

## HELLABY HOLDINGS LIMITED

Annual General Meeting

5 November 2009

### CHAIRMAN'S ADDRESS ON BEHALF OF DIRECTORS

Fellow Shareholders

For the year ended 30 June 2009 Hellaby recorded a net profit after tax of \$707,000 compared with a profit of \$4.7 million in the previous year, and a loss of (\$9.8) million in the 2007 year. This is explained principally by the unprecedented deterioration in trading conditions which affected all of our businesses to a greater or lesser degree, and resulted in:

- Total revenue at \$481 million, down 7.6% on the \$520 million recorded last year;
- Trading EBITDA at \$26.5 million, 43.5% down on the prior year; and.
- Trading EBIT at \$18.2 million, 51% down on the previous year.

The expected Group Operating Profit after tax of \$5.3 million, up on the \$4.7 achieved in the prior year, was reduced to \$0.7 million as a consequence of the Board's decision to fully provide against the balance of the loan receivable arising from the divestment of the BBQ Factory last year.

This year's result represents a return of 0.8% on average shareholders' funds (last year 5.5%) and a net asset backing of \$1.67 per share (last year \$1.80).

Earnings per share were 1.4 cents (9.3 cps last year), and, in the circumstances, the directors decided not to declare any distribution for the year. While some dividend may have been justified on the basis of our reported NPAT, the decision reflects the Board's preference, prudently, to retain cash while economic conditions remain uncertain.

The results for the year reflect influences largely beyond the company's control, and it is to their credit that Group and subsidiary managements have been able to maintain the relative position of our companies in their markets, always vigilant for opportunities to improve those positions.

And for those matters which are under our control the news is good.

Our balance sheet strengthened as a consequence of a 40% reduction in core bank debt compared to a year ago, and this has been sustained into the current trading year. This resulted from a deliberate programme of reducing working capital through tight inventory control and debtor management, and a strong focus on cashflow generation, which totalled \$47.8 million for the year, compared with \$30.8 million in the previous year, and \$17.7 million in the year before that.

It is no comfort to the Board that we share the challenges of the current business environment with many New Zealand companies, though that is a reality, and our response has been handicapped by our disastrous investment in BBQ Factory.

We expected our companies to survive the onslaught, and they have. None of our subsidiaries is completely recession proof, though some are more resilient than others. What our portfolio does contain however, is companies which are essential components of New Zealand business activity and of New Zealand life – materials handling and earthmoving equipment, automotive parts and agricultural and industrial tyres, packaging materials, and every-day as well as fashion footwear.

These are not candidates for spectacular growth, but we have dominant positions in each of the sectors in which we operate, and in normal times we have been able to grow our companies incrementally, generating strong cash flows from which we can derive good earnings for future growth and for distribution to shareholders. With our current balance sheet and the vigilance of management, we have survived the recession, from which the commentators say New Zealand has now emerged, and we look forward to when the recovery allows us again to thrive.

During the course of last year we introduced two new directors – James Sclater and Steve Smith, and we announced Hugh Green’s retirement from the Board. In March of this year Bob Carter retired after 16 years service, and I shall be retiring at the conclusion of this meeting, after 14 years service. The Board has appointed Gary Mollard to fill the vacancy created by my retirement, and to bring its number back to 6. Gary Mollard seeks re-election by the Shareholders at today’s meeting, and he will give you a brief summary of his background later in the meeting.

At its meeting this morning the Board elected John Maasland to replace me as its Chairman, subject to him being re-elected later this meeting. John is well experienced in this role and I am sure the company will benefit from his leadership.

This is an extremely strong Board with a diversity of financial and operational experience. While I shall miss working with it, I can say that I leave the Board with every confidence that my continuing investment in the company will be well looked after.

Last year I concluded by thanking John and the team for a year’s hard work, and for establishing a culture aimed at lifting the company’s game. None of us on the Board knew then that the year just passed would be even more difficult. None of us is surprised that that culture served them well, and that John and the team have emerged from the year past with their commitment to the company undiminished. It is a tribute to them all that such is the reputation of the company that they have been able to continue to recruit quality executives into our companies, all of whom see their primary task to be creating value for shareholders.

May I now hand over to our Chief Executive, John Williamson.