

HELLABY HOLDINGS LIMITED

Annual General Meeting – 17 November 2006

CHAIRMAN'S ADDRESS

Fellow Shareholders, Ladies and Gentlemen

It gives me much pleasure to introduce the report on behalf of directors, and the financial statements for the year ended 30 June 2006.

The company achieved a tax paid operating surplus of \$23.1 million for the year, utilising IFRS accounting standards, fractionally under the previous year's profit which would have been recorded at \$23.2 million using the same standards, though, as you will recall, our tax paid surplus last year, under the old accounting standards, was \$20.9 million.

Our pre-tax operating surplus of \$32.5 million represented a 14% increase on the previous year's \$28.5 million.

The average return on shareholders funds employed was again 21%, and earnings per share were 46.9 cents compared with 47.1 cents last year. Net asset backing per share was \$2.29, an increase of 10 per cent on the previous year.

Interest payments were \$9.6 million compared with \$5.8 million last year. Tax at \$9.3 million was up on last year's \$5.3 million.

Shareholders will recall that in response to a slow start last year, the directors felt obliged to advise the market that the result for the year could have been down on the previous year by up to 15%. In the event the slow start was offset by improved trading performance during the year and our underlying trading profit turned out to be on a par with the previous year.

Overall the year can be regarded as having been satisfactory, and against this performance, the directors were pleased to declare a final dividend for the year of 16 cents a share, which was paid on 6 October 2006, giving total dividends for the year of 31 cents, fully imputed, compared with 39 cents in the previous year.

For the current year, our first quarter is down on expectation and down on last year, resulting from cyclically slow starts from our retail businesses, while our agricultural tyre business, TRS Tyre and Wheel is experiencing the effects of the current downturn in the agricultural sector. The remaining businesses have been performing to or better than plan.

Nonetheless, after careful review we have not changed our expectations as regards our trading performance for the year. We will review this again when we report our half year results early next year, which will include our retail activities over their busiest trading period.

The adoption of IFRS accounting policies has introduced a significant unknown into our year end financial reporting as a consequence of the application of IAS 39.

The current year strengthening of the New Zealand dollar has seen a revaluation of our unhedged foreign exchange transactions with an impact on the Profit & Loss of around \$1.8 million at the end of the first quarter, which includes an amount relating to last year of around \$750,000.

Of course this situation could reverse before year end if the dollar were to weaken, and in any event these adjustments may make little if any difference to the company's trading performance.

We are working with our advisers to establish a straightforward way of reporting the impact of IAS 39 for the preparation of the half year accounts.

During the year the company successfully raised \$50 million by way of capital notes, the proceeds of which were used to repay existing debt and, as noted in the circulated annual report, undertook a number of transactions including the sale of its interest in Rodd & Gunn and Wool Services International, and the extension of its automotive parts businesses in Australia.

In consequence the company feels well positioned to pursue new acquisitions, should opportunities arise which offer returns consistent with the company's historical performance, and earlier this week we announced the purchase of HCB

Technologies, the largest New Zealand owned importer and distributor of industrial batteries.

At the special general meeting on 9 June 2006 at which we approved the sale of Hellaby's interest in Rodd & Gunn, I reported that Mike Beagley to whom we sold the company would continue as Chief Executive of Hannahs. Mike had fulfilled both roles during the previous 5 years.

Last month we agreed with Mike that he should resign from Hannahs, and I am pleased to report that we have appointed David Gordon as his successor. David has been with Hannahs for over 10 years, most recently as Mike's deputy and chief buyer.

Outlook

I believe the downturn in the agricultural sector, particularly if the New Zealand dollar remains at present levels, will have an increasingly negative impact on the economy which is unlikely to be offset by activity in any other sector. Overall, retailing appears likely to remain flat with improvement sluggish, and non-primary exporting sectors are also experiencing the effect of the strengthened dollar.

We are fortunate that we have strong positions in all of our businesses - automotive components, with our diesel parts company expanding well in Australia, and in forklifts and materials handling equipment, in footwear and plastic film. Against the trend, our fabric knitting and dyeing company, Levana, is

not only a survivor in a declining New Zealand industry, but also an increasing exporter to Australia, South Africa and China.

This makes us less vulnerable to changes in the economy, but we need to be vigilant to ensure that our businesses continue to perform to expectation.

May I conclude by thanking all of our chief executives for their work during the year, including the Group Chief Executive, David Houldsworth, who I now invite to address you.