note	Previous NZ GAAP \$000	Effect of transition to NZ IFRS \$000	NZ IFRS \$000
<b>ASSETS</b>				
<b>Current assets</b>				
Inventories		78,734	-	78,734
Receivables	3	38,513	(62)	38,451
Cash and cash equivalents		4,308	-	4,308
Other current assets		3,873	-	3,873
<b>Total current assets</b>		<b>125,428</b>	<b>(62)</b>	<b>125,366</b>
<b>Non-current assets</b>				
Property, plant and equipment	2	34,742	(1,738)	33,004
Intangible assets	2	14,816	1,738	16,554
Future tax benefit	4	4,814	6	4,820
Other non-current assets		10,072	-	10,072
<b>Total non-current assets</b>		<b>64,444</b>	<b>6</b>	<b>64,450</b>
<b>Total assets</b>		<b>189,872</b>	<b>(56)</b>	<b>189,816</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Current tax liabilities		3,647	-	3,647
Payables	5	35,810	18	35,828
Borrowings		11,802	-	11,802
<b>Total current liabilities</b>		<b>51,259</b>	<b>18</b>	<b>51,277</b>
<b>Non-current liabilities</b>				
Borrowings		34,000	-	34,000
Other non-current liabilities		2,885	-	2,885
<b>Total non-current liabilities</b>		<b>36,885</b>	<b>-</b>	<b>36,885</b>
<b>Total liabilities</b>		<b>88,144</b>	<b>18</b>	<b>88,162</b>
<b>Net assets</b>		<b>101,728</b>	<b>(74)</b>	<b>101,654</b>
<b>EQUITY</b>				
Contributed equity		16,287	-	16,287
Retained earnings		81,827	(71)	81,756
Minority interest		3,614	(3)	3,611
<b>Total equity</b>		<b>101,728</b>	<b>(74)</b>	<b>101,654</b>

## (d) Reconciliation of equity at 31 December 2004

	Note	Previous NZ GAAP \$000	Effect of transition to NZ IFRS \$000	NZ IFRS \$000
<b>ASSETS</b>				
<b>Current assets</b>				
Inventories		93,179	-	93,179
Receivables	3	41,293	(141)	41,152
Cash and cash equivalents		5,225	-	5,225
Other current assets		5,781	-	5,781
<b>Total current assets</b>		<b>145,478</b>	<b>(141)</b>	<b>145,337</b>
<b>Non-current assets</b>				
Property, plant and equipment	2	38,077	(1,768)	36,309
Intangible assets	2	34,324	2,777	37,101
Future income tax benefit	4	3,794	6	3,800
Other non-current assets		9,334	-	9,334
<b>Total non-current assets</b>		<b>85,529</b>	<b>1,015</b>	<b>86,544</b>
<b>Total assets</b>		<b>231,007</b>	<b>874</b>	<b>231,881</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Current tax liabilities		6,314	-	6,314
Payables	5	40,895	18	40,913
Borrowings		11,693	-	11,693
<b>Total current liabilities</b>		<b>58,902</b>	<b>18</b>	<b>58,920</b>
<b>Non-current liabilities</b>				
Borrowings		66,500	-	66,500
Other non-current liabilities		2,565	-	2,565
<b>Total non-current liabilities</b>		<b>69,065</b>	<b>-</b>	<b>69,065</b>
<b>Total liabilities</b>		<b>127,967</b>	<b>18</b>	<b>127,985</b>
<b>Net assets</b>		<b>103,040</b>	<b>856</b>	<b>103,896</b>
<b>EQUITY</b>				
Contributed equity		16,287	-	16,287
Retained earnings		82,792	838	83,630
Minority interest		3,961	18	3,979
<b>Total equity</b>		<b>103,040</b>	<b>856</b>	<b>103,896</b>

**(e) Reconciliation of equity at 30 June 2005**

Note	Previous NZ	Effect of transition GAAP \$000	NZ IFRS to NZ IFRS \$000	\$000
<b>ASSETS</b>				
<b>Current assets</b>				
		94,181	-	94,181
	3	45,493	(47)	45,446
		5,601	-	5,601
		346	-	346
		145,621	(47)	145,574
<b>Non-current assets</b>				
	2	40,400	(1,926)	38,474
	2	39,856	4,289	44,145
	4	10,133	6	10,139
		8,391	-	8,391
		98,780	2,369	101,149
		244,401	2,322	246,723
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
	5	42,528	18	42,546
		11,100	-	11,100
		53,628	18	53,646
<b>Non-current liabilities</b>				
		1,084	-	1,084
		83,000	-	83,000
		2,244	-	2,244
		86,328	-	86,328
		139,956	18	139,974
		104,445	2,304	106,749
<b>EQUITY</b>				
		16,286	-	16,286
		83,991	2,265	86,256
		4,168	39	4,207
		104,445	2,304	106,749

**(f) NZ IFRS adjustments**

1. Reclassification of Expenses  
In accordance with NZ IAS 1 expenses have been analysed by function.
2. Intangible Assets  
Goodwill under NZ IFRS 3 is not amortised and accordingly the goodwill amortisation from 1 July 2004 has been reversed. Software assets are reclassified as intangibles to comply with NZ IAS 38.
3. Discounting of Receivables  
Receivables that are expected to be collected over a period greater than one year have been discounted to net present value using the weighted average cost of capital for the Group.
4. Deferred tax  
A deferred tax liability has been recognised on financial instruments and the sick leave provision.
5. Sick Leave Provision  
In accordance with NZ IAS 19, a provision for sick leave has been established for employees with entitlements in excess of one year, where there is likelihood that the entitlement will be taken.

**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

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**Share Registry**

Computershare Registry Services Limited  
 Private Bag 92 119  
 Auckland  
 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 (94%)
- Levana Textiles Limited
- Oakleys Plumbing Supplies Limited (75%)
- Rodd & Gunn Limited (82.5%)
- Teamwork Inteletrac Limited (95%)
- TRS Tyre & Wheel Limited

**Associated Companies**

- Bombay Petfoods Limited (49%)
- Energy Intellect Limited (25%)
- New Zealand Wool Services International  
Limited (20%)

**HELLABY HOLDINGS LIMITED**

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