

CHAIRMAN'S ADDRESS

Address delivered by the Chairman, Mr R J White, at the forty-eighth Annual General Meeting of the Company on Tuesday, 13 July 1999 in the Ballroom North of the Sheraton Brisbane Hotel, 249 Turbot Street, Brisbane.

Welcome to the 48th Annual General Meeting of your Company Campbell Brothers Limited.

In a few moments I will move the adoption of the annual report and accounts for the year ended 31 March 1999. Firstly however, I would like to comment on some of the highlights of the Company's past performance and to identify some key features that will impact on progress for the current financial year.

Results

For the financial year to 31 March 1999, net profit was again a record at \$10.62M against \$10.05M in 1998. Converting this to earnings per share, a more accurate reflection of the true earning capacity of the business, the 1999 result moved up to 35.1 cents per share from 34.2 last year. Accordingly, the directors increased the final dividend to 15 cents per share on a fully franked basis, as against 14 cents last year, making the total distribution for the year under review, 24 cents per share.

Some Ten Year Performance Comparisons

At recent annual meetings shareholders have requested some expansion of the historical financial data included in our annual report. Accordingly the ten year summary of that information included on page 47 carries a number of additional statistics. That chart is now before you on the screen and it is worth drawing your attention to a number of more important performance measures. You will note over this ten year period that the operating profit attributed to the members has risen from \$1.8 to \$10.6M, dividend has increased from \$1.6 to \$7.3M whilst the dividend rate has doubled from 12 cents to 24 cents per share. This dividend rate needs to be considered along with the fact that during this period there have been 4 individual rights issues and 1 bonus issue to shareholders at attractive discounts to the then prevailing market price for the Company's shares. Also of note is the conservative gearing ratio over the last two years with that ratio holding at about 21% over that period. From the point of view of conservatism and borrowing security you will note that the interest cover in today's more stable interest rate climate reached 11.3 times in the year just completed. Whilst it is not directly a measure of corporate performance or shareholder wealth, as a company we take some satisfaction in that the expansion of our business has more than doubled our employee numbers over this period at a time when unemployment is a critical economic and social issue for Australia.

The other reference to past performance that I would like to make is also drawn from the annual report. On page 2 is a summary of the major acquisitions made by Campbell Brothers over the same period. A glance at this list demonstrates that there have been expansionary acquisitions in each of our businesses – Consumer Products, Hygiene Systems/Industrial Chemicals, Reward Supply and Australian Laboratory Services. It is also noteworthy that those acquisitions have expanded the geographical regions in which the company does business to include South America

and to significantly expand our opportunities in NZ and PNG.

These are not hostile acquisitions but the results of cooperative negotiation, largely with entrepreneurial family companies where capital demands or succession planning have highlighted the wisdom of aligning the individual business with a public company which can more adequately address those issues. Indeed in a number of important instances the original proprietors have become members of the executive staff of Campbell Brothers and have contributed greatly to the integration and ongoing development of those businesses within the Campbell Group.

Current Business Issues

A few comments about circumstances which will make an impact on the business in the current and subsequent years now follow.

I believe the operations of the individual businesses are well described in the report before you but I would highlight just three issues from those summaries.

Firstly the successful and ongoing restructuring and repositioning of the Consumer Products business in a highly competitive market. The acquisition of the Wolseley Castle business in 1996 provided the Company with a very useful manufacturing site in Sydney. An adjoining property with 9,300 square metres of usable processing and storage capacity has recently been acquired (for an outlay of some \$7M). This will provide adequate facilities for the expansion of our Consumer Products business in Australia's biggest market. It also provides an opportunity to reestablish the ALS Environmental Laboratory in Company owned premises where a new state of the art laboratory is being designed and built with about four times the floor space of the original Sydney Environmental facility which was established only 4 years ago.

Secondly the continuing improvement in the performance in the Hygiene Systems business with steady expansion particularly in the milk and meat processing areas – strongly supported by the international raw material sourcing skills of Deltrex Chemicals.

Thirdly a remarkably consistent performance from ALS despite the downturn in mineral exploration work which has been substantially offset by expansion of environmental analytical work.

The Year Ahead

Undoubtedly the year ahead will have its share of opportunities and challenges and I highlight but a few that are apparent at the present time. Firstly, the strong recovery in Group performance that occurred in the second half of the last financial year has continued into this financial year. This year will also benefit from the recent acquisition of Panamex Pacific Limited.

The restructuring and repositioning of the Soap & Chemical and Hygiene businesses will continue with increased pressure on the operational stability of these businesses if the proposed acquisition of the Company's major production and distribution site at Bowen Hills for the purposes of northern road access to Brisbane City proceeds. We have participated in negotiations with the appropriate authorities in relation to this proposed road development but needless to say we are seeking adequate

compensation, not only for the assets involved but for the very substantial costs associated with relocating production, distribution and administration facilities currently operating on that site. The Campbell Brothers business has been established in Campbell Street, Bowen Hills since 1910 and we are approaching the potential disruption arising from this proposal with great care and caution.

Shareholders will be well aware from the daily and financial press about the continuing pressure on Australia's mineral producers. Obviously this will have further impact on mineral exploration analytical work which remains a key plank of the ALS business. The ALS management is pressing ahead with its strategic objective in recent years of expanding the business both geographically and in terms of the services offered in order to minimise the impact of the inevitable continuing downturn in a very valuable business segment.

By the next time we meet in annual meeting we will have reached, addressed and hopefully solved all the problems likely to emerge with the Y2K problem. The Company has had in place for the past two years, an active committee of senior operational and technical people identifying and addressing all the issues likely to be affected within our administrative, productive and distribution activities. The current phase of work addresses contingency plans in the event of interruption to our business arising from sources outside our immediate control.

Earlier in this address I referred to the conservative gearing of the Company's balance sheet, thus maintaining an appropriate balance between shareholders' and borrowed funds. The current stable interest climate coupled with the availability of more sophisticated measures to protect borrowings from undue interest rate fluctuations provides encouragement that the Company's balance sheet may be driven harder in the expansion of shareholder wealth. As expansion and or acquisition opportunities become apparent, the use of borrowings to a greater degree that has been the case in the last few years, is available as an appropriate business strategy.

With three months of the current trading year completed Group results are maintaining the stronger performance of the second half of last financial year. This translates into an expected 15 to 20% improvement on last year's first half results at this stage.

Staff and Directors

Each new year brings a whole raft of new opportunities and challenges. The measure of a company's ability to prosper in these circumstances is very largely identified by the skill, responsiveness, enthusiasm and commitment of our staff at all levels. As a Board we are extremely confident that under Mr Brown's leadership, not only do we have those qualities among our senior executives but a whole generation of younger professional and operational people are responding to the same motivations. I hope I will have your support in again recording the Company's appreciation of their ongoing efforts and their ambition to be part of a dynamic and growing organisation.

Once again I have had the very strong support of my colleagues on the Board, Mr Rod Campbell, Deputy Chairman, Mr Love, Mrs Withnall and Mr Brian White. They eagerly participate in consideration of and discussion about opportunities to enhance shareholder wealth and to provide meaningful career paths for our staff.

I now formally move the adoption of the report and accounts of Campbell Brothers Limited for the Year Ended 31 March 1999 and ask the Deputy Chairman, Mr Rod Campbell to second the motion.

R J White
Chairman