

Chairman's AGM Address – 22 May 2009

Whilst the primary focus of today's meeting is to review the performance of the Group for the Year ended January 2009, and I fully intend providing you with an overview of the Group's progress during the past financial year, it would also seem particularly appropriate in the current market conditions to share some views with you as to the broader operating environment.

The past eighteen months have been amongst the most difficult economic environment that many of us have had to face certainly in the last 20, and some would say the last 30 years. The extent of the debacle of the US financial sector and the subsequent credit crunch that has flowed through to virtually all other international markets is now appreciated.

Treasury Secretary, John Whitehead has reminded us that we in New Zealand are now “in our 6th quarter of recession now and there is likely to be at least one more before we see some tentative growth at end of the year”

Strangely some economies it seems simply couldn't bring themselves to face the reality of their marketplaces. Particularly close to our shores has been the unwillingness of Australia to recognise its plight, refusing to say the “R” word until that sledge-hammer of a Budget last week finally woke the market up.

However I don't want to sound smug for whilst I think New Zealanders were more aware at a relatively early stage about our economic conditions, I am sure that next week's Budget is likely to be a further “wake-up” call for many of us here too.

The Reserve Bank's Financial Stability Report published in the last week [RBNZ 13/05/09] made for some interesting reading reminding us of the relative stability of our banking sector and the continued availability of credit. Quite clearly we are going to continue to have to battle our way through prolonged weakness in our domestic economy and those of key trading partners. However as Brian Gaynor's synopsis succinctly put, “

the situation is not great in New Zealand but it is better than in most other countries”.

The March '09 quarterly retail sales data from the Dept of Statistics reported sales shrinking by 2.9% and reminding us that the last time we had experienced real retail growth was in September 2007. It was as one business columnist said .. “variously described as nasty, ugly and a shocker” [Brian Farrow, NZ Herald]. Our retail sectors in the Briscoe Group were certainly not amongst those and did manage to achieve growth and it is against this backdrop that we are pleased with our first quarter's result.

I would not however like any of you to think that your Board is feeling any easing of the pressure to perform. In fact in our recent Board review we identified that one of our biggest risks was to think that our recent restructuring and improvement in operational performance and costs would be sufficient to get us through. Complacency could not be further from our minds.

Whilst Rod will take you through in detail the operational performance of the Group, I would like to add that from the Board's perspective, the senior executive team responded well to the challenges put down to it by its MD and Board last year to turn over every stone to improve performance. There are no “sacred cows” in the Briscoe Group and as we were reminded at a Board meeting last week, there is now a culture throughout every level of the Company that delights in finding new initiatives to improve performance. No stone is too small to turn over, nor is any too large.

We fully subscribe to the view that there is no quick fix and that whilst there is likely to be a modest recovery in GDP in 2010, we still have a very tough time ahead in 2009. We have yet to feel the real impact of substantial unemployment in New Zealand with predictions of that climbing to 8% seeming sadly plausible. Rare bright spots for our customers is the prediction of continued low interest rates, the easing of inflationary pressure, the continuance of lower petrol prices, and the

benefit of the current tax breaks. For us as importers the continued buoyancy of the \$NZ, as a result of a weak \$US, and the promising resurgence in China's competitiveness are all helpful to our performance.

Pause

Now to overview of the Group's financial year ending 25 January 2009.

In that regard, Briscoe Group the year's result was at best patchy even given the demanding retail environment. As Rod reported in our release, we had been very disappointed with our first half result and the second half result was a much required improvement, resulting in an NPAT of \$11.63 for the year.

Earnings were generated on sales revenue of \$388.47 million, a decrease of 4.7%. On a same-store basis – we were down 6.6% possibly not bad relatively speaking to the market. The homeware and sporting goods segments returned same store sales growth of negative 5.75 percent and negative 8.64 percent respectively.

The Group's gross profit decreased 8.9 percent during the period under review to \$150.09 million, equating to a gross profit margin of 38.6 percent compared to 40.4 percent in the previous year.

The total dividend payout was 4.5 cents per share, representing 82 percent of the Group's tax paid earnings. I would like to note that during the last four years the Group has paid out in dividend 70 percent of its tax paid earnings. I would also like to remind you that it is our policy to pay out at least 60 percent.

Without wanting to pre-empt any questions later in the meeting, you will have noticed that at the end of January 2009, we had some \$63m in the bank, which is \$14m more than at the end of the prior year.

The increase is the net effect of the changes since last year in all other categories of assets, liabilities and shareholders' funds but reflects in particular the attention given by Board and management to the very careful managing of inventory levels and capital expenditure.

Over the course of the year there was a \$10m reduction in inventory levels and a \$10m reduction in the level of capital expenditure compared to the previous year.

Care has also been taken by your Board in setting dividend levels that we believe provide a prudent balance between the allocation of generated funds to shareholders and the appropriate maintenance of the group's retained earnings level.

You will also have seen the Group report earlier this month of our first quarter sales. The 0.09 percent fall in sales was a satisfactory result.

Clearly we are in for a tough year but it is one that we now feel well equipped to deal with. As a company we have always focused on being as efficient as we can, and cash-wise we are better off than most other retailers which gives us considerable flexibility should opportunities present themselves

Though sales may fall we will put every effort into maintaining market shares in both of our trading divisions to ensure that they remain leaders in their respective fields.

I would like to acknowledge the work of the Board and the contributions that each of you as Directors has made to the performance of this Company.

In turn, the Board also wants to record its appreciation for the hard work and effort the management team and all the employees of the Group. I know Rod is keen to give you his take on the operating environment and how Briscoe Group is dealing with probably its toughest challenge yet so I will leave that part to him. But before I do move to the formal part of this address I would like to make a comment that I think is very pertinent to you, our shareholders, in this current uncertain trading environment. Last year I made a comment about our/your managing director, his executive team and our employees.

I feel obliged to repeat those comments if I may.

“Since taking on this role as chairman when Briscoe Group listed in 2001 there hasn’t been one moment when Rod’s enthusiasm and passion for this business has waned – and as many of you will know, there have been some challenging times. In the current climate, Rod’s professionalism and attitude is an even greater asset. If there was anyone to be in the retail trenches with, I can’t think of anyone better than Rod. And I think we all know that no-one has more resting on the success of this company than its largest shareholder!”

That concludes my presentation and I have great pleasure in handing you over to Rod.

Thank you....