

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.

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MANAGING DIRECTOR'S REPORT

Thank you Bill.

Good morning Ladies and Gentlemen.

I am pleased to welcome you to the 2006 Annual General Meeting of Hellaby Holdings Limited.

At last year's AGM I noted that after several years of strong growth the New Zealand economy was moving into a more uncertain period.

I think that the events of the past 12 months have proven this to be correct, with interest rates continuing to rise and the New Zealand dollar fluctuating wildly from a peak of 0.7150 in November 2005 to a rate of around 0.6100 at 30 June this year.

In light of these challenging economic conditions it is very pleasing to be able to report that in the year to 30 June 2006 the Hellaby Group was able to record an increase in its net trading surplus to a record \$27.4 million, and an increase in its pre-tax operating surplus to a record \$32.5 million.

However, and as previously advised to Shareholders, the Group's tax expense increased significantly because the various tax losses and tax benefits that the Company has enjoyed in prior years are no longer available. This had the effect of restricting the Group's after tax profit to \$23.1 million, which was in line with the \$23.2 million achieved last year on an IFRS adjusted basis, but some 11% ahead of the profit reported last year under NZ FRS accounting.

Shareholders should be aware that a consequence of this change in the Group's tax position is that Hellaby Group profits will now be subject to higher effective income tax rates than have been enjoyed in the past.

The increase in the Group's trading surplus was as a result of higher contributions from a number of the Group's trading divisions.

The Automotive division recorded sound earnings growth, with Brake & Transmission increasing sales and profit in difficult market conditions, and the profitability of Diesel Distributors increased significantly as a result of the success of its newly established Australian operation.

The increase in profit of the Retail Division reflects a significant profit contribution from newly acquired No1 Shoes which performed well ahead of our expectations, and an increase in profit from Rodd & Gunn, offset by a reduction in profit from Hannahs, and a disappointing result from BBQ Factory due to difficult trading conditions and significant "one-off" items during the year.

The increased contribution from the Diversified Companies Division reflects a full year's contribution from Elldex, which performed in line with our expectations, offset by a reduction in profit from Levana, and a loss from Teamwork Inteletrac, which was sold as at 31 March 2006.

In the Industrial Division, both AB Equipment and Eurolift recorded increased profit contributions, but this was offset by reduced profitability from TRS Tyre & Wheel which suffered from reduced spending in the farming and agricultural sectors.

At last year's AGM I informed Shareholders that a number of alternative strategies were under review to ensure that the Group has an appropriate capital structure to support future growth.

As a consequence of that review the past year has been a period of rationalisation and consolidation with the sale or disposal of a number of smaller or non-core businesses and assets, including the sale of our 82.5% share in Rodd & Gunn, the sale of our 75% shareholding in Oakleys Plumbing Supplies, the disposal of our interest in Teamwork Inteletrac, the sale of our 20% shareholding in NZ Wool Services, and the sale of a number of industrial properties.

The proceeds from these sales have all been used to reduce the Group's borrowings.

Also during the year we introduced a dividend re-investment plan which was set at a pretty generous 5% discount to the prevailing share price.

To my amazement, only around 18% of shareholders have elected to take advantage of this opportunity but despite this lower than expected take-up rate the scheme has succeeded in strengthening our financial position by nearly \$3 million.

In addition, we undertook a very successful \$50 million Capital Notes issue which was strongly supported by Shareholders and the broader investment community and was significantly over-subscribed.

The funds from this Capital Notes issue will provide additional funds for future growth, as well as greater financial flexibility due to the "quasi-equity" nature of these financial obligations.

Also, as part of this rationalisation we increased our shareholding in Hannahs to 100% to consolidate our dominant position in the New Zealand shoe market.

With our ownership of No1 Shoes and Hannahs, we believe that we have around 40% of the New Zealand shoe market and a sound beach head in the Australian shoe market to provide future growth opportunities.

I would like to share with Shareholders a number of good news stories regarding very positive developments happening at a number of our smaller subsidiaries:

- (a) Diesel Distributors Australia has recently been awarded the role of Australian distributor for two leading product ranges (Hartridge test equipment and Delphi diesel engine parts) that will have the potential to increase the sales by our Australian business by up to 50%.

On the basis of the new opportunities that these products will give us, we have committed to opening a fourth Australian branch in Perth, from the beginning of the new year, and a diesel industry training centre in Brisbane.

I would like to congratulate Wayne Dunning, the CEO of Diesel Distributors, for the great job he has done in driving this business expansion into Australia.

- (b) Elldex Packaging has made significant progress on business and new product development, and as a result is looking forward to a strong mix of new business over the next few months.

The company has trials of existing and new products currently underway with around eight major international companies in both New Zealand and Australia which are anticipated to lead to new business of over \$8 million per year.

Congratulations to Todd Valentine and the team at Elldex for driving these new initiatives.

- (c) TRS Tyre & Wheel has recently opened its first Australian branch in Melbourne, and while it is very early days for this operation, we are already seeing a number of significant business opportunities throughout Australia for both tyre and wheel sales.

If this goes according to plan we expect to expand the TRS operation throughout Australia over the next two to three years.

Dave Newland and the TRS team in New Zealand and Australia have done very well to identify and implement this opportunity.

The past 12 months has been relatively quiet on the acquisition front, but I am pleased to note that earlier this week we were able to announce the acquisition of 100% of HCB Technologies.

HCB is the largest New Zealand owned importer and distributor of automotive and industrial batteries and is a great fit with our existing Automotive businesses.

While details of the purchase price of this acquisition have to be kept confidential at this stage, I can confirm that it cost less than 20% of the amount we raised from our Capital Notes issue, and is expected to contribute around 6 to 7% of Group Earnings before Interest and Tax.

In effect, this will replace the earnings we lost when we sold Rodd & Gunn but on a much more attractive earnings multiple.

Shareholders should regard this as a clear indication that our focus for future growth will be on our core Automotive and Industrial business areas.

Economic conditions continue to be difficult and trading conditions remain challenging for a number of the Group's businesses, which emphasises the extent to which the underlying profitability of the Group will continue to reflect changes in the overall New Zealand economy.

In conclusion I would like to acknowledge the support I have received from our Chairman and Directors over the past year and on behalf of Directors and Shareholders I would like to thank the Chief Executives, Management and staff of our subsidiaries and associate companies for their contributions to the success of the Hellaby Group.

Thank you.