

HELLABY HOLDINGS LTD

Annual General Meeting

Friday 16 November 2007

CHAIRMAN'S ADDRESS

(slide 1) *Bill Falconer, Chairman*

Fellow Shareholders, Ladies and Gentlemen.

In presenting the report on behalf of directors and the financial statements for the year ended 30 June 2007, it gives me no pleasure to recognise the company's only loss since re-listing in 1994.

The details are in the circulated Annual Report and Accounts. Suffice to say that because of a decline in operational performance our trading surplus declined by 28% to \$34 million, and as a result of a decision to write down our investment in BBQ Factory, we recorded an operating deficit of (\$4.7) million.

The return on shareholders funds and earnings per share were correspondingly negative. Interest payments at \$10.4 million were up 8.2 per cent on the prior year; tax expense at \$5.13 million was 45.1 per cent down on last year.

In the circumstances the directors concluded that the company should not declare a final dividend.

(slide 2) *Actions to re-establish earnings*

All of this crystallised a number of decisions under consideration by the board, and directors believe we have put in place actions which will re-establish the earnings capability of the company to levels achieved in previous years, and take the company forward.

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Closer operational control of subsidiaries

First, we concluded that the company should move away from its history as a relatively passive investment company to a more active relationship with its subsidiaries, and concentrate on optimising operational performance. We have appointed a new Chief Executive and Managing Director, John Williamson, who is charged with this responsibility.

John will be rewarded for improved operational performance on a year to year basis; and separately if growth of at least 15 per cent a year in total shareholder return is achieved over the next three years.

The latter reward was to have been implemented through a share option, which would have been conditional on this growth target being met, and it had been our intention that shareholders vote on this at today's meeting. I have little doubt that had the motion gone forward, the scheme as proposed would have been approved.

However, we withdrew the proposal because it seemed to the board that the uncertainty attaching to share price movements at either end of the option period meant that a match between the benefits to shareholders and to the chief executive was not assured. This is a characteristic that some shareholders believe to be an intrinsic deficiency of option schemes. There are many precedents for alternative ways of establishing a suitable reward mechanism for long term share growth, and we will review this further and put another proposition before shareholders in due course.

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More focused approach to balance sheet

Secondly, we have decided to take a more focused approach to our balance sheet, first by making working capital a target of operational management; and secondly by establishing a dividend policy with a target of distributing 50 per cent of tax paid profit, with imputation credits attached only to the extent that these are available from taxation payments. In other words, in contrast to earlier years we will not be paying tax in advance in order to generate imputation credits.

We believe this policy will enable both greater investment growth and a more prudent gearing policy.

We appreciate this is a change from our previous policy of maximum profit distribution, but our objective is that any dividend curtailment should be offset by capital appreciation resulting from investment in profitable growth.

(slide 5) New experience added to Board

Thirdly, we have decided that new experience should be introduced to the Hellaby board. To this end Hugh Green and David Houldsworth will both retire during the current financial year. The board has commenced a search process, and appointments will be made by the board as soon as suitable replacements have been selected. Any new appointees will, of course, need to put themselves before shareholders for election at the next General Meeting.

(slide 6) Refocus

Fourthly, we are actively reviewing our portfolio, and determining our mix of core and non-core businesses, with the expectation of concentrating investments around those areas where we have a legacy of investment and operational experience. The board expects that its buy, build and divest strategy will be more rigorously implemented.

Finally, we have taken considerable care to ensure that we as a board, as well as our chief executives and their teams, have learned from our *annus horribilis*. Aside from one unfortunate investment, which had the effect of draining cash and straining the balance sheet, the company has remained fundamentally sound. But successive years of performance growth may have allowed a complacency to creep into some aspects of the business, the cumulative effect of which has been an unsatisfactory performance.

John Williamson will tell you that this has stopped.

May I conclude by thanking our chief executives and their managers and staff for responding so quickly to the need for change, and to express the board's resolve that the early signs of improvement will be sustained. May I also thank you, our shareholders, for your patience as we deal with a result which, I sincerely trust, will never be repeated.

I now invite John Williamson, our Chief Executive, to address you.