

## **LIFE PHARMACY LIMITED**

### **2008 ANNUAL GENERAL MEETING, 7<sup>TH</sup> AUGUST 2008**

#### **CHAIRMAN'S ADDRESS**

At a time when economic activity is forecast to likely remain weak over the remainder of 2008 and our customers are faced with the effects of recent oil and food price rises and relatively high interest rates, and we continue to face unpleasant international news in the financial markets, the Board and Management of Life Pharmacy have been working hard to ensure Life Pharmacy is able to outperform its competitors, and be as well positioned as anyone in the sector.

We need to be able to take advantage of the opportunities that will more than likely arise in these challenging times within health, beauty and wellness retailing in New Zealand.

The Board is committed to growing and investing in the business to achieve scale benefits. You will recall that LPL Trustee Limited, backed by Andrew Bagnall, became a significant investor in the company last year and Andrew subsequently joined the Board.

This time last year, I introduced Philip Ingham, who was about to commence as our new CEO. Philip came to us from A.S. Watson most recently based in Hong Kong. In a few minutes Philip will report on his first year in office, but I have to say his experience with A.S. Watson, the world's largest health and beauty retailer, operating 7,800 stores in 33 countries across Europe and Asia and his track record in facilitating growth are proving invaluable as we look to pursue an aggressive growth path.

A significant step in that growth path is the acquisition of Care Chemists by the Life Pharmacy Group, in May this year. Care Chemists is an excellent fit for our existing business and enables us to continue to grow a community-based pharmacy franchise group. Our combined resources will allow the group to offer a well-considered umbrella brand to pharmacies focussed well and truly on the pharmacist.

The position of trust that pharmacists occupy in the community is the foundation of pharmacy service. The group is committed to developing programmes that ensure they remain visible to and personally involved with customers, at the same time enhancing the way their contribution is recognised by the wider industry and government agencies.

Our growth allows us to offer franchisees an increasing number of benefits:

- access to a strong buying group

Life Pharmacy Central Office  
Level 1, Building B  
600 Great South Rd  
P.O Box 17141  
Greenlane  
Auckland  
New Zealand  
P (09) 580 1900  
F (09) 580 1907





- successful promotional programmes based on building individual pharmacist's profile and value within the community
- a unique marketing programme based on increasing profitability by improving customer experience in-store
- significant intellectual property in the development and implementation of new professional services
- standard operating procedures for the operation of a pharmacy, to assist with MedSafe audits and other processes

The acquisition creates a sound platform for further expansion.

In order to facilitate this we announced on 16 June that we had decided to explore options for the company to raise funds of up to \$8million in the next two to three months for working capital management and acquisition capital.

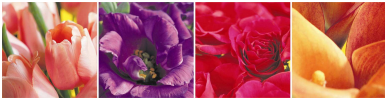
We have announced to the NZX this morning our intention to undertake a 3 for 2 renounceable rights issue of partly paid ordinary shares to all shareholders, at an offer price of \$0.40 cents per share. \$0.20 cents per share will be payable on subscription, and \$0.20 cents per share will be payable 12 months following allotment of the shares. The net proceeds of the offer will be used to reduce Life's external bank debt exposure; provide adequate resources for future growth and working capital in the health, beauty and wellness sector; and invest in the future growth in pharmacy.

Life has applied to the NZX to have the rights listed on the NZX to allow shareholders who do not wish to participate in the issue to sell their rights. In addition, Life has applied to the NZX for a waiver to allow the issue to incorporate an oversubscription facility. If granted, the waiver will allow shareholders to submit applications for shares in excess of their rights entitlements (to a maximum of 50,000 shares per shareholder), which will be available in the event that there is a shortfall in applications.

LPL Trustee Limited (backed by Andrew Bagnall) and PIMS 2005 (being pharmacist shareholders who are also shareholders in Life's associate investments) have indicated their support for the rights issue.

Also, LPL Trustee, having the option to acquire up to 50.01% of the total shares issue under any pro-rata capital raising by Life (that option being granted by Life on 18 June 2007 and approved by shareholders on 26 July 2007), has agreed to take up this right, but to waive this right to the extent necessary to allow other Life shareholders to exercise their pro-rata entitlement under the rights issue and to participate in the proposed over subscription facility.

Based upon the terms of the LPL Trustee option agreement and depending upon the take up of other shareholders, the company will raise a minimum of \$9million.



The record date for the rights entitlement is 21 August 2008 and documentation (including a short form prospectus and investment statement) will be sent to shareholders shortly after that date. Rights trading and the offer period are anticipated to commence on 22 August, with rights trading to cease on 15 September 2008. The offer is anticipated to close on 17 September with shares to be allotted the next day, 18 September 2008.

The objective to manage our debt exposure, and fund expansion by way of equity is a prudent one given the macroeconomic environment, and the Board believes the growth plans are modestly ambitious. A capital raising will allow us to gain momentum and put us in a more favourable position to act as and when opportunities arise.

We have also announced recently the decision to undertake a bonus issue of shares in order for shareholders to utilize imputation credits ahead of any capital raising exercise.

I would like to thank the Board, management team and most of all the staff of the Life Pharmacy Group for all their hard work this year. With all of our staff's dedication and commitment [together with a successful capital raising], I know we have an exciting year ahead of us and the Board looks forward to working on your behalf to make it as successful as we can.

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