

1. Summary of significant accounting policies

These financial statements have been prepared in accordance with the New Zealand equivalents to the International Reporting Standards ("NZ IFRS").

(a) Basis of preparation of financial statements

The principal accounting policies adopted in the preparation of the financial statements 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 Group ("the Group") as defined below. Hellaby Holdings Limited is domiciled in New Zealand. Its registered office is at Level 9, Worldwide Tower, 8-10 Whitaker Place, Auckland.

As at 30 June 2006 the Hellaby Holdings Limited Group consists of Hellaby Holdings Limited ("Hellaby Holdings") and its subsidiary and associate companies as detailed in Note 13.

The Group is designated as a profit-orientated entity for financial reporting purposes.

Statutory base

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

Application of NZ IFRS 1 First-time adoption of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS)

Financial statements of Hellaby Holdings Limited Group 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 Group financial statements for the year ended 30 June 2006, 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 Group 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 equity and net income are given in Note 31.

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 the income statement.

Critical accounting estimates

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies, for example judgements are made in determining the fair value of assets and liabilities acquired, including intangible assets such as brands. Judgement is also used in testing goodwill and indefinite life intangibles for impairment, as outlined in Note 16. The Directors continually review all accounting policies and areas of judgement in presenting the financial statements.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Hellaby Holdings as at 30 June 2006 and the results of these subsidiaries for the year then ended.

Subsidiaries are all those entities over which Hellaby Holdings 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 Hellaby Holdings controls another entity.

Subsidiaries which form part of the Group are fully consolidated from the date on which control is transferred to Hellaby Holdings. They are deconsolidated from the date that control ceases or they cease to be part of the Group.

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. 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 Hellaby Holdings.

(ii) Minority Interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals of minority interests result in gains and losses for the Group that are recorded in the income statements. Acquisitions of minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

(iii) Associates

Associates are all entities over which Hellaby Holdings has significant influence but not control, generally evidenced by the holding of between 20% and 50% of the voting rights. Investments in associates are accounted for as an investment of the Group at the lower of cost, less amounts written off, or market value. Cost includes the fair value of consideration paid, assets given or liabilities assumed, together with any costs directly attributable to the acquisition of the investment.

(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 subsidiaries' 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 Hellaby Holdings' 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 balance sheets 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, excluding 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 subsidiary 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 subsidiary 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 other expenses.

(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.

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 are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment irrespective of whether any indicators identifying a possible impairment have been identified. 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 deposits, 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.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for doubtful receivables is established when there is objective evidence that the Group 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 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*Investments*

Investments are accounted for at the lower of cost, less amounts written off, or market value.

Loans and receivables

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 Group 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 Group 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 income statement.

Amounts accumulated in equity are recycled in the income statement 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, being forward exchange contracts, 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 or 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 Group 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 amounts. These gains and losses 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 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.

(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 brand 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 re-open business combinations since this date. No deferred tax is recognised in relation to brands as they are deemed to have an indefinite life and therefore are not being consumed by the relevant subsidiary.

Indefinite life brands are subject to an annual impairment review.

(iii) 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

The amounts represent liabilities for goods and services provided to the Group 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 and Capital Notes

Borrowings and capital notes are initially recognised at fair value, net of transaction costs incurred. Borrowings and capital notes 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 and capital notes are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

(s) Share Capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Where any Group subsidiary purchases Hellaby Holdings' equity share capital (treasury shares), the consideration paid, including any directly attributable costs (net of income taxes) is deducted from equity attributable to Hellaby Holdings' equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transactions costs and the related income tax effects, is included in equity attributable to Hellaby Holdings' equity holders.

(t) Provisions

Provisions for legal claims, service warranties and rental obligations are recognised when the Group 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.

(u) Employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave, contributions paid to defined contribution pension schemes 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.

(v) Dividends

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

(w) Earnings per share

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

2. Transition to NZ IFRS**Application of NZ IFRS 1**

The Group's financial statements for the year ended 30 June 2006 are the first financial statements that comply with NZ IFRS, as modified by the Securities Regulations 1983. These financial statements have been prepared as described in Note 1. The Group has applied NZ IFRS 1 in preparing these financial statements.

Hellaby Holdings transition date is 30 June 2004. The Group prepared its opening NZ IFRS balance sheet at that date. The reporting date of these financial statements is 30 June 2006. The Group's NZ IFRS adoption date is 1 July 2005.

In preparing these 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

The Group 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 NZ FRS rules to derivatives, financial assets, financial liabilities and to hedging relationships for the comparative information. The adjustments required for differences between NZ FRS 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 de-recognised 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 de-recognised since 30 June 2004 that do 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 Group did not have any assets that met the held for sale criteria during the period presented. No adjustment was required.

The reconciliations in Note 31 provide a quantification of the effect of the transition to NZ IFRS. The following three reconciliations provide details of the impact of the transition on:

- group and parent profit for the 12 months ended 30 June 2005
- group and parent equity at 30 June 2004
- group and parent equity at 30 June 2005

3. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and fair value interest rate risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange contracts to hedge certain risk exposures.

Risk management is carried out by Group and subsidiary management who evaluate and hedge financial risks.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Group's functional currency.

The Group purchases and sells inventory denominated in foreign currency. The Group is exposed to foreign exchange risk arising from currency exposures primarily in Australian Dollars, Japanese Yen, United States Dollars and the Euro.

Forward contracts are used to manage foreign exchange risk. Management are responsible for managing exposures in each foreign currency by using external forward currency contracts.

For segment reporting purposes, certain subsidiaries designate contracts as fair value hedges or cash flow hedges, as appropriate, as hedges of foreign exchange risk on specific assets, liabilities or future transactions on a gross basis.

The Group's risk management policy is to generally hedge between 50% and 100% of anticipated transactions (component part purchases) in foreign currencies for the subsequent 12 months.

(ii) Fair value interest rate risk

Refer to (d) below.

(b) Credit risk

The Group has no significant concentrations of credit risk. The Group companies have procedures in place to ensure that sales of products and services are made to customers with an appropriate credit history. Derivative counterparties and cash transactions are limited to high credit quality financial institutions.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close-out market positions.

(d) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from long-term borrowings. Borrowings are at variable rates and therefore the Group is exposed to cash flow interest rate risk.

4. 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.

Industrial

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

Retail

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

Diversified

This 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) Secondary reporting format - geographical segments

	New Zealand		Australia		Total	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Sales to external customers	480,311	387,186	6,834	3,044	487,145	390,230
Other income	15,634	2,148	341	-	15,975	2,148
Segment result	40,945	34,324	1,072	49	42,017	34,373
Segment assets	297,817	243,983	5,626	2,740	303,443	246,723
Segment liabilities	188,781	139,469	1,128	505	189,909	139,974
Acquisitions of property, plant and equipment, intangibles and investments	65,912	54,674	1,027	352	66,939	55,026
Depreciation and amortisation expense	10,510	9,428	87	58	10,597	9,486
Impairment of inventories	264	327	36	-	300	327
Impairment of trade receivables	277	393	-	-	277	393
Impairment of goodwill	5,119	-	-	-	5,119	-
Provision for investments to lower of cost or net realisable value	97	(34)	-	-	97	(34)

(c) Primary reporting format - business segments

Year ended 30 June 2006

	Automotive \$000	Industrial \$000	Retail \$000
INCOME STATEMENT			
Sales to external customers	99,655	127,095	218,323
Intersegment sales	120	18	-
Total sales revenue	99,775	127,113	218,323
Other income	1,103	2,764	1,194
Total segment income	100,878	129,877	219,517
Segment result	13,962	9,563	13,665
Finance costs			
Share of profit from associates			
Income tax expense			
Minority interest			
Net Profit for the year			
BALANCE SHEET			
Segment assets	59,616	83,187	90,176
Intersegment assets	378	11	11,110
Total Assets	59,994	83,198	101,286
Segment liabilities	12,031	23,535	24,991
Intersegment liabilities	24,810	36,233	14,901
Total Liabilities	36,841	59,768	39,892
Other segmental items			
Acquisitions of property, plant and equipment, intangibles and investments	3,169	9,030	52,539
Depreciation and amortisation expense	1,306	4,287	4,444
Impairment of inventories	(98)	(9)	(88)
Impairment of trade receivables	58	117	38
Impairment of intangibles	845	-	4,064
Provision for investments to lower of cost or net realisable value	-	-	-

Diversified \$000	Corporate \$000	Inter-segment eliminations/unallocated \$000	Group \$000
42,072	-	-	487,145
90	-	(228)	-
42,162	-	(228)	487,145
270	22,683	(12,039)	15,975
42,432	22,683	(12,267)	503,120
2,853	1,974	-	42,017
			(9,601)
			680
			(9,349)
			(611)
			23,136
22,499	47,965	-	303,443
6,386	76,338	(94,223)	-
28,885	124,303	(94,223)	303,443
3,154	126,198	-	189,909
7,100	-	(83,044)	-
10,254	126,198	(83,044)	189,909
1,242	959	-	66,939
527	33	-	10,597
495	-	-	300
64	-	-	277
210	-	-	5,119
-	97	-	97

(c) Primary reporting format - business segments (continued)

Year ended 30 June 2005

	Automotive \$000	Industrial \$000	Retail \$000
INCOME STATEMENT			
Sales to external customers	90,973	127,385	141,633
Intersegment sales	101	100	-
Total sales revenue	91,074	127,485	141,633
Other income	231	1,426	1,278
Total segment income	91,305	128,911	142,911
Segment result	12,666	10,016	11,242
Finance costs			
Share of profit from associates			
Income tax expense			
Minority interest			
Net Profit for the Year			
BALANCE SHEET			
Segment assets	50,983	82,119	71,827
Intersegment assets	179	4	-
Total Assets	51,162	82,123	71,827
Segment liabilities	9,162	20,553	17,212
Intersegment liabilities	21,303	31,782	7,862
Total Liabilities	30,465	52,335	25,074
Other segmented items			
Acquisitions of property, plant and equipment, intangibles and investments	2,762	17,938	28,827
Depreciation and amortisation expense	1,289	4,566	3,107
Impairment of inventories	(312)	(317)	746
Impairment of trade receivables	43	243	(12)
Impairment of intangibles	-	-	-
Provision for investments to lower of cost or net realisable value	-	-	-

Diversified \$000	Corporate \$000	Inter-segment eliminations/unallocated \$000	Group \$000
30,239	-	-	390,230
8	-	(209)	-
30,247	-	(209)	390,230
132	42,810	(43,729)	2,148
30,379	42,810	(43,938)	392,378
2,495	(2,046)	-	34,373
			(5,806)
			752
			(5,318)
			(805)
			23,196
24,705	17,089	-	246,723
-	70,753	(70,936)	-
24,705	87,842	(70,936)	246,723
6,081	86,966	-	139,974
7,739	-	(68,686)	-
13,820	86,966	(68,686)	139,974
5,485	14	-	55,026
476	48	-	9,486
210	-	-	327
119	-	-	393
-	-	-	-
-	(34)	-	(34)

5. Income and expenses

	Group		Parent	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Profit before income tax includes the following specific income and expenses				
Income				
Rent abatement	572	-	572	-
Rental income	138	47	144	144
Share of profit of associates	680	1,309	-	-
Dividend income - Associates	-	-	530	861
- Subsidiaries	-	-	17,400	40,189
- Other	26	41	21	-
Net gain on sale of property, plant and equipment	2,974	1,478	1,137	771
Gain on sale of businesses	6,080	-	423	-
Gain on sale of shares	1,178	-	1,179	-
Foreign exchange gains	1,467	548	-	-
Gain on forward contracts not qualifying as a hedge	1,137	-	-	-
Expenses				
Depreciation				
Freehold buildings	33	65	-	30
Leasehold buildings	258	98	-	-
Plant and equipment	4,620	3,889	-	-
Furniture fittings and office equipment	3,969	3,864	7	8
Motor vehicles	1,147	1,148	6	7
Total depreciation	10,027	9,064	13	45
Amortisation				
Software costs	554	387	-	-
Intellectual property	-	35	-	-
Capital Notes costs	16	-	16	-
Total amortisation	570	422	16	-
Total depreciation and amortisation	10,597	9,486	29	45
Operating lease payments	45,489	33,458	76	80
Provision for investments to net realisable value	97	(34)	4,816	1,144
Intangible asset impairment	5,119	-	-	-
Remuneration of principal auditors				
Audit of Parent and Group	251	265	77	41
Tax audit, compliance and IRD liaison	114	127	111	124
Acquisition/disposal completion audits	17	42	17	47
Conversion to NZ IFRS	61	-	61	-
Remuneration of other auditors				
Directors' fees and retiring allowance - parent	270	185	270	185
- subsidiaries	-	10	-	-
Donations	14	34	6	10
Wages, salaries and other short term benefits	71,349	60,101	2,409	1,641
Net finance costs	9,601	5,806	396	(1,457)

The Group has 2,330 employees (2005: 1,692 employees).

6. Income tax expense/(credit)

	Notes	Group		Parent	
		2006 \$000	2005 \$000	2006 \$000	2005 \$000
(a) Income tax expense/(credit)					
Current tax		9,317	8,671	(1,103)	(12)
Deferred tax	15	32	(3,353)	208	(1,829)
Income tax expense/(credit)		9,349	5,318	(895)	(1,841)
Deferred income tax revenue included in income tax expense comprises:					
Decrease/(increase) in future tax benefit		32	(3,353)	208	(1,829)
		32	(3,353)	208	(1,829)
(b) Reconciliation of income tax expense to tax rate applicable to profits					
Profit before income tax expense		33,096	29,319	14,139	40,541
Tax at the New Zealand tax rate of 33% (2005 – 33%)		10,922	9,675	4,666	13,379
Tax effect of amounts which are either deductible or taxable in calculating taxable income:					
Income not subject to tax		(3,070)	(386)	(6,333)	(11,889)
Expenses not deductible for tax		1,881	144	1,665	232
Imputation credits on dividends received		90	241	417	788
Tax offset for imputed dividends		(272)	(731)	(1,265)	(2,388)
Movement in imputation credit account		-	(985)	-	(985)
Club Life losses utilised		-	(978)	-	(978)
Future income tax benefit recognised		-	(1,662)	-	-
Prior period adjustment		(202)	-	(45)	-
Income tax expense/(credit)		9,349	5,318	(895)	(1,841)
(c) Amounts recognised directly in equity					
Aggregate deferred tax arising in the period and not recognised in the income statement but directly debited or credited to equity					
Net deferred tax					
- credited directly to equity	23	1,877	-	-	-
		1,877	-	-	-

The Group has no tax losses (2005: Nil) and no unrecognised temporary differences (2005 : Nil).

7. Earnings per share

Basic and diluted

Basic and diluted earnings per share are calculated by dividing the profit by the weighted average number of ordinary shares on issue during the period.

	Group		Parent	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Profit after tax	23,136	23,196	15,034	42,382
Weighted average number of ordinary shares on issue (thousands)	49,353	49,197	49,353	49,197
Basic and diluted earnings (per share)	46.9 cents	47.1 cents	30.5 cents	86.1 cents

8. Cash and cash equivalents

	Notes	Group		Parent	
		2006 \$000	2005 \$000	2006 \$000	2005 \$000
Cash at bank and in hand		3,406	5,601	290	1,165
		3,406	5,601	290	1,165

The above amounts are reconciled to cash at the end of the period as shown in the statements of cash flows as follows:

Balances as above		3,406	5,601	290	1,165
Bank overdrafts	18	(945)	(64)	-	-
Balances per statements of cash flows		2,461	5,537	290	1,165

The carrying amount for cash and cash equivalents equals the fair value.

9. Receivables and prepayments

	Notes	Group		Parent	
		2006 \$000	2005 \$000	2006 \$000	2005 \$000
Current:					
Trade receivables		38,873	40,305	-	-
Provision for impairment		(761)	(1,012)	-	-
Net trade receivables		38,112	39,293	-	-
Prepayments		2,453	3,228	51	104
Other receivables		8,312	2,924	6,302	-
Total receivables and prepayments		48,877	45,445	6,353	104
Due from associates		1	1	1	1
Due from subsidiaries		-	-	69,424	73,699
Due from related parties		1,000	-	-	-
Provision for impairment		-	-	(489)	(392)
Receivables from related parties		1,001	1	68,936	73,308
Total current receivables		49,878	45,446	75,289	73,412

(a) Bad and doubtful trade receivables

The Group has recognised a loss of \$277,000 (2005: \$393,000) in respect of bad and doubtful trade receivables. The loss has been included in 'other expenses' in the income statement.

(b) Effective interest rates

The effective weighted average interest rates are as follows:

	Group		Parent	
	2006	2005	2006	2005
Due from associates	-	-	-	-
Due from subsidiaries	-	-	8.75%	8.75%

(c) Credit risk

The Group has a large number of customers and therefore no concentration of credit risk with one customer. Credit risk is spread across a number of countries as follows:

	Group		Parent	
	2006 %	2005 %	2006 %	2005 %
New Zealand	92.0	89.9	100.0	97.0
Australia	7.3	7.8	-	3.0
Other	0.7	2.3	-	-
	100.0	100.0	100.0	100.0

(d) Fair value

The fair value of trade and other receivables approximates their carrying value.

10. Inventories

	Group		Parent	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Raw materials	2,308	3,031	-	-
Work in progress	2,636	2,011	-	-
Finished goods	114,449	89,139	-	-
	119,393	94,181	-	-

The Group has recognised a loss of \$300,000 (2005: \$327,000) in respect of both the sale of inventories previously written down and an adjustment of inventories to net realisable value. The loss has been included in "cost of inventory sold" in the income statement. Inventory is pledged as security as detailed in Note 18.

11. Derivative financial instruments

	Group		Parent	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Current assets				
Forward foreign exchange contracts	7,018	-	-	-
Total current derivative financial instrument assets	7,018	-	-	-
Current liabilities				
Forward foreign exchange contracts	20	-	-	-
Total current derivative financial instrument liabilities	20	-	-	-

(a) Transition to NZ IAS 32 and NZ IAS 39

The Group has taken advantage of the exemption available under NZ IFRS 1 to apply NZ IAS 32 *Financial Instruments: Disclosure and Presentation* and NZ IAS 39 *Financial Instruments: Recognition and Measurement* from 1 July 2005. At the date of transition to these standards on 1 July 2005 a net adjustment of \$41,000 decrease in net assets and retained earnings was recognised representing a loss on the measurement of forward foreign exchange contracts held at fair value.

(b) Instruments used by the Group

The Group is party to forward foreign exchange contracts in the normal course of business in order to hedge exposure to fluctuations in foreign currency exchange rates as the Group purchases and sells inventory denominated in foreign currency.

At 30 June 2006 the Group had entered into forward exchange contracts to sell the equivalent of NZ\$98.7 million (2005: NZ\$59.8 million) and buy the equivalent of NZ\$2.7 million (2005: NZ\$7.3 million). The currencies in which the Group primarily deals are Australian Dollars, Japanese Yen, United States Dollars and the Euro.

A subsidiary company uses currency options to hedge foreign currency exposures. At balance date the subsidiary company had entered into currency option contracts maturing during 2006 to sell the equivalent of NZ\$4.4 million (2005: \$0.8 million).

Forward exchange contracts - cash flow hedges

These contracts are hedging committed or highly probable forecast purchases of inventory for the ensuing financial year. The contracts are timed to mature when major shipments of inventory are scheduled to be dispatched and the liability settled.

The cash flows are expected to occur at various dates within one year from the balance date.

Where forward exchange contracts have been designated and tested as an effective hedge the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. These gains or losses will be released to the income statement at various dates over the next financial year.

At balance date these contracts were assets of \$5.7 million (2005: \$Nil) and liabilities of \$Nil (2005: \$Nil).

Where forward exchange contracts are not designated and tested as an effective hedge, the gain or loss on the forward contract is recognised in the income statement as other expenses. At balance date these contracts were assets of \$1.1 million (2005: \$Nil).

12. Other current assets

	Group		Parent	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
(a) Other current assets				
Loans & advances	382	346	382	330
	382	346	382	330

(b) Interest rate risk – loans and advances

The effective weighted average interest rate is 7.2% (2005: 8.5%).

(c) Credit risk – loans and advances

Credit risk is spread as follows:

	Group		Parent	
	2006 %	2005 %	2006 %	2005 %
New Zealand	100.0	79.0	100.0	78.0
Australia	-	21.0	-	22.0
	100.0	100.0	100.0	100.0

Loans and advances are due from a number of parties and therefore no concentration of credit risk exists with any one party.

13. Investments, loans and advances

	Group		Parent	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
(a) Total investments, loans and advances				
Shares in associates	2,842	8,387	2,842	8,387
Shares in subsidiaries	-	-	101,624	60,105
Unquoted investments	-	4	-	-
Total investments	2,842	8,391	104,466	68,492
Loans and advances	712	-	408	-
	3,554	8,391	104,874	68,492

Movement:

Balance at beginning of period	8,391	10,072	68,492	41,596
Acquisitions/advances made during year	721	-	43,723	29,411
Disposals during year	(5,708)	(2,311)	(6,004)	(2,211)
Capitalisation of intercompany amount owing	-	-	2,577	-
Provision to lower of cost or net realisable value	-	182	(4,064)	(752)
Share of total recognised revenue and expenses of associates	680	1,309	680	1,309
Dividends from associates	(530)	(861)	(530)	(861)
Balance at end of period	3,554	8,391	104,874	68,492

(b) Associates

Name	Activity	2006	2005
		Interest	Interest
Bombay Petfoods Limited	Petfood supplier	49%	49%
Energy Intellect Limited	Metering/communications	25%	25%
New Zealand Wool Services International Limited	Wool scouring and exporting	-	20%

New Zealand Wool Services International Limited was divested on 31 May 2006 for consideration of \$6.9 million. The associated companies have a balance date of 30 June and are incorporated in New Zealand.

	Group		Parent	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Movement in associates				
Balance at beginning of period	8,387	9,902	8,387	9,902
Acquisitions during year	9	-	9	-
Disposals during year	(5,704)	(1,900)	(5,704)	(1,900)
Provision to lower of cost or net realisable value	-	(63)	-	(63)
Share of total recognised revenue and expenses	680	1,309	680	1,309
Dividends	(530)	(861)	(530)	(861)
Balance at end of period	2,842	8,387	2,842	8,387

(c) Principal Subsidiaries

Name	Activity	2006 Interest	2005 Interest
AB Equipment Limited	Materials handling and construction equipment	100%	100%
AB Rental Limited	Forklift rentals	100%	100%
BBQ Factory Limited	Barbeque and spa pool distributor	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%	-
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%
Oakleys Plumbing Supplies Limited	Plumbing supplies	-	75%
R Hannah & Co Limited	Specialty shoe retailer	100%	85%
Rodd & Gunn Limited	Apparel retailer	-	82.5%
Teamwork Inteletrac Limited	Mobile data dispatch systems	-	55%
TRS Tyre & Wheel Limited	Tyre and wheel importer and distributor	100%	100%

On 31 August 2004 Hellaby Holdings purchased the shares of the BBQ Factory Limited for consideration of \$25.6 million.

On 1 November 2004 Hellaby Holdings acquired a 40% shareholding in Teamwork Inteletrac Limited, increasing to 55% on 31 May 2005, to 95% on 30 November 2005, and to 100% on 28 March 2006 for consideration of \$0.3 million.

On 1 February 2005 Hellaby Holdings purchased the shares of Elldex Packaging Limited for consideration of \$9.2 million with further consideration of \$1.0 million paid subsequent to the renewal of a key customer contract.

On 1 February 2005 Brake & Transmission NZ Limited acquired the trade and assets of John Bates Auto Supplies for consideration of \$1.3 million.

On 28 February 2005 Diesel Distributors Australia Pty Limited acquired the trade and assets of Combine Diesel.

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 2006 the purchase price has been estimated as \$34.3 million of which \$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 20 and 21.

All companies above have a balance date of 30 June and, with the exception of Diesel Distributors Australia Pty Limited, which is incorporated in Australia, are incorporated in New Zealand.

14. Property, plant and equipment**(a) 2006 Group**

	Freehold land \$000	Freehold buildings \$000	Leasehold buildings \$000
Period ended 30 June 2006			
Opening net book amount	521	1,457	665
Acquisition of subsidiaries	-	-	-
Additions	-	95	1,042
Disposal of subsidiaries	-	-	-
Disposals	(273)	(1,482)	(58)
Depreciation charge	-	(33)	(258)
Closing net book amount	248	37	1,391
At 30 June 2006			
Cost	248	75	2,146
Accumulated depreciation	-	(38)	(755)
Net book amount	248	37	1,391

2005 Group

	Freehold land \$000	Freehold buildings \$000	Leasehold buildings \$000
At 1 July 2004			
Cost	521	2,547	741
Accumulated depreciation	-	(1,025)	(583)
Net book amount	521	1,522	158
Year ended 30 June 2005			
Opening net book amount	521	1,522	158
Acquisition of subsidiaries	-	-	322
Additions	-	-	339
Disposals	-	-	(56)
Depreciation charge	-	(65)	(98)
Net book amount	521	1,457	665
At 30 June 2005			
Cost	521	2,547	1,375
Accumulated depreciation	-	(1,090)	(710)
Net book amount	521	1,457	665

Plant and equipment \$000	Furniture and office equipment \$000	Motor vehicles \$000	Total \$000
15,544	16,849	3,438	38,474
5,020	38	-	5,058
11,237	3,991	1,359	17,724
(862)	(5,081)	(24)	(5,967)
(7,177)	(49)	(681)	(9,720)
(4,620)	(3,969)	(1,147)	(10,027)
19,142	11,779	2,945	35,542
34,897	31,716	7,265	76,347
(15,755)	(19,937)	(4,320)	(40,805)
19,142	11,779	2,945	35,542

Plant and equipment \$000	Furniture and office equipment \$000	Motor vehicles \$000	Total \$000
26,046	39,818	7,257	76,930
(14,262)	(24,211)	(3,845)	(43,926)
11,784	15,607	3,412	33,004
11,784	15,607	3,412	33,004
1,388	81	20	1,811
18,460	5,316	1,169	25,284
(12,199)	(291)	(15)	(12,561)
(3,889)	(3,864)	(1,148)	(9,064)
15,544	16,849	3,438	38,474
30,882	44,717	7,622	87,664
(15,338)	(27,868)	(4,184)	(49,190)
15,544	16,849	3,438	38,474

(b) 2006 Parent

	Freehold land \$000	Freehold buildings \$000	Furniture and office equipment \$000	Motor vehicles \$000	Total \$000
Period ended 30 June 2006					
Opening net book amount	114	749	23	22	908
Additions	-	93	11	-	104
Disposals	(114)	(842)	-	(16)	(972)
Depreciation charge	-	-	(7)	(6)	(13)
Closing net book amount	-	-	27	-	27
At 30 June 2006					
Cost	-	-	147	-	147
Accumulated depreciation	-	-	(120)	-	(120)
Net book amount	-	-	27	-	27

2005 Parent

	Freehold land \$000	Freehold buildings \$000	Furniture and office equipment \$000	Motor vehicles \$000	Total \$000
At 1 July 2004					
Cost	114	815	151	40	1,120
Accumulated depreciation	-	(36)	(130)	(11)	(177)
Net book amount	114	779	21	29	943
Year ended 30 June 2005					
Opening net book amount	114	779	21	29	943
Additions	-	-	14	-	14
Disposals	-	-	(4)	-	(4)
Depreciation charge	-	(30)	(8)	(7)	(45)
Net book amount	114	749	23	22	908
At 30 June 2005					
Cost	114	815	137	40	1,106
Accumulated depreciation	-	(66)	(114)	(18)	(198)
Net book amount	114	749	23	22	908

On 30 June 2006 five properties owned by the Group were sold on sale and operating lease back terms. The aggregate selling price of these properties was \$4.645 million (plus GST where applicable).

The latest government valuation of freehold land and buildings at 30 June 2006 amounts to \$0.6 million (2005: \$2.8 million).

15. Taxation

(a) Future tax benefit Group

	Prepaid tax \$000	Depreciation \$000	Provisions \$000	Other \$000	Total \$000
At 1 July 2004	5,308	319	1,102	1,713	8,442
Credited/(debited) to the income statement	1,962	(29)	58	1,362	3,353
Movement in imputation credit account	6,237	-	-	-	6,237
Reclassified to tax payable	(2,410)	-	-	-	(2,410)
Current tax	(5,489)	-	-	6	(5,483)
At 30 June 2005	5,608	290	1,160	3,081	10,139
Credited/(debited) to the income statement	-	(53)	734	(713)	(32)
Acquisition/disposal of subsidiaries	-	(459)	1,503	(756)	288
Movement in imputation credit account	2,987	-	-	-	2,987
Reclassified to tax payable	2,819	-	-	-	2,819
Current tax	(4,232)	-	-	-	(4,232)
At 30 June 2006	7,182	(222)	3,397	1,612	11,969

Parent

	Prepaid tax \$000	Depreciation \$000	Provisions \$000	Other \$000	Total \$000
At 1 July 2004	5,308	4	273	-	5,585
Credited/(debited) to the income statement	1,962	(1)	(132)	-	1,829
Movement in imputation credit account	6,237	-	-	-	6,237
Current tax	(5,509)	-	(1)	-	(5,510)
At 30 June 2005	7,998	3	140	-	8,141
Credited/(debited) to the income statement	-	-	133	(341)	(208)
Movement in imputation credit account	3,040	-	-	-	3,040
Current tax	(4,298)	-	-	-	(4,298)
At 30 June 2006	6,740	3	273	(341)	6,675

(b) Current tax liabilities

	Group		Parent	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Movements				
Balance at beginning of period	-	3,647	3,674	3,118
Movement in imputation credit account	3,040	6,237	3,040	6,237
Reclassified from prepaid tax	2,819	(2,410)	-	-
Tax on cash flow hedge reserve	1,877	-	-	-
Current tax	5,085	3,182	-	-
Acquisition/disposal of subsidiary	301	(291)	-	-
Tax paid	(8,096)	(10,365)	(3,341)	(5,681)
Balance at end of period	5,026	-	3,373	3,674

16. Intangible assets

Group	Computer software \$000	Brands \$000	Intellectual property \$000	Goodwill \$000	Total \$000
At 1 July 2004					
Cost	2,640	783	-	14,033	17,456
Accumulated amortisation	(902)	-	-	-	(902)
Impairment	-	-	-	-	-
Net book amount	1,738	783	-	14,033	16,554
Year ended 30 June 2005					
Opening net book amount	1,738	783	-	14,033	16,554
Additions	480	-	-	-	480
Acquisition of subsidiaries	95	7,200	245	19,993	27,533
Amortisation charge	(387)	-	(35)	-	(422)
Closing net book amount	1,926	7,983	210	34,026	44,145
At 30 June 2005					
Cost	3,190	7,983	245	34,026	45,444
Accumulated amortisation and impairment	(1,264)	-	(35)	-	(1,299)
Net book amount	1,926	7,983	210	34,026	44,145
Year ended 30 June 2006					
Opening net book amount	1,926	7,983	210	34,026	44,145
Acquisition of subsidiaries	115	-	-	33,318	33,433
Additions	615	-	-	-	615
Disposals	(23)	-	-	(196)	(219)
Amortisation charge	(554)	-	-	-	(554)
Impairment	-	-	(210)	(4,909)	(5,119)
Closing net book amount	2,079	7,983	-	62,239	72,301
At 30 June 2006					
Cost	3,897	7,983	210	67,148	79,238
Accumulated amortisation and impairment	(1,818)	-	(210)	(4,909)	(6,937)
Net book amount	2,079	7,983	-	62,239	72,301

There are no intangible assets in the Parent Company.

The BBQ Factory Limited brands of \$7.2 million are regarded by the Directors as having an indefinite useful life as there is no foreseeable limit to the period over which the brands are expected to generate net cash inflows for the subsidiary.

Impairment tests for goodwill and indefinite life brands

Goodwill and brands are allocated to the Group's cash generating units (CGUs) identified according to subsidiary. A summary of the goodwill and brands by segment is presented below:

	2006 \$000	2005 \$000
Automotive		
Diesel Distributors Ltd - Goodwill	1,406	1,406
Diesel Distributors Australia Pty Ltd - Goodwill	983	159
Goodwill on acquisitions by subsidiaries	2,650	3,001
	5,039	4,566
Industrial		
TRS Tyre & Wheel Ltd - Goodwill	9,366	9,366
	9,366	9,366
Retail		
BBQ Factory Ltd- Goodwill	10,716	14,976
- Brands	7,200	7,200
R Hannah & Co Ltd - Goodwill	7,002	1,230
- Brands	783	783
Discount Shoe Warehouse- Goodwill	24,109	-
Goodwill on acquisitions by subsidiaries	1,273	154
	51,083	24,343
Diversified		
Elldex Packaging Ltd - Goodwill	4,734	3,734
	4,734	3,734
	70,222	42,009

Goodwill on acquisitions by subsidiaries principally relates to acquisitions of franchises and branches by Brake & Transmission NZ Limited, BBQ Factory Limited and Diesel Distributors Australia Pty Limited.

On an annual basis, the recoverable amount of the goodwill and brands above is determined based on value in use calculations for each cash generating unit, being the subsidiary the goodwill or brands relates to.

These value in use calculations are based on financial budgets and forecasts approved by the Directors covering periods up to 4 years forward. Cash flows beyond this period are extrapolated using the estimated growth rates stated below. The growth rates do not exceed the long-term average growth rate for the business in which the CGU operates.

The key assumptions used for the value in use calculations are as follows:

	Automotive	Industrial	Retail	Other
EBIT growth rate	3.0%	3.0%	3.0%	3.0%
Discount rate	14.0%	13.0%	14.0%	13.0-15.0%
Cash flow forecast period	25 years	25 years	25 years	25 years

Management have determined the initial EBIT based on the 2006/07 budget. The growth rates are consistent with past experience. The discount rates used are pre-tax and reflect specific risks relating to the CGUs. The cash flow forecast period of 25 years has been selected based on there being no foreseeable limit over which the cash generating unit is expected to derive net cash inflows for the Group.

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

17. Payables, provisions and deferred consideration**(a) Current**

	Group		Parent	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Trade and other payables	40,425	39,009	824	137
Payables to related parties	753	602	753	602
Provisions	5,064	3,537	1,287	575
	46,242	43,148	2,864	1,314

The fair value of trade and other payables approximates their carrying value.

(b) Non-current

	Group		Parent	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Payables	376	1,084	-	-
Provisions	704	2,244	704	2,244
	1,080	3,328	704	2,244

(c) Effective interest rates

	Group		Parent	
	2006 %	2005 %	2006 %	2005 %
Amounts due to related parties	7.25	7.25	7.25	7.25

(d) Provisions**Group**

	Rent abatement \$000	Maintenance provisions \$000	Warranty provisions \$000	Other \$000	Total \$000
At 1 July 2005	2,244	1,492	397	1,648	5,781
Charged/(credited) in income statement	(572)	3,471	432	2,759	6,090
Used during the period	(498)	(3,371)	(212)	(2,022)	(6,103)
At 30 June 2006	1,174	1,592	617	2,385	5,768

Parent

	Rent abatement \$000	Maintenance provisions \$000	Warranty provisions \$000	Other \$000	Total \$000
At 1 July 2005	2,244	-	-	575	2,819
Charged/(credited) in income statement	(572)	-	-	796	224
Used during the period	(498)	-	-	(554)	(1,052)
At 30 June 2006	1,174	-	-	817	1,991

Analysis of total provisions

	Group		Parent	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Non-current	704	2,244	704	2,244
Current	5,064	3,537	1,287	575
	5,768	5,781	1,991	2,819

The rental payable by Kirkcaldie & Stains Limited has been underwritten to the extent of the difference between rental payable under the terms of the lease and the higher of market rental or 5% of turnover on the basis that the underwritten payment by Hellaby Holdings will not be higher than the previous year. The rent abatement provision is expected to be utilised by December 2008.

The maintenance provision relates to maintenance obligations in relation to equipment leased to customers for a period of 3 to 5 years. The provision is estimated based on historic maintenance costs and is expected to be utilised over the period of the leases.

The warranty provision relates to warranties offered on goods sold to customers. The provision has been estimated based on historic costs and is expected to be utilised over the warranty period, being typically one year.

Other provisions include a provision for employee entitlements which are expected to be utilised within one year.

(e) Deferred Consideration

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. Of the estimated purchase price of \$34.3 million, \$5.8 million has been paid as at 30 June 2006 with \$9.0 million payable within 12 months. The remaining \$19.5 million payable has been estimated based on forecast multiple of earnings before interest and tax for the years ending 31 August 2005 to 31 August 2008, less external debt at these dates.

18. Borrowings and capital notes

(a) Current

Group	Effective interest rate		2006 \$000	2005 \$000
	2006 %	2005 %		
Secured				
Bank overdrafts	9.15	9.00	945	64
Bank loans	8.07	7.50	10,093	7,894
Trade loans	1.25	1.25	6,803	2,100
Total secured current interest bearing borrowings			17,841	10,058
Unsecured				
Loans	-	7.25	-	440
Total unsecured current interest bearing borrowings			-	440

Parent	Effective interest rate		2006 \$000	2005 \$000
	2006 %	2005 %		
Unsecured				
Loans	-	7.25	-	440
Total unsecured current interest bearing borrowings			-	440

(b) Non - current

Group	Effective interest rate		2006 \$000	2005 \$000
	2006 %	2005 %		
Secured				
Bank loans	7.75	7.25	43,000	83,000
Total non-current interest bearing borrowings	7.75	7.25	43,000	83,000
Parent				
		Effective interest rate		
		2006 %	2005 %	2006 \$000
Secured				
Bank loans	7.75	7.25	43,000	83,000
Total non-current interest bearing borrowings	7.75	7.25	43,000	83,000

The exposure of the Group's borrowings to interest rate changes and the contractual repricing date at the balance sheet date are as follows:

	Group		Parent	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
6 months or less	43,000	83,000	43,000	83,000
	43,000	83,000	43,000	83,000

The maturity of non-current borrowings is as follows:

	Group		Parent	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Between 1 and 2 years	43,000	83,000	43,000	83,000
	43,000	83,000	43,000	83,000

The carrying amount of the current and non-current borrowings approximates their fair value.

Security for secured current and non-current borrowings is provided in the form of a floating debenture over all assets.

The carrying amounts of the Group's borrowings are denominated in New Zealand Dollars.

The Group has the following undrawn borrowing facilities:

	Group		Parent	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Floating rate:				
Expiring within one year	74,403	25,680	62,399	13,000

(c) Capital notes

On 26 June 2006 Hellaby Holdings issued 50.0 million capital notes with an aggregate face value of \$50.0 million, net of issue costs of \$1.85 million. The issue costs include \$151,000 paid to the principal auditor.

The notes mature on 15 June 2011, and at the option of Hellaby Holdings allow the holder to redeem the notes for cash, give the holder the option to renew the notes on new terms and conditions, or subject to shareholder approval, convert into ordinary shares. The notes can also be redeemed early at the option of Hellaby Holdings from 16 June 2008. Interest on the notes is payable at 8.5% per annum, quarterly in arrears.

19. Imputation credits

	Group		Parent	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Balances				
Imputation credit account credit/(debit) balance	47	344	(3,373)	(3,674)
Movements				
Imputation credit account				
Dividends paid	8,500	9,317	8,390	9,127
Dividends received	(462)	(732)	(5,391)	(2,971)
Taxation paid	(7,741)	(10,348)	(3,300)	(5,600)
	297	(1,763)	(301)	556

20. Acquisitions

- (a) 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.

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

	2006 \$000
Purchase consideration	
Cash paid	5,784
Deferred settlement	28,548
Total consideration	34,332
Less fair value of net identifiable assets acquired	(10,223)
Goodwill	24,109

The goodwill relates to the capabilities of management, the established infrastructure and the overall acquired profitability of the business.

	2006 \$000
Total consideration	34,332
Less deferred settlement	(28,548)
Less prepaid costs	(60)
Plus net overdraft on acquisition	28
Outflow of cash	5,752

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	4,888	4,888
Loans and advances	608	608
Future income tax benefit	296	296
Intangible assets	357	357
Receivables	321	321
Inventory	13,115	13,115
Cash on hand	177	177
Payables & accruals	(3,748)	(3,748)
Borrowings	(5,586)	(5,586)
Bank overdraft	(205)	(205)
Net assets acquired	10,223	10,223

Discount Shoe Warehouse Limited contributed a surplus after tax to the Group income statement since acquisition to 30 June 2006 of \$4.4 million and revenue of \$72.8 million.

- (b) On 1 October 2005 Brake & Transmission NZ Limited purchased the trade and assets of Automotive Supplies Thames. On 1 April 2006 Diesel Distributors Australia Pty Limited purchased the assets of B&E Diesel Spares. On 1 September 2005 BBQ Factory Limited acquired the Manukau, Tauranga and Rotorua franchises and on 1 October 2005 the Hamilton franchise.

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

	2006 \$000
Purchase consideration	
Cash paid	3,861
Less fair value of net identifiable assets acquired	(1,667)
Goodwill	2,194

The goodwill relates to the capabilities of management, the established infrastructure and the overall acquired profitability of the business.

	2006 \$000
Total consideration	3,861
Outflow of cash	3,861

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	170	170
Inventory	1,505	1,505
Prepayments	37	37
Payables	(45)	(45)
Net assets acquired	1,667	1,667

The contribution to surplus after tax to the Group income statement since acquisition to 30 June 2006 is \$0.46 million. The revenue and surplus after tax had the trade and assets been acquired at the beginning of the period are estimated at \$10.8 million and \$0.67 million respectively.

(c) On 1 July 2005 Hellaby Holdings acquired a further 9.2% of R Hannah & Co Limited for consideration of \$6.25 million and on 31 March 2006 a further 5.8% for consideration of \$2.35 million, resulting in goodwill of \$5.77 million. The additional contribution to surplus after tax to the Group income statement had the 5.8% been acquired at the beginning of the period is \$0.092 million.

(d) On 31 August 2004 Hellaby Holdings purchased the shares of BBQ Factory Limited.

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

	2005 \$000
Purchase consideration	
Cash paid	25,607
Less fair value of net identifiable assets acquired	(3,431)
Intangible assets	22,176
Intangible assets being:	
Brands	7,200
Goodwill	14,976
	22,176

The goodwill relates to the capabilities of management, the established infrastructure and the overall acquired profitability of the business. The brands relate to the brand "The BBQ Factory" together with a number of house brands.

	2005 \$000
Total consideration	25,607
Overdraft on acquisition	749
Outflow of cash	26,356

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	392	392
Intangible assets	95	95
Receivables	2,769	2,769
Inventory	7,753	7,306
Derivative financial instruments	-	(630)
Payables & accruals	(5,752)	(5,752)
Borrowings	(749)	(749)
Net assets acquired	4,508	3,431

BBQ Factory Limited contributed a surplus after tax to the Group income statement for the period since acquisition to 30 June 2005 of \$0.6 million. The revenue and deficit after tax had the trade and assets been acquired at the beginning of the period are estimated at \$36.3 million and \$0.5 million respectively.

- (e) On 1 February 2005 Hellaby Holdings Limited purchased the assets and business undertaking of Elldex Packaging Limited for total consideration of \$10.2 million.

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

	2006 \$000	2005 \$000
Purchase consideration		
Cash paid	1,000	9,204
Fair value of net identifiable assets acquired	-	(5,470)
Goodwill	1,000	3,734

The goodwill relates to the capabilities of management, the established infrastructure and the overall acquired profitability of the business.

	2006 \$000	2005 \$000
Total consideration	1,000	9,204
Cash on hand on acquisition	-	(7)
Outflow of cash	1,000	9,197

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	1,399	1,399
Receivables	3,722	3,722
Inventory	3,915	3,915
Cash	7	7
Payables & accruals	(3,573)	(3,573)
Net assets acquired	5,470	5,470

Elldex Packaging Limited contributed a surplus after tax to the Group income statement since acquisition to 30 June 2005 of \$0.6 million. The revenue and surplus after tax had the trade and assets been acquired at the beginning of the period are estimated at \$22.1 million and \$1.7 million respectively.

- (f) On 1 November 2004 Hellaby Holdings acquired a 40% shareholding in Teamwork Inteletrac Limited, increasing to 55% on 31 May 2005, to 95% on 30 November 2005 and to 100% on 28 March 2006 for consideration of \$0.3 million. On 1 February 2005 Brake & Transmission acquired the trade and assets of John Bates Auto Supplies. On 28 February 2005 Diesel Distributors Australia Pty Limited acquired the trade and assets of Combine Diesel.

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

	2005 \$000
Purchase consideration	
Cash paid	1,906
Fair value of net identifiable assets acquired	(623)
Goodwill	1,283

The goodwill relates to the capabilities of management, the established infrastructure and the overall acquired profitability of the business.

	2005 \$000
Total consideration	1,851
Less cash on acquisition	(300)
Outflow of cash	1,551

Assets and liabilities acquired

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

	Acquired value \$000	Fair value \$000
Intangible assets	245	245
Property, plant and equipment	20	20
Inventory	303	303
Cash on hand	300	300
Minority interest	(245)	(245)
Net assets acquired	623	623

The contribution to surplus after tax to the Group income statement for the period since acquisition to 30 June 2005 is \$0.06 million. The revenue and surplus after tax had the trade and assets been acquired at the beginning of the period are estimated at \$1.3 million and \$0.3 million respectively.

21. Disposals

(a) On 30 June 2006 Rodd & Gunn Limited sold the assets of the company.

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

	2006 \$000
Sale consideration	12,285
Less acquisition of 2.5% shareholding	(361)
Less costs of disposal	(148)
Less fair value of net identifiable assets disposed	(5,900)
Gain on sale	5,876
Total consideration	12,285
Less acquisition of 2.5% shareholding	(361)
Less sale price as short term loan	(1,000)
Less cash on disposal	(779)
Inflow of cash	10,145

Assets and liabilities disposed

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

	Disposal value \$000
Property, plant and equipment	5,896
Future income tax benefit	205
Receivables	1,403
Inventory	5,306
Cash on hand	779
Derivative financial instruments	1,098
Payables & accruals	(3,855)
Borrowings	(2,511)
	8,321
Less minority interest	(1,328)
Less gain on cashflow hedge reserve	(1,093)
Net assets disposed	5,900

Rodd & Gunn Limited contributed a surplus after tax to the Group income statement for the period to disposal of \$1.8 million.

(b) On 31 December 2005 Hellaby Holdings sold the 75% shareholding in Oakleys Plumbing Supplies Limited.

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

	2006 \$000
.....	
Sale consideration	
Cash received	723
Less fair value of net identifiable assets disposed	(519)
Gain on sale	204
Total consideration	723
Overdraft on disposal	433
Inflow of cash	1,156

Assets and liabilities disposed

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

	Disposal value \$000
.....	
Property, plant and equipment	71
Future income tax benefit	79
Receivables	1,424
Inventory	792
Payables & accruals	(1,241)
Bank overdraft	(433)
	692
Less minority interest	(173)
Net assets disposed	519

Oakleys Plumbing Supplies Limited contributed a surplus after tax to the Group income statement for the period to disposal of \$0.17 million.

22. Contributed equity

	No of shares		Group and Parent	
	2006 Shares	2005 Shares	2006 \$000	2005 \$000
.....				
Opening ordinary shares	49,196,896	49,197,086	16,286	16,287
Shares issued under dividend reinvestment plan	312,857	-	1,305	-
Shares repurchased during the year as treasury stock	-	(190)	-	(1)
Total ordinary shares	49,509,753	49,196,896	17,591	16,286

All shares on issue are fully paid and have no par value. All ordinary shares rank equally with one vote attached to each fully paid ordinary share with the exception of treasury stock as all their rights and obligations are suspended. Treasury stock as at 30 June 2006 totalled 801,549 shares (30 June 2005: 1,114,406 shares).

On 3 March 2006 Hellaby Holdings announced it was introducing a dividend reinvestment plan, providing shareholders with the opportunity to utilise all or part of their dividends to purchase shares in Hellaby Holdings. 312,857 shares, previously held as treasury stock, were issued on 28 April 2006 to shareholders who participated in the dividend reinvestment plan with a value of \$1.3 million.

23. Capital and reserves

Group

	Share capital \$000	Cashflow hedge \$000	Retained earnings \$000	Minority interest \$000	Total \$000
Balance at 1 July 2004	16,287	-	81,755	3,611	101,653
Total recognised income and expense	-	-	23,196	596	23,792
Dividend payment	-	-	(18,695)	-	(18,695)
Shares repurchased	(1)	-	-	-	(1)
Balance at 30 June 2005	16,286	-	86,256	4,207	106,749
Balance at 1 July 2005	16,286	-	86,256	4,207	106,749
Total recognised income and expense	-	-	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 minority interest	-	-	-	(4,207)	(4,207)
Cash Flow hedges:					
Fair value gains in period	-	5,688	-	-	5,688
Tax on fair value gains	-	(1,877)	-	-	(1,877)
Balance at 30 June 2006	17,591	3,811	92,132	-	113,534

Parent

	Share capital \$000	Retained earnings \$000	Total \$000
Balance at 1 July 2004	16,287	21,803	38,090
Total recognised income and expense	-	42,382	42,382
Dividend payment	-	(18,695)	(18,695)
Shares repurchased	(1)	-	(1)
Balance at 30 June 2005	16,286	45,490	61,776
Balance at 1 July 2005	16,286	45,490	61,776
Total recognised income and expense	-	15,034	15,034
Dividend payment	1,305	(17,219)	(15,914)
Balance at 30 June 2006	17,591	43,305	60,896

24. Dividends – ordinary shares

	Cents per share		Group and Parent	
	2006 Cents	2005 Cents	2006 \$000	2005 \$000
Interim dividends for the year ended 30 June 2006	15	-	6,074	-
Final dividend for the year ending 30 June 2005	20	-	9,840	-
Interim dividend for the year ended 30 June 2005	-	19	-	9,347
Final dividend for the year ended 30 June 2004	-	19	-	9,348
	35	38	15,914	18,695

Dividends are paid in cash or through the issue of shares in accordance with the dividend reinvestment plan (see Note 22).

The dividends are fully imputed. Supplementary dividends of \$91,000 (2005: \$80,000) were paid to shareholders not tax-resident in New Zealand for which Hellaby Holdings received a foreign investor tax credit entitlement.

25. Related party transactions

(a) Loans (to)/from related parties

During the period Hellaby Holdings advanced and repaid loans to subsidiaries and associates. Amounts outstanding are detailed in Notes 9 and 17.

	Group		Parent	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Loan from associates				
Beginning of the period	601	301	601	301
Loans received	151	300	151	300
End of the period	752	601	752	601
Loans (to) subsidiaries				
Beginning of the period	-	-	(73,308)	(30,810)
Loans made	-	-	3,779	(43,350)
Interest credited	-	-	(7,854)	(6,749)
Interest received	-	-	7,756	7,209
Provision for impairment	-	-	691	392
End of the period	-	-	(68,936)	(73,308)

(b) Transactions with key management

Automotive franchise holder, Midas New Zealand, was acquired on 1 June 2003 by parties associated with Hellaby Holdings directors, H Green, R Carter and D Houldsworth, and Brake & Transmission NZ Limited Chief Executive, G Horne. Products of \$1,254,000 were sold by Brake & Transmission NZ Limited to Midas franchisees during the year (2005: \$970,000) on normal trade terms. The purchase rebate payable to Midas franchisees for the year ended 30 June 2006 is \$37,000 (2005: Nil). \$196,000 is owing to the Group at 30 June 2006 (30 June 2005: \$75,000).

Brake & Transmission NZ Limited leases premises at Omega Street, North Harbour, Auckland owned by G Horne's family trust. Lease payments of \$524,000 were made for the year (2005: \$466,804). There is no balance owing to the Group at 30 June 2006 (30 June 2005: Nil).

On 30 June 2006 a property occupied by Levana Textiles at Stanley Street, Levin, was sold to a family trust associated with D Houldsworth, Managing Director of Hellaby Holdings. Lease payments are being made on normal arms length terms.

During the year \$1,385,612 of loans and current account balances, and \$35,271 of interest was repaid to parties associated with the Discount Shoe Warehouse Limited Chief Executive, G Peterson. These repayments were made in accordance with the Shareholders' Agreement executed at the time Hellaby Holdings acquired its 80% equity stake in Discount Shoe Warehouse Limited.

On 30 June 2006 the trade and assets of Rodd & Gunn Limited were sold to a company associated with Rodd & Gunn Limited Chief Executive, M Beagley. Details of the transaction are disclosed in Note 21 (a).

During the year 15% of the shares in R Hannah & Co Limited were purchased from R Hannah & Co Limited Chief Executive, M Beagley. Details of the transaction are disclosed in Note 20 (c).

(c) Key management compensation was as follows:

	Group		Parent	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Salaries and other short term employee benefits	3,096	2,785	917	656

26. Capital expenditure commitments

	Group		Parent	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Commitments at the end of the period not provided for in the financial statements	1,388	1,240	-	-

27. Operating lease commitments

	Group		Parent	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Lease commitments expire as follows:				
Within one year	36,052	35,919	78	70
One to two years	30,939	28,549	11	70
Two to five years	54,636	47,506	6	2
More than five years	16,460	10,431	-	-
Total operating lease commitments	138,087	122,405	95	142

The Group leases various retail outlets, offices and warehouses under non-cancellable operating lease agreements. The leases reflect normal commercial arrangements with varying terms, escalation clauses and renewal rights.

The lease expenditure charged to the income statement during the period is disclosed in Note 5.

28. Contingent liabilities

	Group		Parent	
	2006 \$000	2005 \$000	2006 \$000	2005 \$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	45,637	33,439	-	-
Guarantee in respect of subsidiary company borrowings	-	-	1,181	1,091
Letters of credit	6,759	4,157	-	-
Total contingent liabilities	52,396	37,596	1,181	1,091

29. Events after balance date

Hellaby Holdings has declared a final dividend of 16 cents, fully imputed, payable 6 October 2006 (2005: 20 cents).

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

	Group		Parent	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Operating profit before taxation	33,096	29,319	14,139	40,541
Adjusted for:				
Depreciation expense	10,027	9,064	13	45
Intangible assets impairment	5,119	-	-	-
Amortisation	570	422	16	-
Unrealised exchange (gains)/losses	(1,137)	128	-	-
Share of retained surpluses of associated companies	(680)	(1,309)	-	-
Net profit on sale of assets/shares	(10,232)	(1,478)	(2,739)	(771)
Taxation	(8,096)	(10,635)	(3,341)	(5,681)
Provision for investments to net tangible value	97	(34)	4,816	1,144
Impact of changes in working capital items:				
Decrease/(increase) in debtors and prepayments	307	(6,132)	(63)	(35,004)
Increase/(decrease) in creditors and provisions	1,072	(1,474)	(642)	26
(Increase) in inventories	(16,690)	(4,635)	-	-
Net cash inflow from operating activities	13,453	13,236	12,199	300

31. Explanation of transition to New Zealand equivalents to IFRS**(a) Reconciliation of profit for the 12 months ended 30 June 2005**

Group		NZ FRS	Effect of transition	NZ IFRS
	Notes	\$000	to NZ IFRS	\$000
			\$000	
<hr/>				
Revenue				
Sale of goods		390,230	-	390,230
Other income		2,148	-	2,148
Expenses	1			
Cost of inventory sold		220,957	-	220,957
Rental & operating leases		33,458	-	33,458
Salaries & wages		60,101	-	60,101
Depreciation & amortisation	2	11,850	(2,364)	9,486
Other expenses	1	34,017	(14)	34,003
Profit before finance costs		31,995	2,378	34,373
Finance costs		(5,806)	-	(5,806)
Share of profit from associates		752	-	752
Profit before tax		26,941	2,378	29,319
Income tax expense		(5,318)	-	(5,318)
Profit after tax		21,623	2,378	24,001
Minority interest in surpluses of subsidiaries		(765)	(40)	(805)
Profit after tax attributable to Shareholders of Parent Company		20,858	2,338	23,196
<hr/>				
Parent		NZ FRS	Effect of transition	NZ IFRS
	Notes	\$000	to NZ IFRS	\$000
			\$000	
<hr/>				
Revenue				
Other income	6	22,224	21,334	43,558
Expenses	1			
Rental & operating leases		80	-	80
Salaries & wages		1,641	-	1,641
Depreciation & amortisation	2	235	(190)	45
Other expenses		2,708	-	2,708
Profit before finance costs		17,560	21,524	39,084
Finance costs		1,457	-	1,457
Profit before tax		19,017	21,524	40,541
Income tax expense		1,841	-	1,841
Profit after tax attributable to Shareholders of Parent Company		20,858	21,524	42,382

(b) Reconciliation of equity at 30 June 2004 – opening position

Group	Notes	NZ FRS \$000	Effect of transition to NZ IFRS \$000	NZ IFRS \$000
ASSETS				
Current assets				
Inventories		78,734	-	78,734
Receivables and prepayments	3	38,513	(62)	38,451
Cash and cash equivalents		4,308	-	4,308
Future tax benefit	4	3,628	(3,628)	-
Other current assets		245	-	245
Total current assets		125,428	(3,690)	121,738
Non-current assets				
Property, plant and equipment	2	34,742	(1,738)	33,004
Intangible assets	2	14,816	1,738	16,554
Investments		10,072	-	10,072
Future tax benefit	4	4,814	3,634	8,448
Total non-current assets		64,444	3,634	68,078
Total Assets		189,872	(56)	189,816
LIABILITIES				
Current liabilities				
Current tax liabilities		3,647	-	3,647
Payables and provisions	5	36,111	18	36,129
Borrowings		11,501	-	11,501
Total current liabilities		51,259	18	51,277
Non-current liabilities				
Provisions		2,885	-	2,885
Borrowings		34,000	-	34,000
Total non-current liabilities		36,885	-	36,885
Total Liabilities		88,144	18	88,162
Net Assets		101,728	(74)	101,654
EQUITY				
Contributed equity		16,287	-	16,287
Retained earnings		81,827	(71)	81,756
Minority interest		3,614	(3)	3,611
Total Equity		101,728	(74)	101,654

Parent		NZ FRS	Effect of transition to NZ IFRS	NZ IFRS
	Notes	\$000	\$000	\$000
ASSETS				
Current assets				
Inventories		-	-	-
Receivables and prepayments		31,654	-	31,654
Cash and cash equivalents		4	-	4
Future income tax benefit		3,118	(3,118)	-
Other current assets		245	-	245
Total current assets		35,021	(3,118)	31,903
Non-current assets				
Property, plant and equipment		943	-	943
Intangible assets	6	1,230	(1,230)	-
Investments	6	100,390	(58,794)	41,596
Future tax benefit		2,467	3,118	5,585
Total non-current assets		105,030	(56,906)	48,124
Total Assets		140,051	(60,024)	80,027
LIABILITIES				
Current liabilities				
Current tax liabilities		3,118	-	3,118
Payables and provisions		1,251	-	1,251
Borrowings		683	-	683
Total current liabilities		5,052	-	5,052
Non-current liabilities				
Provisions		2,885	-	2,885
Borrowings		34,000	-	34,000
Total non-current liabilities		36,885	-	36,885
Total Liabilities		41,937	-	41,937
Net Assets		98,114	(60,024)	38,090
EQUITY				
Contributed equity		16,287	-	16,287
Retained earnings		81,827	(60,024)	21,803
Total Equity		98,114	(60,024)	38,090

(c) Reconciliation of equity as at 30 June 2005

Group	Notes	NZ FRS \$000	Effect of transition to NZ IFRS \$000	NZ IFRS \$000
ASSETS				
Current assets				
Inventories		94,181	-	94,181
Receivables and prepayments	3	45,493	(47)	45,446
Investments		346	-	346
Cash and cash equivalents		5,601	-	5,601
Total current assets		145,621	(47)	145,574
Non-current assets				
Property, plant and equipment	2	40,400	(1,926)	38,474
Intangible assets	2	39,856	4,289	44,145
Investments		8,391	-	8,391
Future income tax benefit	4	10,133	6	10,139
Total non-current assets		98,780	2,369	101,149
Total Assets		244,401	2,322	246,723
LIABILITIES				
Current liabilities				
Payables and provisions	5	43,130	18	43,148
Borrowings		10,498	-	10,498
Total current liabilities		53,628	18	53,646
Non-current liabilities				
Provisions		2,244	-	2,244
Payables		1,084	-	1,084
Borrowings		83,000	-	83,000
Total non-current liabilities		86,328	-	86,328
Total Liabilities		139,956	18	139,974
Net Assets		104,445	2,304	106,749
EQUITY				
Contributed equity		16,286	-	16,286
Retained profits		83,991	2,265	86,256
Minority interest		4,168	39	4,207
Total Equity		104,445	2,304	106,749

Parent		NZ FRS	Effect of transition to NZ IFRS	NZ IFRS
	Notes	\$000	\$000	\$000
ASSETS				
Current assets				
Inventories		-	-	-
Receivables and prepayments		73,412	-	73,412
Cash and cash equivalents		1,165	-	1,165
Other current assets		330	-	330
Total current assets		74,907	-	74,907
Non-current assets				
Property, plant and equipment		908	-	908
Intangible assets	6	1,040	(1,040)	-
Investments	6	105,952	(37,460)	68,492
Future income tax benefit		8,141	-	8,141
Total non-current assets		116,041	(38,500)	77,541
Total Assets		190,948	(38,500)	152,448
LIABILITIES				
Current liabilities				
Current tax liabilities		3,674	-	3,674
Payables and provisions		1,314	-	1,314
Borrowings		440	-	440
Total current liabilities		5,428	-	5,428
Non-current liabilities				
Borrowings		83,000	-	83,000
Other non-current liabilities		2,244	-	2,244
Total non-current liabilities		85,244	-	85,244
Total Liabilities		90,672	-	90,672
Net Assets		100,276	(38,500)	61,776
EQUITY				
Contributed equity		16,286	-	16,286
Retained profits		83,990	(38,500)	45,490
Total Equity		100,276	(38,500)	61,776

(d) NZ IFRS adjustments – Group and Parent**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. Reclassification of deferred tax

In accordance with NZ IAS 12 deferred tax has been reclassified to non-current assets.

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.

(e) NZ IFRS adjustment – Parent**6. Investments**

Investments in subsidiaries have been restated at the lower of cost less amounts written off or net realisable value.