

**HELLABY HOLDINGS LIMITED
ANNUAL GENERAL MEETING – 18 NOVEMBER 2005
CHAIRMAN'S ADDRESS**

Fellow Shareholders, Ladies and Gentlemen

It gives me much pleasure to be able to report that the year ended 30 June 2005 was another successful one for the company.

In brief, the company achieved a tax paid surplus of \$20.9 million for the year, compared with \$20.4 million in the previous year.

When these figures are adjusted for one-off tax benefits, Hellaby's underlying tax paid surplus was \$19.9 million, 8% up on the previous year's figure of \$18.5 million.

The pre-tax operating surplus increased by 7% to \$26.2 million compared with \$24.4 million in the prior year.

The average return on shareholders funds employed was 21%, the same as last year, and earnings per share were 42.4 cents, slightly ahead of last year's 41.5 cents.

Asset backing per share increased to \$2.04 from \$1.99 a share in the previous year.

Interest payments were \$5.8 million compared with \$2.4 million in the prior year as a consequence of increased borrowings to finance the several acquisitions undertaken during the year.

In the circumstances directors felt comfortable declaring a final dividend for the year of 20 cents a share fully imputed. Together with the interim dividend of 19 cents a year fully imputed, this gives a total payout for the year of 39 cents a share.

The final dividend was paid on 7 October 2005.

You will be aware that Hellaby has a policy of distributing around 80% of its net profit after tax by way of dividend, which has resulted in a steady increase in payments to shareholders each year. Directors see Hellaby stock as a yield based investment, and this has been recognised in the share price and, from feedback we have received, appreciated by shareholders.

Directors expect to continue this policy.

To date new investments have been funded from retained earnings, realisations from divestments and borrowings, and David Houldsworth will be discussing the implications of this shortly.

In the circulated Annual Report I concluded by saying that the Board was of the view for the 2006 financial year Hellaby would achieve a comfortable increase over the \$19.9 million underlying tax paid profit achieved for the year under review.

Barely a month later we felt obliged, under the continuous disclosure rules of the NZX, to advise that the first quarter sales had not gone well, and that profit for the year might be down by some 15%.

Our share price was already declining consistently with the New Zealand share market "correction", but the profit guidance produced a sharp downward reaction.

David Houldsworth will talk about how we see the situation currently. I want to address the disciplines of the Exchange's continuous disclosure rules. These require that as soon as

directors are aware of material information that may be relevant to an investor, it must inform the Exchange and thus the market.

This is a good discipline, though not straightforward for companies where trading is seasonal. The issue is always whether to disclose in reaction to what might be a short term phenomenon, or wait to see whether that phenomenon is part of a trend. Premature disclosure can be as misleading as tardy disclosure

We will err on the side of relevant disclosure as soon as we discern with sufficient certainty a material change in our profit expectations – up or down.

But the dilemma will not be remedied by frequent disclosure, which puts the onus of discerning trends on shareholders, and could translate characteristic sales volatility into share price volatility.

There is no point in saying that the market tends to over-react to these announcements – the market is never wrong - but there have been a raft of them recently, and Hellaby is not the only company to have been affected. In other markets, I note that the analysts tend to distinguish more between profit performance which is a function of seasonal volatility, and that which is attributable to more fundamental shifts in the company's performance.

The important point for shareholders is to know is that your directors and all of our chief executives are not philosophical about sales volatility. We are committed to reinstating stable growth and meeting our own targets as well as shareholder expectations.

That said, there are some things we cannot control including macro influences in the economy. The predominant sentiment amongst commentators currently is that already flat economic conditions will tighten further until New Zealand gets a better balance between its interest and exchange rates, an improvement in the current account balance, and a rebalancing amongst savings, investment and expenditure.

The key for our companies is to operate in anticipation of these influences in terms of product offerings at retail, and funding and inventory management across the board. You may be assured that our chief executives know this. Importantly, our product sectors are ones which are well established in New Zealand, and may expected to withstand whatever economic bufferings lie ahead with some robustness.

May I conclude by thanking our chief executives for another great year, and for their heads down approach to the current year, and invite our Managing Director and Group Chief Executive, David Houldsworth, to address you.

W J Falconer
Chairman