HELLABY HOLDINGS LTD

Annual General Meeting

Friday 16 November 2007

CHIEF EXECUTIVE'S ADDRESS

(slide 1) John Williamson, Chief Executive

Thank you Bill.

Good morning everyone, I am pleased to have this opportunity to address our shareholders for the first time, as the chief executive of Hellaby Holdings Limited.

I will be briefly taking you through some aspects of last year's performance, and then will talk about how we are addressing the challenges facing us and how we are taking the company forward. I will wrap up with a brief summary of our first quarter performance for the current financial year and our outlook for the year.

(slide 2) Year ended 30 June 2007

As you are aware, Hellaby experienced a significant decline in profitability for the year to 30 June 2007.

(slide 3) Financial performance

Bill outlined the key points of our financial performance. The company's trading surplus before interest, tax, depreciation, amortisation and one-off transactions, reduced by 28% to $34.0 million (compared with last year's $47.6 million), and our final pre-tax operating result was a deficit of ($4.7) million, compared with last year's $32.5 million surplus.

This deficit was due to a combination of factors. These included a decline in operational performance, a number of one-off costs, the non-recurrence of some one-off gains achieved in the previous financial year, and a goodwill and brands impairment of $18.8 million booked for BBQ Factory.

(slide 4) Operational performance

Looking at operational performance, we were in an unusual situation during the last financial year where all of our four divisions experienced difficult trading conditions, particularly during the first half of the year. While performance improved during the second half, all divisions returned lower trading surpluses compared with the previous year.

The Automotive Parts division experienced tough trading conditions during the year. BNT was mainly affected by currency hedging adjustments, and a slower than planned expansion into Australia affected the performance of Diesel Distributors. The division's earnings before interest and tax were $12.8 million, compared to $14.0 million last year.

The Industrial division is made up of three materials handling companies - AB Equipment, AB Rental and Eurolift - and a fourth company, TRS Tyre & Wheel, the specialist tyre and wheel business. AB Equipment and Eurolift both experienced a particularly difficult first half, due to a downturn in demand for forklifts, and ongoing import supply issues. However, market demand improved during the year, and both companies met their second half financial targets. Strong market demand for construction equipment and aftermarket support has meant that AB Equipment began this new financial year with a record level of confirmed orders. TRS experienced tough trading conditions in the agricultural sector throughout the year, and a slower than planned expansion into Australia. The Industrial division's earnings before interest and tax, which also includes negative currency hedging adjustments, were $6.2 million, compared to $9.6 million last year.

The Retail division consists of New Zealand's two leading specialty footwear retailers - No 1 Shoes and Hannahs - and the BBQ Factory. Both footwear businesses were hit hard by weak trading over the crucial Christmas period, as was most of New Zealand's retail apparel sector. However, sales and profitability strengthened for both businesses in the second half of the year.

The BBQ Factory business performed well below expectation, with an earnings before interest and tax loss of ($2.0) million for the year. Its performance since it was acquired in 2004 indicates that Hellaby overpaid for the BBQ Factory, and at year end Directors resolved to take a full impairment on the carrying value of goodwill and brands. Overall, the Retail division's earnings before interest and tax was $6.7 million, compared to $9.8 million last year. This excludes any Rodd & Gunn performance that was included in the previous year's accounts.

In summary, the Hellaby group's trading earnings before interest and tax, and before one-off transactions, fell by $11.9 million or 30%, to $28.3 million, compared to $40.2 million last year. After allowing for a $3.9 million contribution from Rodd & Gunn recorded last year, this equals a net reduction of ($8.0) million.

Hellaby has experienced many good years in terms of financial performance and market credibility, and our shareholders have shared those gains with us.

Unfortunately, the past financial year was not one of those good years. We have made a mistake with the acquisition of the BBQ Factory, we have weakened our balance sheet, and we have arguably been too passive in the operational overview of our assets.

Having said that, we have acknowledged our mistakes. Looking forward, our overriding objectives are to restore investor confidence in Hellaby, to ensure that the company performs and grows, and to consistently improve total shareholder returns.

(slide 5) Looking forward

As a consequence of the past year's poor performance, we have comprehensively reviewed our future direction. This process has confirmed that our core businesses are sound. Hellaby is moving forward with a strong focus on operational performance, a focus on balance sheet improvement, and an ongoing review of the asset portfolio.

Having been appointed as chief executive of Hellaby in July 2007, it is now an appropriate time to describe some of the key focus areas, performance improvement initiatives and strategic direction for Hellaby going forward.

(Slide 6) Key focus areas

In the past few months we have been scrutinising performance in each and every business. Performance benchmarks have been put in place, and capital will be allocated on a more stringent basis.

Working Capital & Balance Sheet

Hellaby will become more disciplined in its use of capital. We will be strengthening our balance sheet and improving our gearing. In the shorter term we intend to achieve this through improved profitability, working capital efficiencies, the sale of non-core assets and a more conservative dividend policy.

Future growth will sometimes be funded from either the sale of assets or cash flow realised from group working capital initiatives.

BBQ Factory turnaround

The BBQ Factory business model and factors which have contributed to its under-performance are now well understood. Looking ahead, I will outline some of the initiatives now underway to turn around performance.

Firstly, in September, we appointed a new chief executive, Tim Wilson. Tim is a skilled retailer with considerable experience in performance improvement and business transformation, and he joins the BBQ Factory after ten years in the leadership team at Farmers. Tim's primary challenge is to quickly achieve a breakeven financial performance. At that point, we will review our future ownership options for the BBQ Factory.

The BBQ Factory has begun a programme of store relocation and improved store layouts, and commenced a brand advertising campaign in October. Our new-look or relocated stores, such as Christchurch, Tauranga and Mount Wellington, are all performing well for us, and this indicates that we are on the right track. Further new stores will be opened, and this will be accompanied by a rationalisation of outlets, including a review of the optimum mix of own and franchise stores going forward. A key issue and opportunity for the BBQ Factory is improved customer service, an area that Tim will be driving hard.

Operational Improvements

We are scrutinising performance in all our businesses, and chasing cash flow hard. All business units are very clear about their financial objectives and performance targets for the year. We are working with each business to assist with various initiatives to improve capital discipline, working capital efficiency and margin improvement.

The incentive schemes for all subsidiary chief executives have been aligned to reward them for the achievement of stretch targets, for earnings before interest and tax, and working capital improvements. The exception is Tim Wilson, chief executive of the BBQ Factory, whose incentive scheme target is the achievement of breakeven.

My own leadership style is hands-on and operational where required. Our board wants Hellaby to become a more active portfolio manager. An unrelenting focus on operational performance is a key component of effective portfolio management.

(slide 7) Growth strategy & portfolio management

As well as ongoing performance improvement, Hellaby needs to enhance shareholder value through profitable organic growth and acquisitions. Capital will be invested in growing existing subsidiaries and also in acquisitions, provided the business logic is robust in each case.

There are no sacred cows in our portfolio, and what fits today may not fit in the future. Hellaby will become a more active, hands-on owner of assets, with a ‘buy, build and divest’ investment philosophy.

We intend to refine and communicate our portfolio strategy in greater detail over the next year. It is fair to say that investment going forward is more likely to be in so-called ‘unsexy’ industrial and distribution assets.

While we are looking to grow, we will not acquire assets simply for growth’s sake. Our short-term focus will be on acquiring businesses that we can ‘bolt-on’ to existing divisions, to further enhance their performance. Equally, we will explore opportunities to invest in organic growth opportunities, such as expanding the range of products, services and markets for the businesses we already own. Having said that, Hellaby will always reserve the right to opportunistically acquire or divest assets.

A recent example of investment in organic growth is the successful expansion of Diesel Distributors into Australia during 2006/07, first by developing a branch network and then by securing the Australian distributorships for Delphi Diesel Aftermarket and for Hartridge products. While progress was slower than planned in the first year, this investment in geographic expansion is now performing well and results are on target in year two.

Examples of bolt-on acquisitions which enhance the existing asset portfolio include two acquisitions made by the BNT group during the last financial year. These were HCB Technologies which is a leading supplier of automotive and industrial batteries, and NZ Brake Co, which is a leading supplier of automotive brake parts, Both businesses were complementary to our existing automotive parts portfolio, and both have been successfully integrated into the wider BNT group. The performance of HCB in particular, has exceeded our expectations.

More recently, Elldex Packaging made two bolt-on acquisitions, of Chequer Packaging and PPL in July this year, to create an enlarged and stronger flexible packaging group within Hellaby.

(slide 8) *Growth strategy & portfolio management*

Footwear Retail

The footwear retail division remains an important profit generator for Hellaby. The recently completed review of our footwear retail division has convinced Hellaby that both Hannahs and No 1 Shoes have solid potential for further profit growth.

We believe we can add shareholder value with these businesses. I know that some in the investment community remain unconvinced as to whether Hellaby is a natural owner of retail assets. Hellaby has, in fact, now owned Hannahs for ten years, and footwear profits have been good to Hellaby over the economic cycle. We are comfortable owning Hannahs and No 1 Shoes. Nonetheless, it is prudent and responsible for us to review ownership on an ongoing basis, as indeed we do with all of our businesses.

Divestment of Non-core Businesses

We have previously stated that Hellaby will divest assets if they are not performing, if we are unable to grow them, or if we can better add value for our shareholders by selling to a more logical owner and investing elsewhere.

A few weeks ago, Hellaby sold the Levana Textiles business to The Merino Company, which is owned by the Australian wool group, Lempriere. Levana Textiles has been a solid performer for Hellaby over the years. However, our logic in exiting this business was that Levana under Hellaby ownership was unlikely to generate a roll-up in the textile sector. We believe that Levana now has an owner with specialist and international expertise in textiles, and a greater desire to further grow the business. Hellaby will use the cash generated from this sale to retire bank debt.

The asset portfolio is being reviewed on a regular basis, and further divestments are likely over time.

New Packaging Division

As I mentioned, our subsidiary, Elldex Packaging, acquired two flexible plastic packaging businesses in July of this year, delivering Hellaby a portfolio of three very strong packaging brands. Both acquisitions are largely complementary to Elldex.

While Elldex is primarily an importer of retail bags and rubbish bag consumables, Christchurch-based Chequer Packaging and Wellington-based PPL are primarily manufacturers of industrial, timber, meat, seafood and horticultural packaging.

Merging the businesses together has enabled us to combine the short-run manufacturing and primary produce capabilities of PPL and Chequer, with the importing and supply chain capabilities of Elldex, to create a unique packaging grouping in New Zealand.

We are pleased with the way this integration is progressing. The financial results are in line with our expectations, and the management team is focused on growing the revenue base of the business, while integrating the three businesses into one single packaging group.

Although there may be further packaging acquisition opportunities which Elldex will consider, our primary aim in the short term will be to extract the most from what we now own.

Elldex Packaging is an example of the way that Hellaby intends to invest going forward, where we initially acquire a platform business, develop a good understanding of a sector, and then acquire further bolt-on businesses.

(slide 9)   First quarter performance

Hellaby's group result for the first three months to 30 September is on target, and is approximately $2.0 million ahead of the same period last year at the trading EBIT level. Please note however, that the first quarter is traditionally a small quarter relative to the other three quarters.

(slide 10)   Operating performance – first quarter

The Automotive Parts division is well ahead of last year for the first quarter, with the BNT group result on target - aided by the contribution of HCB - and with a much improved performance from Diesel Distributors compared to last year. As I have already noted, the Australian profit performance of Diesel Distributors is back on track.

The Industrial division is also ahead of last year's performance, and AB Equipment enters the second quarter with a record level of confirmed orders. The TRS Tyre & Wheel business, which struggled last year, is ahead of target and well ahead of last year, with agricultural demand steadily improving and a further boost expected from Fonterra payouts in early 2008.

The newly formed Elldex Packaging group is also on track, with performance ahead of last year and a successful integration to date of the two businesses we acquired in July of this year.

In our Retail division, the performance of our combined footwear businesses is on target for the first quarter, including a strong performance turnaround in our Hannahs business over recent months. Having said that, the footwear retail environment remains reasonably tough at present, and the Christmas trading period will once again be critical. As expected, BBQ Factory performance was poor for the first quarter. However, as I outlined earlier, the turnaround of the BBQ Factory is underway, and we are working to a clear plan under strong leadership.

(slide 11) Outlook

Based on our first quarter group profit performance, we believe that we remain on track to achieve our target earnings before interest, tax, depreciation, amortisation and one-offs for this current financial year, of around the $45 million achieved in recent years before 2007.

(slide 12) Thank you

On behalf of the board, I would like to thank my chief executive team. The leadership style from Hellaby management is now inevitably more hands-on, and that brings its own set of challenges for the subsidiary management teams. The targets and accountabilities for my team are clear, and we look forward to transforming the Hellaby business together.

Finally, to our shareholders, I acknowledge that this is a turnaround year, and that I am accountable as the incoming group chief executive for achieving that successful performance turnaround.

Our overriding objectives are to restore investor confidence in Hellaby, to ensure that the company grows and performs, and to consistently improve total shareholder returns.

We look forward to reporting positively against each of these goals next year, and we realise that actions speak louder than words. Thank you.