

17 May 2012

Thanks Rosanne. I too would like to welcome you to our 2012 Annual General Meeting. Thank you all for coming. Last year I introduced my AGM speech by telling you how delighted I was to report to you, that despite operating in an increasingly difficult trading environment, Briscoe Group continues to confound its critics by delivering consistently outstanding results.

My message to you today is more of the same. We continue to trade extraordinarily well, delivering profit increases that are industry-leading. The secret to our continued success? The dedication of a team of people whose total focus is one of continuous and constant improvement. We've had a great year and so far, this year is heading in the same direction.

I know you're all familiar by now with our FY12 result but I want to pay particular attention to our NPAT performance of \$27.53m, up 27.4% on the previous year. According to Forsyth Barr analyst Guy Hallwright, Briscoe Group is leading the retail sector in terms of doing business well, despite sluggish economic conditions, by providing the goods New Zealand shoppers want with the right product mix at the right price.

Warren Doak, Analyst at Macquarie Securities, describes Briscoe Group (and I quote), as leader of the pack, continuing to out-trade its listed peers, underpinned by a strategy of reinforcing its unparalleled value proposition in its sectors. It was Briscoe Group's relentless focus on ongoing inventory and cost control together with promotional planning that was the highlight of a solid F12 result", said Warren.

Before I go on I want to tell you that just yesterday we received the latest information on Briscoes Homeware market share from research agency Datamine. Briscoes Homeware had its fifth consecutive quarterly market share increase. In fact, our share of the homewares market has increased in 8 out of the last 10 quarters dating back to January 2010. We are quite rightly very proud of this result, which is indicative of our flagship retail brand's growing popularity relative to its competitors.

Just over a week ago we released our 1st quarter result. Group sales for the quarter ended 29 April 2012 were \$102.5 million, representing an increase of 6.46% against the same quarter last year.

Despite the continued competitiveness across the retail industry, the gross margin percentage is slightly ahead of the same quarter last year.

Homewares sales significantly increased by 5.72% to \$66.1m for the quarter and Rebel Sport also increased sales significantly by 7.84% to \$36.4m. Same store sales increased by 8.47% for homewares and by 6.25% for sporting goods compared with the year prior.

Last year's performance, coupled with a strong start to 2012, has given us a great deal of confidence that what we're doing, and the way we're doing it, will ensure Briscoe Group continues to deliver strong earnings growth in the coming years.

But for our company to continue to remain at the forefront of New Zealand retailing I know that we must both understand and learn, to capitalise on the rapid change in our sector created, in the main, by changes in technology.

Many traditional retailers aren't typically technology-savvy. It is true that we at Briscoe Group were hesitant to implement dramatic changes in the way we transacted with our customers, preferring to put our investment dollar, into expanding our network of stores, enhancing our stock and merchandising systems and improving the

shopping experience. The one big feature internet retailers lack is stores, and our focus is very much on ensuring that our stores remain a powerful asset on our balance sheet. While we acknowledge we have some way to go, we know our stores must be entertaining, exciting, engaging and a great stage on which to present our brands and our products.

We opted to watch, and wait to see, how the early e-commerce technologies would pan out. Now today, digital retail technology is a powerful reality. In the United States alone, e-commerce has reached \$200b and accounts for 9% of total sales, up from 5% five years ago. The corresponding figure in New Zealand is 4% or \$2.68b but this is expected to increase to \$4.2b or 15% of sales in the next three years.

Briscoe Group is committed to continual development of its e-commerce capabilities. Last year we launched e-commerce platforms for both Briscoes Homeware and Rebel Sport. We already had an e-commerce site for Living and Giving. Results have been pleasing with both our new sites delivering sales equivalent to provincial stores. We fully anticipate that our sales from our e-commerce sites will grow in line with global trends. And what's interesting is that we're not experiencing cannibalisation. Our online sites are bringing incremental business to the Group.

Already the line between store sales and e-commerce transactions is increasingly blurred. IS it an e-commerce sale if the customer finds the product in-store but not in the right size, for example, then orders it online? Or is it a store sale if our customer finds the product online but comes into one of our stores to check it out for herself, then buys it in store?

While e-commerce brings an exciting new dimension to Briscoe Group, our primary focus remains as always, on the retail basics; merchandise, marketing and our interesting stores.

First to merchandise.

Retailing is all about the right product at the right price. I talked earlier about our obsession with continuous and constant improvement. This approach applies in particular to our merchandise assortments. We have never stocked so many premium products. We have also extended a number of our ranges to include high end product but at an extremely accessible price. In addition, we have never stocked so many well-known and regarded brands, on our shelves. Global Brands like Maxwell & Williams (incidentally this brand is stocked by Harrods in London), Royal Doulton and Fieldcrest to name just three. And our quality, across the board, has never been as high as it is today. Customers are responding to our more premium offering at a rate far greater than our most optimistic projections had suggested. There's no doubt in my mind that New Zealand shoppers are looking for value and are prepared to pay a bit more if that product is high quality and great value.

Further, our research is telling us that there has been a discernible change in attitude towards Briscoes Homeware, in particular as a direct result of our brand/quality proposition. New Zealand shoppers have long regarded Rebel Sport as a first choice destination for sporting goods. But until recently, Briscoes has not quite achieved that same status. I can now tell you that Briscoes Homeware has become first choice for shoppers in homeware, due in the main, to the quality and value delivered by our merchandise. I would like to acknowledge at this time the great work done by the merchandise team.

A final note regarding merchandise. We're always looking for new categories because they can be significant growth drivers. I can tell you now that we're bringing new, entry level garden and car care products into Briscoes and will have stock on the shelves by October.

Marketing

I said in a media interview recently, that our marketing is making a significant contribution to the Group's performance. In line with the significant improvements in merchandise, our marketing has changed to reflect a more aspirational image without losing in any way our promotional pulling power. We have achieved what many would have considered impossible. We have lifted the brand perception and emotional engagement for both Briscoes and Rebel Sport without de-powering our promotional programme. By way of example, our use as a Group, of television advertising, has changed noticeably over recent months, using brand and category advertising to tell the other side the story; range, brands, quality and value. In fact, and as I said a few minutes ago, its value that our shoppers are looking for more than just a cheap price. We've recognised this and are better placed than any of our competitors to deliver this. And we have achieved our extraordinary sales growth without increasing our advertising spend.

Store Operations

The people who manage and work in our stores are the face of Briscoe Group to our customers and we are proud of the way our people have performed over the last year.

We have continued to fine tune the structure of the store groupings within the profit centres to ensure that we have the best mix of stores in each Profit Centre and that our best people are managing our biggest profit centres .

New Position Descriptions and "Key Performance Indicators" have been developed and communicated to the store management teams to ensure that their focus remains on the areas that will drive improved performance in our stores.

We strive to recognize and reward outstanding performance and encourage a culture where under performance is identified and dealt with promptly. This approach has

resulted in a number of changes, for the better, at Business Manager, Retail Manager and Assistant Retail Manger levels within the Store Operations team.

At present we are piloting a Customer Service programme in a small number of Profit Centres. This programme aims to improve profit by helping our mangers to focus their teams on providing even better service to our customers which will result in higher sales. Once the programme is fully developed we will start to roll it out to all stores in the second half of this year.

And finally...

Store Development Programme for 2012, our most ambitious in years.

This year will be an exciting one for our Store Development programme. Throughout the year we have identified 24 projects currently either in planning or execution stages. These include counter space realignments in Briscoes (where we remove the old fashioned checkouts and replace with new service counters), store fixture improvements in Rebel Sport (which create additional linear footage), right through to store expansions, relocations, and brand new sites.

The year started with the completion of the expansion and space realignment project in Briscoes Botany. The store looks tremendous and is trading particularly well.

Please go take a look if you're out that way. Our customer feedback tells us we've done a great job.

Also completed is a relay of our Kitchenware and Electrical area in our largest Briscoes store at Panmure. Relaying this space has increased linear selling space by 30%, while offering a less confusing layout to our customers.

The other projects we have lined up for the year are:

Counter Space Realignments - This year we will replace the counters in 10 of our highest performing stores. Our existing counter configurations are space hungry, and for a majority of time many of the counters are not used. A more efficient counter design allows us to realign about 100m² of space in each store, and return much of that space to prime retail selling area.

Apparel Fixture Replacements in Rebel Sport stores - A few years back we designed and moved to a slim-line fixture to showcase apparel. This modern fixture allows us to increase the total linear selling area within the same square footage. What's more, we are able to retain a comfortable aisle space in between the fixture runs.

This year we have chosen 5 high performing stores to replace the apparel fixtures. We expect at least 25% extra linear selling space from the same footprint, and are confident of an increase in sales per square metre as a result.

For new stores & relocations slim-line fixtures enable us to challenge the overall store size, a great way to reduce costs from the outset.

Large Projects - In Q2 we are completely refitting our existing Briscoes Blenheim store. Currently 15 years old, the store will benefit from a complete makeover including new carpet, lighting, joinery, shelving, and a fresh coat of paint inside and out bringing this store up like new. In fact the store re-launches today.

During the course of the year we will be opening a brand new Rebel Sport next door to Briscoes Blenheim. Operating the two stores side by side will aid in reducing operating costs, maximising efficiency and reducing traditional office and storage space. The locals in Blenheim are very excited about the news Rebel Sport is coming to town, as are we.

Rebel Sport Hamilton will be relocated next month to a better location in the city's Northmall. We are taking the opportunity as part of this relocation to utilise our slim-line fixtures, maximising selling space while enhancing our Customer experience.

One of the most exciting upcoming projects this year is the rebirth of our Briscoes downtown Christchurch store in Salisbury Street. Due for completion in August, this store is a complete redesign/rebuild, and we are proud to have such a large format store opening so soon near the heart of the city. Our Christchurch Team are thrilled with the news the store will be open again so soon. You might recall this was the store seriously damaged by the earthquakes.

Relays are planned for Rebel Wellington & Rebel Palmerston North. We have been monitoring performance of these recently relocated stores, and are confident that utilising our space in slightly different ways will further enhance the output of both stores.

In addition, we are in the planning stage to expand and relay 2 more Briscoes stores in Hornby and Cambridge. Both projects allow us to significantly increase the retail area, which after a carefully planned relay will offer Customers a bigger range of products and much more spacious layouts. Both sites will house new storeroom facilities with increased capacity. These 2 sites have been traditionally difficult to operate, so the expansion and new design will enhance the operations to allow our Teams to focus on the Customer even more.

In conclusion. Briscoe Group is trading more profitably than at any time and we are proud this year to be celebrating the 150th anniversary of the Briscoes brand. Our retail brands are growing, attracting more customers who in turn are buying more and better product from us. And, while paying close attention to the basics of retail; merchandise assortments, marketing and our people, we very much have an eye on

trends and developments in retail, both here in New Zealand and globally. Our e-commerce platforms are an indication of our preparedness as a company to recognise that the world of retail is changing at pace and we, at Briscoe Group, will embrace that change where it makes economic sense, and if our customers want it from us.

Thank you.