

Chairman's Review (on behalf of all directors) – Annual Meeting 2011

Firstly thank you for joining us today at our 10th Annual Meeting.

Today is our opportunity to present to you, our shareholders, your Directors' Reports on the financial and operational performance of Briscoe Group Limited for the 52 week period ended 30 January 2011. In addition however we want to take the chance to provide you with an overview of the Company's operations and the Board's views as to future trading environment.

You are well aware from our full year results announcement made during March that the period ended January 2011 was one of modest, but hard won growth for the Group. This was despite the continuation of an extremely challenging and competitive retail environment. We are well aware that the battle for our share of consumers' pockets, their disposable income, has never been tougher.

We don't want to appear repetitive in our remarks from last year but we continue our focus on carefully considered structural and strategic initiatives. Rod will be speaking in some detail about what we consider to be key drivers to the Company's growing success, but it is built on the premise that it is too simplistic to be just chasing the revenue line if you aren't making substantial gains in the bottom line.

We also believe that the degree of specialisation Briscoe Group has in Homewares and Sporting goods enables us to focus more tightly on the scope of our product offerings and when this is combined with our strong emphasis on the in-store shopping experience, we are able to ensure greater customer satisfaction.

As we have previously discussed with you, the restructuring of operational and merchandising activities has provided managers with greater ownership of and accountability for their areas of responsibility, and they continue to respond with substantial improvements in performance.

The profit centre structure for stores is enabling more flexibility in the allocation of resources across brands and the "profit-sharing" arrangements that we put in place have certainly been a win-win for the high performing managers as well as for the Group and its shareholders. There have obviously been refinements in these structures as we monitor both the performance and the practicalities of certain catchments.

Whilst we continue to source some product from Europe and through New Zealand distributors for sporting goods, China and increasingly India are the significant sources for much of our products. This reflects the dramatic improvements in quality of product out of China and the emphasis our experienced buyers place on product specifications and developments over the years of very close working relationships with our suppliers. Rod himself continues to be closely involved with the team in these buying trips and his experience and skill provides guidance. The economic and social developments in China over the last 2 years have put very significant pressures on the global market and the importance of robust sourcing relationships cannot be too highly emphasised.

Our first quarter results for the current year 2011/12, released earlier this month demonstrate that the Briscoes team is meeting the challenge to date but none of us should underestimate the pressure and demands on the team to achieve this sort of result consistently. There is no place for complacency as Rod will further elaborate

As we look forward we fully expect today's shoppers to continue to be cautious and it is up to us to present attractive and compelling offers to consumers.

The impact of today's Budget is difficult to predict, particularly the impact on consumers' behaviour in the face of anticipated cuts in Government spending and changes to KiwiSaver and Working for Families, but there must be belt-tightening implications for us all as New Zealand faces such a huge operating deficit.

Our investment in new technology also continues to add value and sophistication to our product and value analysis, ensuring increased ability to control inventories and refine product ranges. Complementing these has been the streamlining of our marketing operations and a drive to improve the shopping experience for customers.

Notwithstanding numerous changes we have made to Living & Giving, these stores continue to struggle, under the pressure of continued low levels of discretionary spending. The Living & Giving stores have not provided the returns we were seeking when we purchased them in 2006 and Rod will make further comment on the ongoing strategy for these stores.

While we are proud of what has been achieved, your directors and senior management are far from complacent. There is still much to do, but we believe we have a strong foundation in place from which the Group can develop and prosper.

The Group remains in a strong financial position to weather the ongoing volatile economic environment. Indeed with no debt and a strong cash balance it continues to be favourably positioned to take advantage of investment opportunities should they present as well as maximising organic growth opportunities that we believe would improve shareholder wealth.

The Board is keen to pursue further growth initiatives for the homewares and sporting goods operations and to extend the Group's reach into new geographical areas. Opportunities for further expansion through acquisitions, store rollout or store reconfiguration and will continue to be evaluated on the basis of their potential to add value to Briscoe Group and its shareholders.

Financial performance for the 2010-11 Year:

Sales revenue was \$419.29 million, compared with \$416.69 million previously. On a same-store basis, sales increased for the year by 2.4 percent over 2009-10.

Gross profit increased from \$166.46 million to \$166.75 million, equating to a gross profit margin of 39.8 percent compared with 39.9 percent for the previous year. Net profit after tax (NPAT) was \$21.61 million, compared to the \$21.03 for last year.

The result includes a tax adjustment of \$2.48 million that the Group was required to book under New Zealand Equivalent to International Accounting Standard 12 as a result of tax changes announced by the Government during the year. This deferred tax liability adjustment is a one-off non-cash accounting entry which has no material impact on Briscoe Group's underlying profitability, cash flows or dividend policy. Excluding this adjustment NPAT for the full year was \$24.10 million or 14.6 percent higher than the full year result reported for last year.

These results were for the 52 week period from 1 February 2010 to 30 January 2011.

Inventories were \$63.18 million at 30 January 2011, being slightly below the \$63.35 million reported for last year, reflecting the lower store numbers and also the constant focus on inventory that the Group has at all operating levels.

Net cash inflows from operating activities were \$45.26 million, \$30.35 million above those of last year primarily as a result of the abnormally high payments made last year due to the 53 week financial period.

Net cash outflows from investing activities were \$4.79 million reflecting investment made in store fit-outs during the year.

Dividend:

The directors as you are aware resolved to pay a final dividend of 6.00 cents per share (cps), fully imputed. When added to the interim dividend of 3.00 cps, that brought the total dividend for the year to 9.00cps, representing 88% of the Group's reported tax paid. Over the last four years the Group has paid out an average 79% of tax paid earnings.

The directors approved the final dividend payment date as the 31 March 2011, the same date as last year which was brought forward to take advantage of the ability to impute the final dividend at 33% rather than the reduced 30% rate that now applies.

Executive Share Option Plan:

The Board continues to be of the view that all shareholders benefit from the issue to key senior executives of long-term, appropriately-priced share options that crystallise only on delivery of increased shareholder value. In 2003 the Group established an Executive Share Option Plan. The Board intends to issue up to a further 1,500,000 options in the current 2011-12 financial year to senior executives. This will result in the total number of share options issued under the scheme since its inception and still exercisable being equivalent to 3.2% percent of the current issued share capital.

The first four tranches of options, issued between 2003 and 2006 have now lapsed with no options being exercised. The fifth tranche became exercisable at a price of \$1.38 each from 14 December 2010. Of the 1,139,000 options issued in that tranche, 1,077,000 were still exercisable at the end of the last financial year. During this quarter we are pleased to report that some executives have indeed exercised some or all of their options under this fifth tranche. The holders have until 14 December 2011 to exercise them. Disclosures will continue to be made in relation to the share options issued by the Group as and when options are exercised or lapse.

While on the topic of issued capital, I note that the majority shareholding of the Managing Director's trust remains at 75% (75.09%), substantially unchanged in fact from the percentage when the company first listed in December 2001. The balance of 25% held elsewhere by members of the public ensures substantial compliance with the NZX guidelines to enable sufficient liquidity in the BGR stock to allow meaningful trading to occur.

Community Sponsorship:

At Briscoe Group we continue to be aware of the need to be a responsible and socially aware corporate citizen.

The two recent earthquakes in Christchurch have affected many people and Briscoe Group has been working and continues to work closely with the Red Cross to ensure our contribution is effective and timely.

We have continued our support of *Cure Kids* as our charity of choice as we continue to believe it is a cause that fits our values. To date we have proudly contributed \$2.1m to this charity. You will see in our most recent Annual Report that within the Chairman's Report, we share some examples of the amazing work Cure kids is helping to fund.

Alaister Wall, Deputy Managing Director of Briscoe Group continues as a director of Cure Kids, reinforcing our commitment to this incredible charity as it strives to find cures for every disease affecting kiwi children (and their families) and improve their quality of life along the way.

In addition to our alignment with Cure Kids we support a wide variety of local community based charities, sports clubs and other initiatives by donating product to support fundraising efforts.

Directors, Management and Staff:

In addition to participating in formal monthly Board meetings throughout the year, the directors attended other meetings of directors and regular meetings of the Board's Audit and Human Resources Committees.

On behalf of my fellow directors, I wish to acknowledge the enormous contributions of all managers, profit partners and other employees to the Group's performance during the year. Their contributions are sincerely appreciated.