

Chairman's Address to Annual Meeting - 20 May 2010

Today is our opportunity to present to you the Directors' Reports on the financial and operational performance of Briscoe Group Limited for the 53 week period ended 31 January 2010. In addition however we want to take the chance to provide you with an overview of the Company's operations in what continues to be a fragile and unpredictable economy.

You are well aware from our announcement that the 2009-10 year was one of substantial growth for the Group, despite a continuation of the very challenging and competitive retail environment that adversely affected retailers so severely in the 2008-09 year.

Central to our strong recovery in Briscoes Group were several significant structural, strategic and cost-reduction initiatives we took leading into and during the recession, as well as huge commitment and much hard work to deliver results which commenced in late 2008.

The restructuring of operational and merchandising activities provided key managers with greater ownership of and accountability for their areas of responsibility, and they responded with substantial improvements in operating 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. Rod will be discussing these initiatives more fully in his address.

However cautiousness continues to be reflected in today's shoppers and it is up to us to present attractive and compelling offers to consumers.

Our first quarter results for the current year 2010-11, 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.

The impact of today's Budget is difficult to predict, particularly the impact on consumers' behavior of the likely increase to GST and some reduction in personal tax rates.

While the recent announcements on unemployment were heartening to us all, the continued low level of expenditure on credit cards clearly reflects the inconsistency that we face.

A report released last week by AMP, AMP Super Watch, indicates that “more people are saving and being cautious with their money now than any time in the last four years.” The same report states that 76% of those surveyed said they would rather save up to buy something than purchase it on credit.

Our investment in new technology in 2008 and 2009, also contributed to the success with 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. Eight Living & Giving stores and the brand as a whole failed to reach the standards we had set to justify their book values, and consequently we made an impairment adjustment for the year of \$1.86 million in the 2009-10 accounts.

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 favorably 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 acquisition or store rollout will continue to be evaluated on the basis of their potential to add value to Briscoe Group and its shareholders.

Financial performance for the 2009-10 Year:

Sales revenue was \$416.69 million, compared with \$388.47 million previously. On a same-store basis, sales increased for the year by 4.7 percent over 2008-09.

Gross profit increased 10.9 percent, from \$150.09 million to \$166.46 million, equating to a gross profit margin of 39.9 percent compared with 38.6 percent for

the previous year. Net profit after tax (NPAT) was \$21.03 million, 80.7 percent higher than the \$11.63 million earned in the previous year.

These results were for the 53 week period from 26 January 2009 to 31 January 2010.

Inventories were \$63.35 million at 31 January 2010, a \$5.89 million increase on the previous year-end total, reflecting the realignment of inventory levels for the increased consumer demand experienced during the second half of 2009-10 as stronger sales trends for the Group emerged.

Net cash inflows from operating activities were \$14.91 million, \$13.19 million below the previous year, primarily as a result of increased payments made in relation to GST and to suppliers, arising from the later financial year-end date.

Net cash outflows from investing activities were \$6.68 million reflecting investment made during the year, primarily in relation to property purchased in Palmerston North.

Dividend:

The directors as you aware resolved to pay a final dividend of 5.00 cents per share (cps), fully imputed. When added to the interim dividend of 2.00 cps, that brought the total dividend for the year to 7.00cps, representing 71% of the Group's tax paid earnings. Over the last four years the Group has paid out an average 72% of tax paid earnings.

The directors approved the final dividend payment date as the 31 March 2010, earlier than in previous years, to take advantage of the ability to impute the final dividend at 33% rather than the reduced 30% rate that now applies to any dividends paid after 31 March 2010. This was well received by many shareholders. We are yet to determine our future year final dividend payment date.

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 1,505,000 options in the current 2010-11 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 3.1% percent of the current issued share capital.

The first three tranches of options, issued in 2003, 2004 and 2005, have now lapsed with no options being exercised. The fourth tranche became exercisable at a price of \$1.48 each from 16 October 2009. Of the 1,090,000 options issued in that tranche, 1,020,000 are still exercisable as the holders remain employed by the Group. The holders have until 16 October 2010 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.

Increases to Directors' Fee Pool:

You are aware from your Notice of Meeting that the Resolutions include a request for Directors' Total Remuneration to be increased by \$25,000 from the current \$160,000 to \$185,000. This is to provide some remuneration to the independent directors for Board Committee work, in particular Audit & Risk and HR. You are well aware of the importance of independent directors taking the time to work with selected management in specific areas of interest to ensure robust development of policy and ensure its implementation. We have not in the past paid any fee for Board committee responsibilities. But now believe that it is reasonable to pay an annual sum of \$7,500p.a. for the chair of such a committee and \$2,500p.a for membership. There will be an opportunity to discuss this matter further if you wish when the motion is put later in the meeting.

Community Sponsorship:

At Briscoe Group we continue to be aware of the need to be a responsible and socially aware employer. We have continued our support of *Cure Kids* as our charity of choice as we continue to believe it is a cause that best fits our values. To date we have proudly contributed \$1.8m to this charity.

During the year Alaister Wall, Deputy Managing Director of Briscoe Group was appointed to the Board 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.