

HELLABY HOLDINGS LIMITED

Annual Meeting

11 November 2010

CHAIRMAN'S ADDRESS:

It gives me great pleasure to chair this annual meeting of Hellaby Holdings for the first time.

I have been on the board of Hellaby now for two and a half years and joined the company during a period of major change in my first year the management team had to deal with a global financial crisis, disappearing availability of capital, high debt, significantly weakened demand for its goods and services, and we still owned the BBQ Factory.

That now seems like a long time ago, although as I'm sure you'll agree, the residual effects of many of those events are still with us. However the thing that struck me most was although some of Hellaby's problems seemed close to insurmountable, the management team had a plan – they had identified what they needed to do and what they could control, and worked doggedly one step at a time to achieve their goals and put Hellaby back on track.

When John Williamson stood before you last year, he shared some of that plan with you. Although market confidence had been severely eroded and the company had had to take a lot of pain, his overriding message to you was his belief that the company had been substantially de-risked and had turned the corner. A year later, I'm sure you'll agree he was right.

For the year under review, total group revenue was down 4.8% to \$457 million. Group EBIT was, however, up 11.8% to \$20.3 million, and group net profit after tax was \$10.3 million – well up on the previous year's \$0.7 million.

As a board, we're proud of Hellaby's performance during the past year. Market conditions remained very flat, however while overall sales were down, our subsidiaries have held or gained market share in all sectors. Each of our businesses is now lean, agile and profitable even in challenging market conditions, and is well positioned to take advantage once market demand starts to improve.

On top of a much-improved operating performance, the management team maintained the momentum of its balance sheet reform, and the company now has the most conservative capital structure it has had for a very long time. Two years ago our debt gearing was 61% and at the end of October it was around 30%, following the company's recent equity raising. John will take you through some of the initiatives taken to get there, but I'd like to acknowledge this outstanding achievement.

From a governance perspective, it has been a steady but positive year. Our board, which had undergone a refreshment process over the past three years, has now completed its first full year together and is working as a solid unit. We have overseen the implementation of a number of initiatives that have significantly changed Hellaby's capital structure and have now positioned it for growth. We resumed paying dividends as the company returned to profitability and watched as Hellaby's steady progress was noted and investor confidence slowly started to return.

The final dividend of 5 cents per share is being paid tomorrow. It was calculated on the board's dividend policy of distributing around 50% of NPAT and is being paid on each share in existence after the 3:7 rights issue. It is our intention to maintain this dividend policy going forward.

I'd now like to take you through a couple of financial matters in respect of board and management remuneration. Firstly, the board has been discussing for some time and is in the process of finalising a long term incentive scheme for Hellaby Holdings' senior management team, comprising the managing director, chief financial officer, chief operating officer and chief investment officer.

The scheme is being put in place to recognise the importance of management's role in turning the company around and driving its future growth and its key criteria is simple - total shareholder return, which is measured by the increase in share price plus dividend. In other words, the management team will only receive benefits under this scheme if the total return to shareholders grows consistently over the three year period of its existence. This team has led Hellaby's turnaround, and will continue to lead its future growth, so it's therefore appropriate that they should be able to share a very small proportion of the gains that shareholders will receive over that period.

We will advise the market of the details of this long term incentive scheme when it has been finalised.

Secondly, as indicated in the annual report, directors' fees were increased by 5%, effective 1 July 2010. This amount was within the aggregate fee cap approved by shareholders at Hellaby's 2008 annual meeting and has increased a director's fee from \$50,000 to \$52,500 per annum, and the chairman's fee from \$80,000 to \$84,000 per annum.

In addition, the board commenced payment of a \$10,000 per annum fee effective 1 July 2010 for the chairman of the Audit & Risk Committee, currently James Sclater, which acknowledges the considerable additional workload required of this important governance role.

Directors' fees had not increased since 2008 and the board believes that these increases were in line with current market movements. The intention is to review directors' fees every second year, so as to remain relative to the market.

I'd like to conclude by saying that the achievements over the past year have been immensely satisfying to the board because they have enabled Hellaby to get back into the game as an active investment company. Since I joined the board, the company has been unable to buy any businesses, nor were many of its businesses in great shape to sell.

However this has now changed. We have lean businesses with excellent management teams and growth prospects. We have a portfolio and investment strategy and most importantly, we have the financial capacity to invest in businesses and growth initiatives that add value and provide the returns we require. While many of the economic challenges remain – for the time being – the board believes our businesses are performing very well in their sectors and are now ready to capitalise on opportunities that may come their way.

We are looking forward to some exciting times ahead.

I'll now hand you over to John Williamson. I would like to thank John and his team for another year's hard work.